THE EASTERN ECONOMIST

•

A WEEKLY REVIEW OF INDIAN AND INTERNATIONAL ECONOMIC AFFAIRS

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January to March 1962

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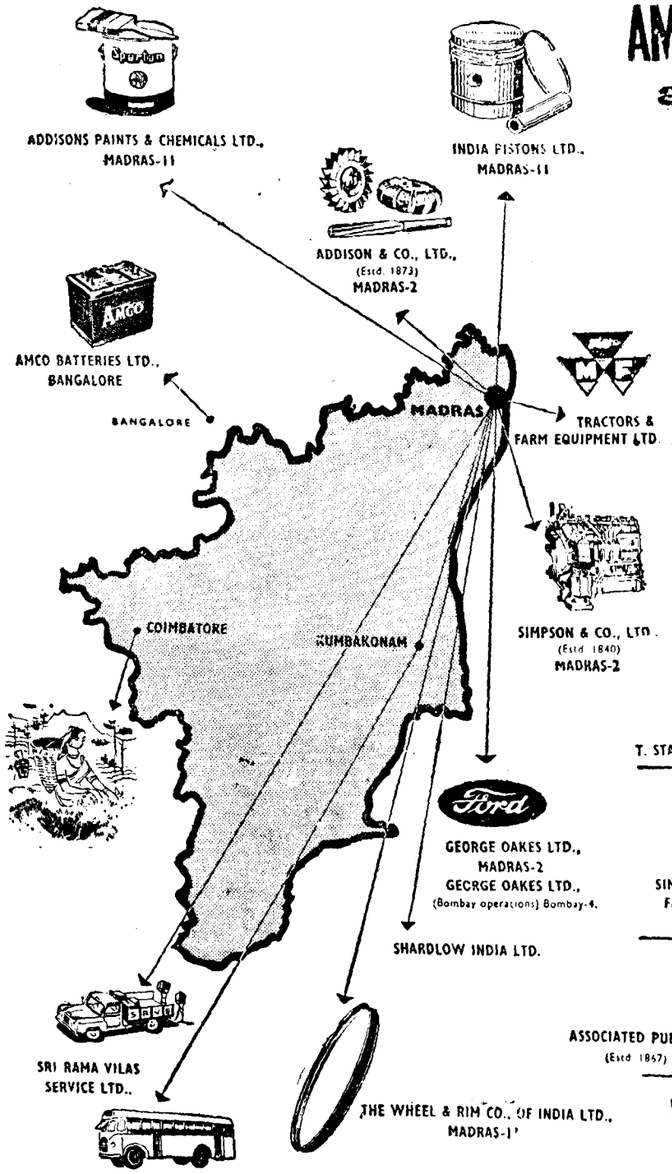
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India and Denmark	January 26, 1962.
India and the U.S.S.R.	March 2, 1962.
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Problems of Economic Discontent	March 20, 1962.

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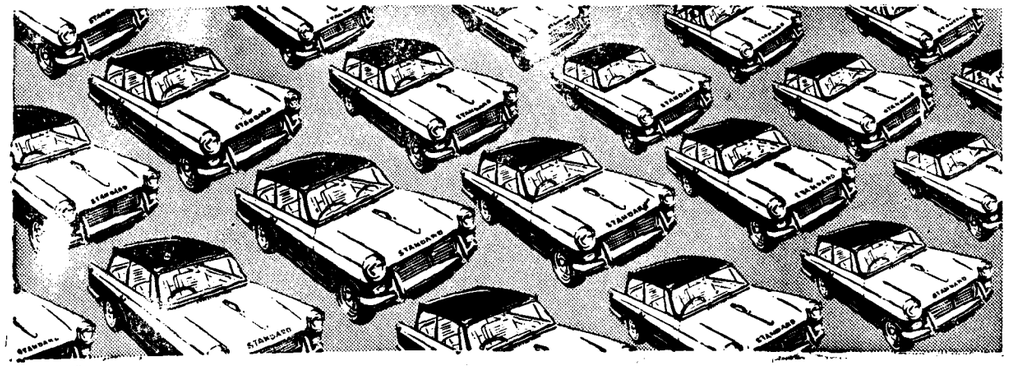
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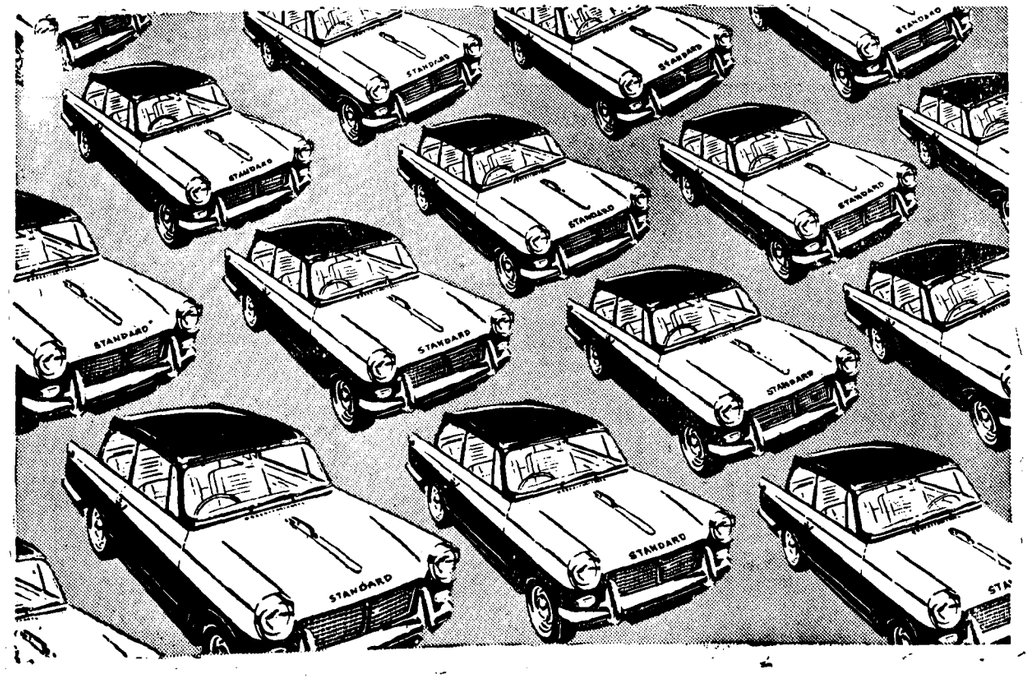
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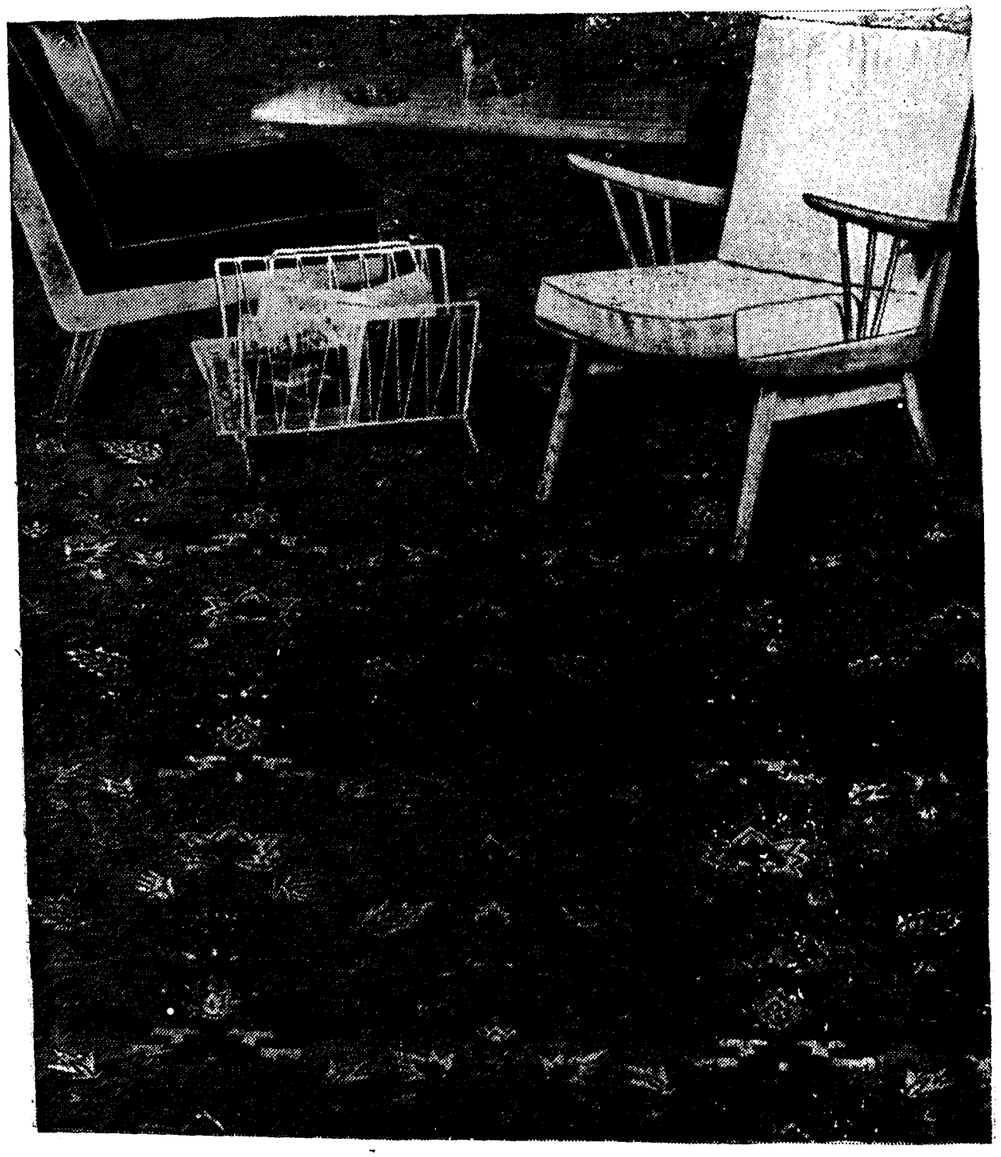
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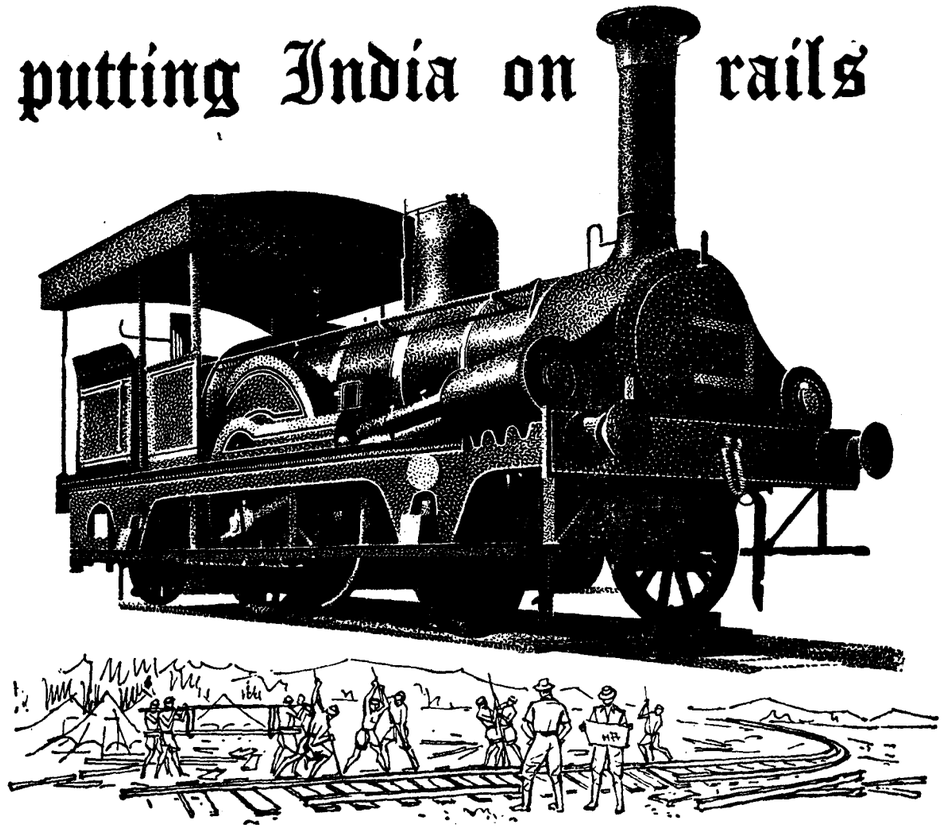
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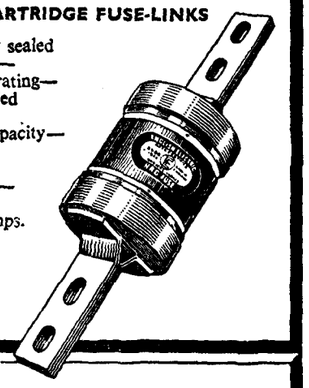
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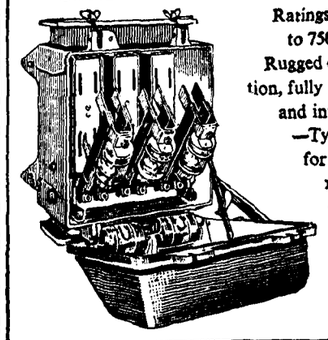
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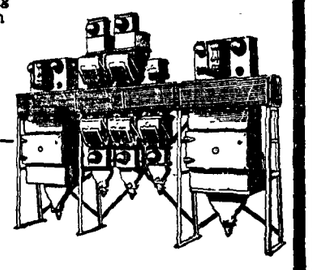
COMBINATION FUSE-SWITCHES



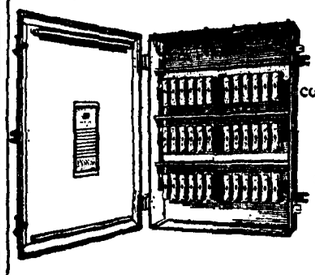
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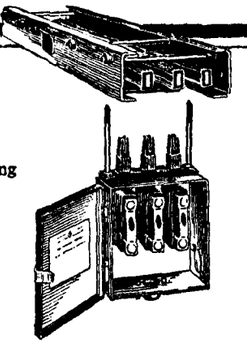
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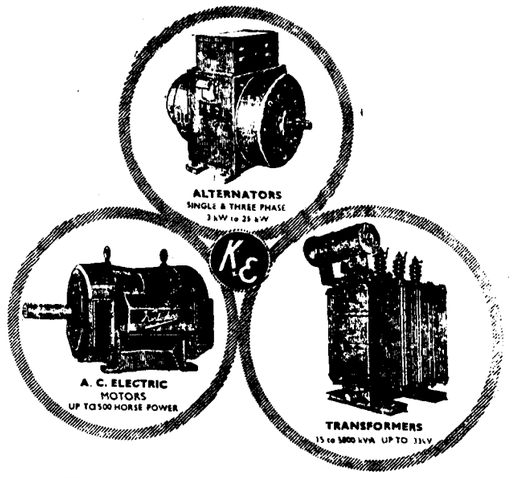
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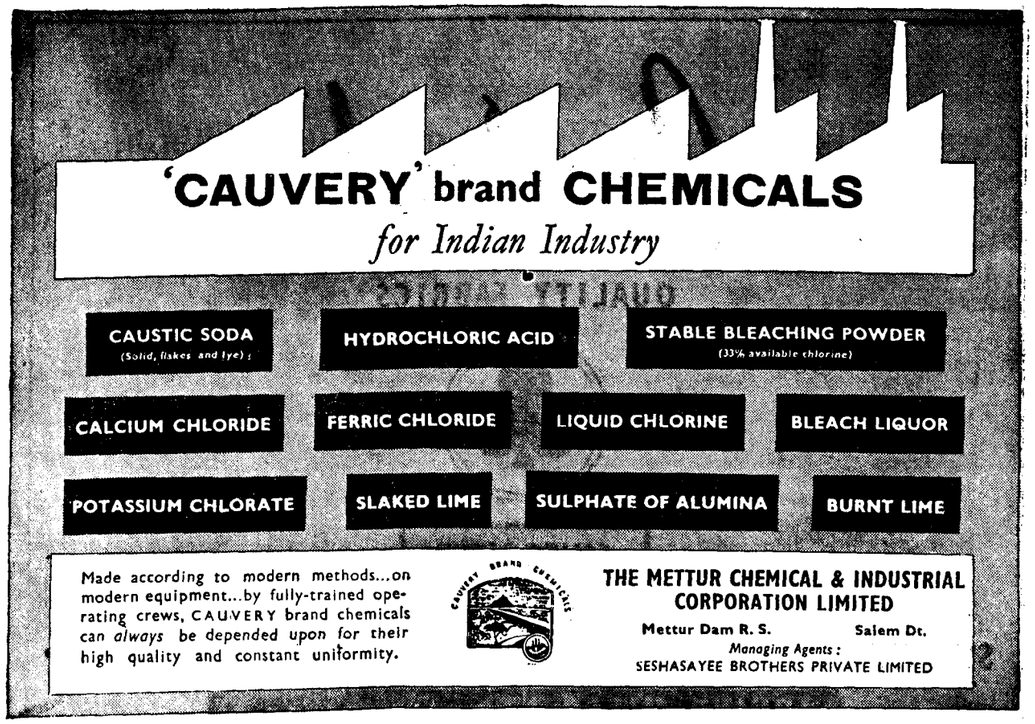
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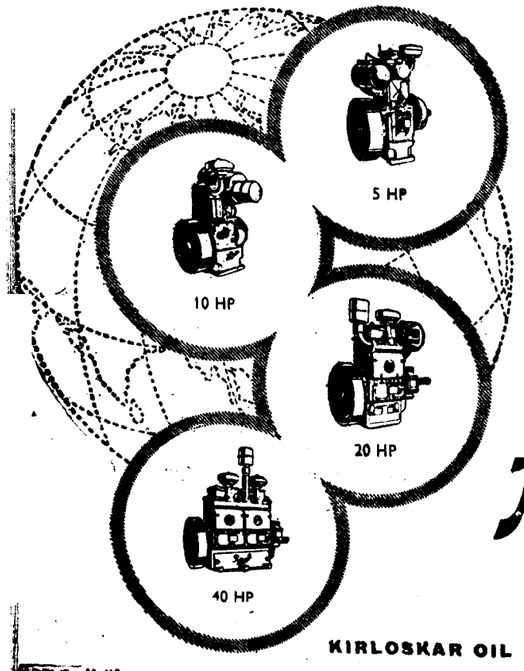
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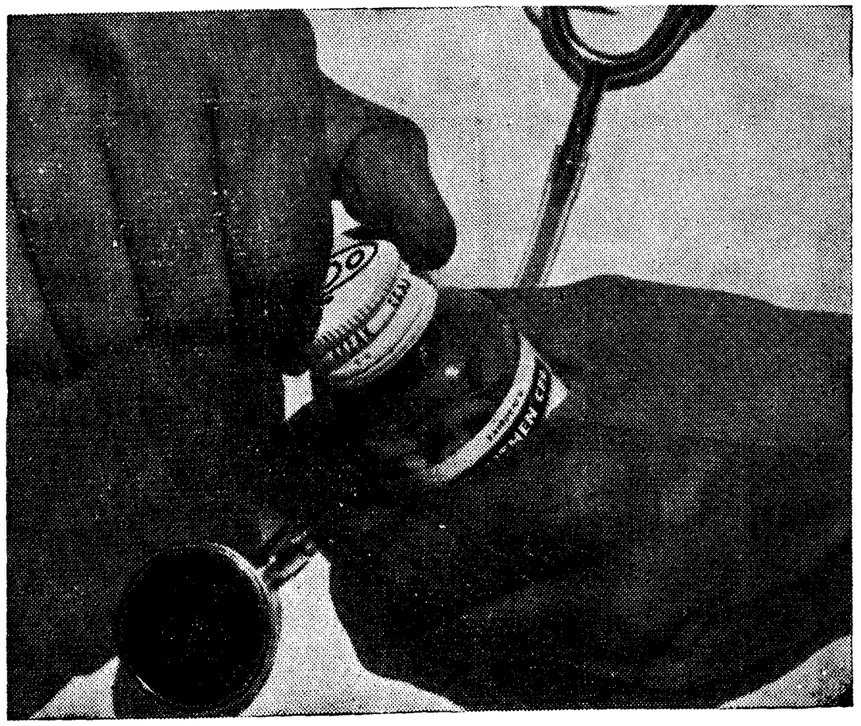


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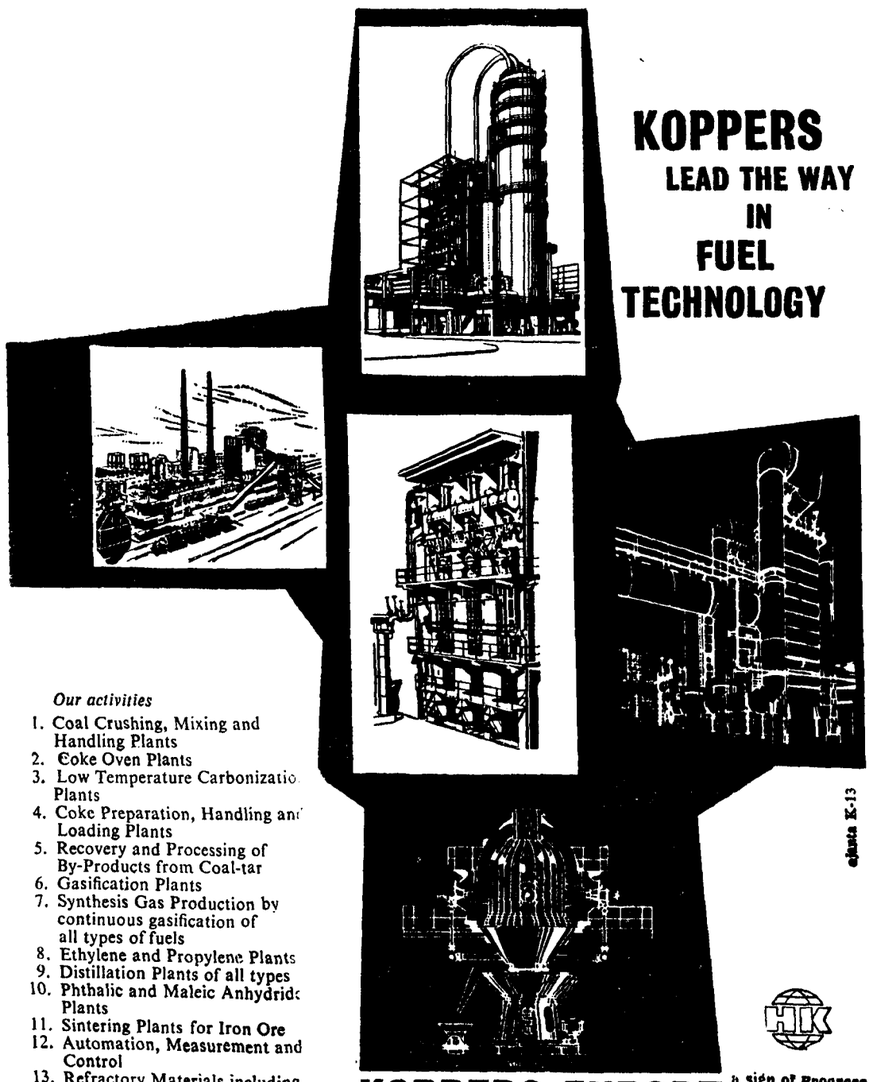
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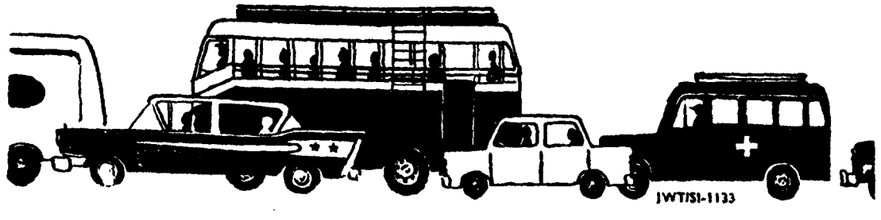
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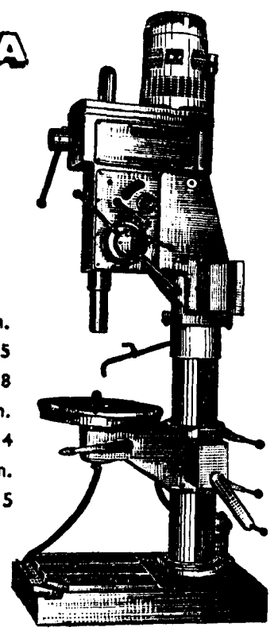
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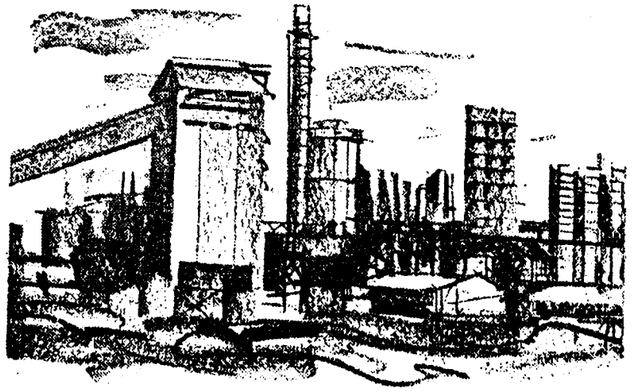
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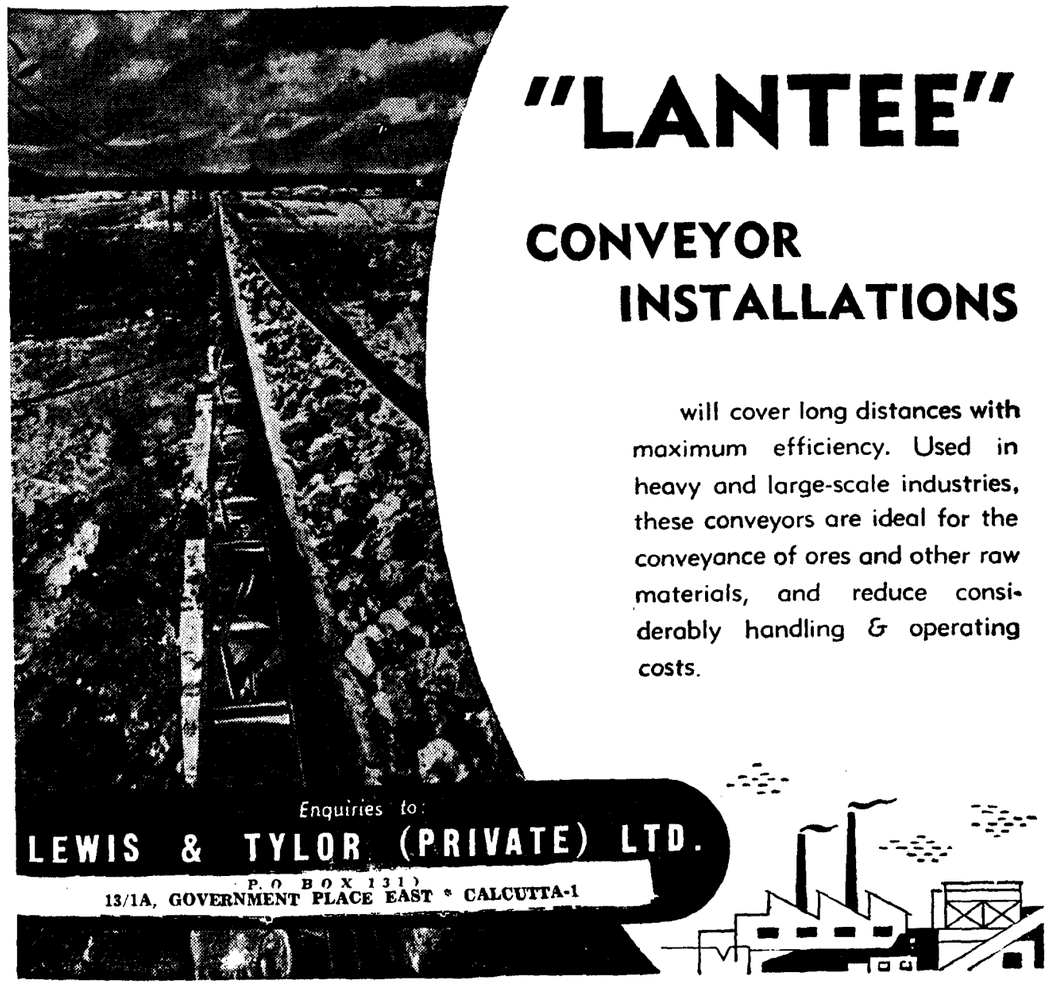
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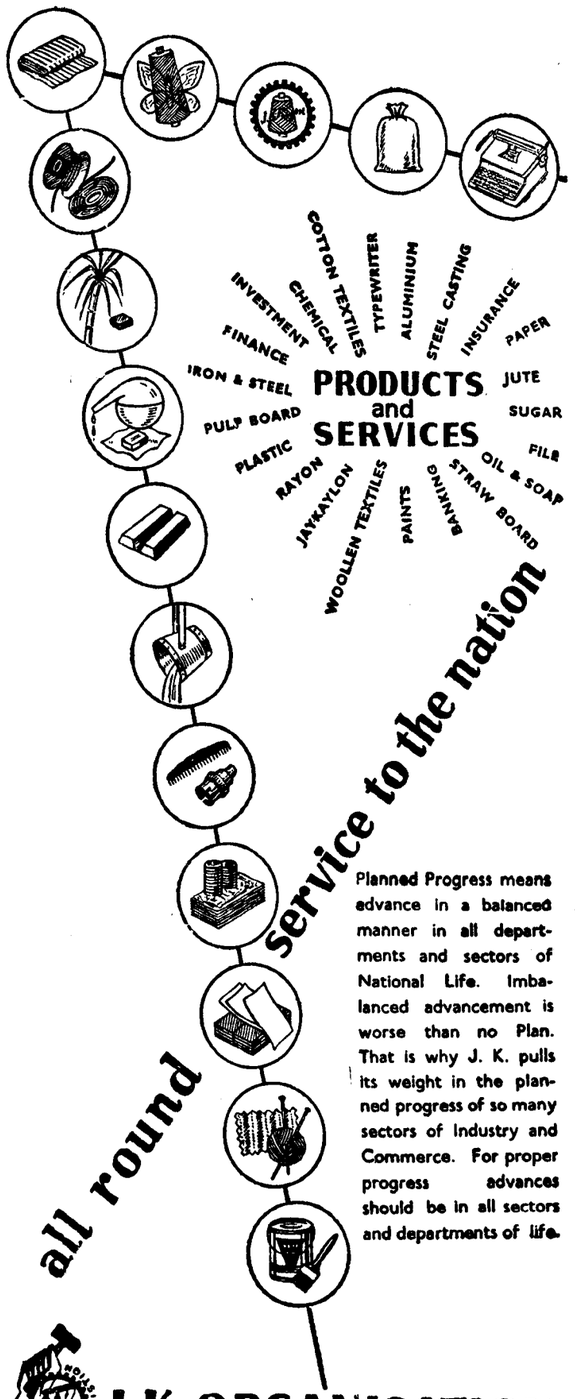
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INDIA AND EUROPE DIVIDED

Merciful Heaven!
Thou rather with thy sharp and sulphurous bolt
Split'st the unwedgeable and gnarled oak
Than the soft myrtle; but man, proud man,
Drest in a little brief authority,
Most ignorant of what he's most assur'd,
His glassy essence, like an angry ape,
Plays such fantastic tricks before high heaven,
As make the angels weep.

William Shakespeare — *Macbeth.*

We sail a changeful sea through halcyon days and storm,
and when the ship laboureth, our stedfast purpose
trembles like as the compass in a binnacle.
Our stability is but balance, and conduct lies
in masterful administration of the unforeseen.

Robert Bridges—*The Testament of Beauty, Volume I*

All this I bear, for, what I seek, I know:
Peace, peace is what I seek, and public calm:
Endless extinction of unhappy hates.

Matthew Arnold — *Merope.*

It is our true policy to steer clear of permanent alliance with any portion of the foreign world.

George Washington's Farewell Address to the People of the United States, September 17, 1796.

India and Europe Divided

Preface

FOR the Annual Number this year momentous events, as well as "The Eastern Economist's" own choice have decreed that the subject should be 'India and Europe Divided'. There has been, year after year, very little choice in regard to the major themes of "The Eastern Economist" Annual Numbers. They have had, perforce, to be directed to those problems or continents which, to the Indian mind, have loomed large on the political and economic horizon. It is true that just two years ago the Annual Number dealt with 'India and Europe'; the imperatives which make a return to this Continent necessary in so short a time are so compelling that no apology is necessary for dealing with the same Continent though, necessarily, in somewhat different terms. In 1959 there was a picture, by and large, of the need for India to recognise that, for the purposes of the Third Plan, she needed almost every country in this pulsating European world. As 1961 closes, the opportunities for an equal choice of all without offending any country have been quite considerably dimmed. The year ended with the momentous decision to march into Goa, Daman and Diu; India has leaned heavily on U.S.S.R. support and has obviously displeased, to use a classical understatement, what is often described as the Western World. The glaring instance of the differences on our action in Goa have brought home to the Indian mind the presence of Europe in areas far removed from its shores. While the Berlin crisis is geographically a dramatic internal illustration of Europe divided, the divisions of Europe reach out almost to every corner of the globe. They will be found at this moment in a fairly vicious form in the problems of the Congo, notably in those connected in the settlement of the dispute with Katanga. They have been seen by us all too keenly in our own experience in Goa. They have now cast a shadow over Kuwait where the U.S.S.R. is apparently supporting Iraq's claim against British resistance. Over the whole of the world and in its supreme council—the United Nations—the European Cold War is carried over to every continent. If in all political and economic analyses, one looks for causes of political and emotional behaviour today, a great deal, notwithstanding the power of the United States, would still rest in the heart of Europe divided.

THE ECONOMIC GULF NARROWS

This Annual Number seeks to develop what, it is hoped, for Indian readers will be a new and provocative thesis round three central ideas in terms of political and economic philosophy such as might affect Indian thinking in relation to Europe thus divided. The first of these is basically an economic idea, indicating that in the fifties of this century there has been evolved, on both sides of the Iron Curtain, a pattern of economic pragmatism which has made obsolete, on the one hand, classical theories of the essential quality of free competitive enterprise as the main motive of economic progress, and on the other hand, the dogmas of Karl Marx which produced classical socialism assisted by the teachings of Lenin and Stalin in the first half of this century. The essential contrast in philosophy between the two sides of the European Continent was predominantly economic. It has always been believed that the Revolution of October 1917 was more an attack on Capitalism than on the Czar. Marxian doctrine assumed that, while Capitalism was inherently unstable, Socialism could remove the contradictions of this obsolete system and install in its place a system without "exploitation" and without "a class struggle". Exploitation, according to Lenin was practised by Capitalism internationally. Thus Imperialism was a contingent condition of Capitalist success.

Western Europe has now shown, in more than one respect, particularly in Germany, the Netherlands and Italy, that colonies are not a condition of economic progress. Thus, there has been destroyed one of the momentous pillars of Communist thought. Secondly, the argument that foreign trade was a Capitalist ally with the technically advanced countries pitching themselves against the helpless underdeveloped countries, has been shown, in fact, to be an error. In the second half of the twentieth century, the advanced countries are advancing largely on their own markets and not upon the riches of colonial trade. In fact, the current position seems to be that Western Europe is almost sufficient onto herself and, at this moment, Britain is making up her mind to enter the European Community instead of holding fast to her far flung empire, believed to be her source of prosperity for fully two centuries. In a sense, Britain herself is shedding her imperial skin recognising that, if the doctrine of the colonial drain had any force at all, it does not apply to our times. Under the pressure of these developments there lie three major economic forces which are propelling themselves with tremendous impact into the making of new political and economic communities. The first of these is the rapid advance of technology, including in this year the arrival of space flights in which the Soviet Union has tended to surpass all nations of the earth in both skill and daring. The interest in the space flights, at the moment, is much more in the region of illustration of the vast strides of technology in the decade than in their capacity to present new worlds for a planet getting darker every day under the shadow of the destructive powers of the same technology. The truth seems to be that technology in industry and science is now making progress which has no relation whatever to the pattern of investment either by free enterprise or by the socialist or by the mixed economy. In other words, economic systems are now giving place in the current economic thinking much more to forces common to all systems that are prepared to use instruments of economic progress. Second only to technology, which helps to reduce costs, is the expansion of markets, partly by the rise in real incomes, partly by the removal of tariff barriers and handicaps, partly, if one might so express it, by the regeneration of markets in the form of the principle of increasing returns. Essentially, the principle of increasing returns is that the markets which produce incomes are themselves makers of further income since costs are reduced by higher production and, therefore, markets can be expanded by an initial act of faith that lower costs will be more than proportionately rewarded. Large markets can be made to breed even larger markets in their turn; larger because of the capacity of modern technology to multiply supply and of affluent markets to absorb more and more at this time when barriers to trading are reduced. Thus, Western Europe has become one vast market, and Eastern Europe another. Only fierce political walls, and not Marxian differences of economic philosophy, prevent a successful extension to the other side. Both the classical doctrine of unlimited competition of economic theory and Marxian doctrine of central production in a Socialist State are now largely marginal differentials to the central core of economic practice which is a combination of technology, spacious management and expanding markets which are not bound either by the teachings of Adam Smith or Alfred Marshall on the one hand or Karl Marx on the other.

THE POLITICAL GULF DEEPENS

Unfortunately, when the economic differences between 'systems' are being eliminated and their similarities in the modern age are outliving their marginal differences, the political gulf gets, it seems, every day deeper. This is not because either system is incapable of advancing on the economic front or either can advance more rapidly than the other. In the economic articles which follow, it is shown that Western Europe has as good a record to show in this decade as any country of Eastern Europe. Indeed, it has something far better to show because economic progress has been achieved within the framework of individual liberty and, by and large, with a field for experiment in both State and private management, which has been good for the world at large as well as for the countries concerned. We do not need, as so many of us trained in Europe thirty years ago, to take a long course in economic philosophy in order to recognise that much of what we were taught has thus become completely irrelevant to our times. What we were not taught might conceivably be far more relevant since the economic factors seem largely to cancel out; it is on the great spiritual founts on which, it seems, in the last analysis, men's particular choices of systems will depend. If rapid economic progress can be achieved with relatively free political systems, why should we choose dictatorship and all the terrible tyrannies which go with monolithic political systems based on the cult of personality in which one needs to tremble lest one should lose favour with authority often contained in a single mind? What we need now to choose is whether we shall live with liberty or without it; or less controversially, in the one-party system of socialist thinking, or the multi-party systems of the Western democracies. "The Eastern Economist" believes that the Indian people at this time need a clear assessment of the implications of this choice in terms of the national interest.

THE PARADOX: DEMOCRACY MINUS?

The Constitution of India is supposed to have made this choice, and the legal framework of the Indian Government which is derived from the Constitution, is basically a leaning towards the Western European pattern of life, particularly in its parliamentary form of Government — that of the British Parliament. On the other hand, as events in Goa have shown, the emotional leanings of the Indian people are still somewhat against the Western powers believing that they enshrine — as with Portugal — a deep desire for Colonialism or for intervention in the affairs of the peoples of Africa and Asia. The existence of NATO as a supreme military alliance is believed often to contain the seeds of Colonialism in a revised form. The Warsaw Pact, on the face of it, seems to have no such disadvantages, because its members have no colonies in the old sense. Thus the Indian opinion is very prone, at this hour, to assume that when its forms of political thought are more in tune with the West, many of its vital interests, such as in the pursuit of the freedom of the Asian and African peoples, the U.S.S.R. and its associates might have a better understanding of our broad aspirations at this time. This, in the opinion of "The Eastern Economist", is an error and much of the argument in the pages which follow indicates the extent to which it is a mistake for the Indian Union to lean heavily on Soviet support in the belief that, in either economic or political terms, such a leaning is in the interest of the people of India or of Asia. In purely economic terms, the capacity of Western Europe and the United States to help the Indian Union in the fulfilment of the Third, Fourth and the Fifth Plans must be far superior to those of Eastern Europe as the decade which has elapsed can speedily show. But irrespective of whether or not Eastern Europe has this capacity to supply the needs of Asia, the fundamental idea that a monolithic one-party system is interested in extending liberty (as we conceive it in a democratic society), is one of those great illusions which have tended heavily to cloud thinking both in the Asian and African Continents for the last generation. The rise of the Soviet Union and its spectacular success almost everywhere are often confused with the power to assist underdeveloped countries to shape their own ways of thinking. There is nothing that succeeds like success. The greatest of all perils of success, however, is the capacity to blind those who worship it and to cloud the great issues of human choice in matters relating to the creation of human personality. Great technological achievements produce (alas!) no creative power in the moral field; atheism is, if anything, a destroyer of personality, though a mechanical religion may be no better.

The moral should now be clear. Firstly, it is argued that India is on the point of making a major error in her leanings towards the Soviet Union out of gratitude for the quite simple and inexacting support that we have received by a veto in the Security Council on the discussion of our incorporation of Goa, Daman and Diu in the Indian Union. It is possible to be blind to our own larger interests because we are relieved of embarrassment at this moment. Secondly, in a longer study of the Third Five-Year Plan, it is argued that our fences with the West should be mended since it cannot conceivably be wise, having embarked on this Plan, to endanger its fulfilment by an exaggerated dependence on Eastern Europe. Thirdly, the character of thinking of both the East and West should now be set in a quite different context of thinking. The Western nations do not need Colonialism and Eastern Europe does not, except for propaganda purposes, sustain the thesis that only Communism produces rapid economic progress. Exploitation, in the Marxian sense, has been abolished in the West by the Welfare State and the mass consumption affluent society without the elimination of free choice sought in socialist societies. In other words, the elements of economic progress are now not connected with exploitation of labour and the development of Colonialism and foreign markets. Thus Capitalism, in a sense, has redeemed itself by a capacity for performance without exploitation or Colonialism which makes the socialist vision, both unnecessary and cruel.

This is not an argument for Capitalism as such in the Indian context. Equally it is not necessarily a condemnation of Socialism as such. But the argument certainly leads to the conclusion that India can well proceed on her own way of a "mixed economy" without prejudices which the history of the last decade has shown belong to an age which is dead.

DEDICATION

The year 1962, according to astrologers, is to be a critical year for the Indian Union and the exact time of crisis is due in the middle of next month. There are times in history in which it is good for a nation to have a crisis, for then it can test all things and hold fast to those which are good. "The Eastern Economist" believes that in assessing and assaying the vast volume of material which has been collected on both sides of the Iron Curtain, and experimenting with the truth it contains, it has some contribution to make to the Indian people at this time. Slogans—Right, Left and Centre — are now largely meaningless. For the instruments of economic progress seem to be basically the same everywhere — technology, markets, incentives. But greater than these is dedication. There must, however, be first a casting out of current erroneous and prejudiced thinking. Perhaps we shall find again, as Mahatma Gandhi did, the wonderful tonic of experimenting with truth. If that should be assisted, our labours will not have been in vain. As always, it is to the Indian people that our work is dedicated.

PART A

A Politico-Economic Prologue

Europe: The Divided Continent

From Pre-nationalism to Supra-nationalism

THE DIVIDED CONTINENT

EUROPE has always been a divided Continent. In what way does its partition across its middle today differ markedly from the divisions of the past? For three thousand years there has been no European unity and yet, culturally, Europe has tended to be one piece, resting on the magnificent pillars of the culture of Greece and the glory of the Roman legal and administrative legacy. One of the remarkable paradoxes of history is that Greece, with its tremendous empire moving eastwards, was unable to extend its domain over the European Continent. When Alexander wept, perhaps on Indian soil, because there were no fresh worlds to conquer, he was seemingly unaware of the great areas of Europe which had still to feel the sharp edge of his sword and the tremendously vital touch of the Greek cultural renaissance. Even in the glorious fusion of Rome and Greece, which was inherited by Europe at the beginning of the middle ages, there was no single European State. When the power of Rome was broken in the fifth and the sixth centuries after Christ, what looked like a possible universal European state seemed crumbling rapidly to ruin. Nevertheless, there were bequeathed by Rome, even in the process of dying, two mighty elements of union to this divided continent. The first was the common Catholic faith which, until the wars of religion came further to divide Europe, was a magic element of unity almost over the whole of Western Europe. When on Christmas Day 800, the Great Charlemagne, the ruler of the Franks, was crowned Emperor of the West by Pope Leo III, there was apparently a degree of unity greater than any which existed even under Roman rule, for Charlemagne's empire was deeper in the heart of Germany than had been the sway of the Roman emperors. The second element of unity was far less defined, because it applied only to the literates of whom Charlemagne himself, a great patron of learning, was, curiously, not one. This was the use of the Latin language as a single element providing among scholars a bond in the days before nationalism tore Europe apart.

DISUNITY AFTER THE NATION STATES

Division in Europe bred rapidly on the base of nationalism when the English and French nation States confronted one another in a long series of battles in the Hundred Years War; when in the throes of its making, Germany confronted France and Spain confronted England for the profits of sea trade, there were both religious and national economic issues at stake. There are some who would argue that the divisions of Europe today have their deep roots in the rivalries of those centuries and that Western Europe is fighting for a Christian way of life, just as Eastern Europe is fighting for the Communist way of life. There are others who would see it entirely in economic terms in a black and white distinction between Capitalism, as the embodiment of free enterprise (which it has long ceased to be), and Socialism as an embodiment of public or State monopoly. These are all the playthings of fertile but superficial minds. The factors which have made Europe break into two great pieces, as distinguished from the many distinct states, are today as far removed from the period of pre-nationalism as they are from the period of nationalism. They are also far removed from the controversies of religion, Catholic and Reformation, as they are from the simple elements of the Capitalist-Communist antithesis. There are perhaps, elements of all in the controversy. But, basically, the issues now raised are those which in the twentieth century world require massive areas both for security and for economic protection. Security is the greater bond of union on both sides of the Iron Curtain. Today because of Berlin and East Germany it is overwhelming.

It is this supra-nationalism which has produced in Western Europe the NATO alliance and the European Community. It is this supra-nationalism which is driving the United Kingdom, albeit with great hesitation, into the European world, of which she has been so central a part, but with which, traditionally, she has sought never to merge. It is supra-nationalism decreed by the fear of being overpowered by the Soviet Union which is the key to Western European thinking. And Germany, notwithstanding the extraordinary nationalism of its people, has been split in two by the same forces. For the supra-nationalism of the Communist State has created in turn the supra-nationalism of Western Europe, whose hinterland is the United States. Thus Europe has, in a sense, reached its point of minimum division when only two great forces face one another against a dividing wall which is unique in European history.

THE MILITARY COMPONENT

The causes of this particular line of division are certainly predominantly military. This is, by no means, to say that, had World War I and World War II not dramatically intervened to place the exact frontiers where they now are the old frontiers would have rusted. One of the tremendous paradoxes of history is that the German State which has suffered most from the current division of Europe, has been the main instrument of the current creation. When Hindenburg and Ludendorf scored in World War I their momentous victories over the disorderly Russian armies on the Eastern Front they were, unknown to themselves, creating the October Revolution of 1917 and the whole course of subsequent Russian history. When in World War II Hitler launched his senseless attack on the Soviet Union, in a period of mad overconfidence, he, in fact, gave the Russians what they had never had, a foothold in Central Europe. The Conferences of Teheran, Yalta and Potsdam were powerless to stop the relentless march of military events. One might argue that more of Germany might have been held by the West, but then Berlin and much of Austria would have been held by the East. So far as Denmark was concerned a last-minute intervention by Winston Churchill saved a zone which might have fallen with East Germany. But there is nothing to justify the easy generalisation that, against the cold calculations of Stalin aided by his military successes, any large section of Eastern Europe could have permanently escaped the events of 1945 to 1948 which made Eastern Europe very much what it is today.

Europe, for the same reasons, that prevented the West from keeping the Soviet Union outside Central Germany keeps its unity today because of the new military power of the U.S.S.R. Europe has been divided at the will of the East, and on the whole only with the acquiescence of the West. Therein lies the key to the understanding of the dangerous, though probably not unstable, division which will perhaps run its course for this century. Behind this line of division very different forces work. To these it is necessary to turn. But the line of partition has been decreed by World War II backed by the nuclear power of both sides which inhibits action to change this tortuous dividing line. Thus division is deeper than ever; but behind this division, unity is being steadily forged every year. Unfortunately greater unity and greater disunity will never perhaps cancel out.

Part A – A Politico-Economic Prologue

Western Europe: The Imperative of Togetherness?

UNION BEFORE DEATH

IN what manner does the division of Europe into two great blocs of States in unions, mutually antagonistic, differ from Europe divided down the ages? So far as Western Europe is concerned, the essential difference lies in the fact that its cohesion has been imposed from without and yet in a very different manner from the manner in which Rome, Charlemagne and Napoleon — each in their different times — sought European Union. In the case of Rome, there was the superiority of the Roman citizen imposed on a large number of subject peoples. And while the legal structure of Roman law came in time to wear a more liberal look, it was basically authoritarian with the power and authority not only of the Emperors, but of the small ruling class of Imperial Rome. Under Charlemagne, the Holy Roman Emperor, there was the dual power of the authoritarian emperor with his supreme authority based on conquest, allied to the authoritarian power of the Catholic Church giving, in a sense, a unity in a fuller, though more paradoxical, form. For Christian doctrine was based on equality of men before God, whereas the superstructure which, in time, reared feudalism, was based essentially on the powers of classes, giving rise to hierarchies, both in the Church and State. When Napoleon, who has been described as the prime-mover of the early portion of the nineteenth century, sought the union of Europe, it was a grand vision in which France was the apex of the pyramid and Napoleon himself the supreme authority in France. Just as there was a paradox in the association of Christian doctrine with the fuedal system in the Middle Ages, there was a paradox in Napoleon playing upon nationalism and the power of the people to make his army dynamic in the sense that he gave them a cause which was different from his own authority.

None of these movements was essentially democratic. Napoleon himself is credited with the famous saying: "I do not hate freedom though I give it a wide berth when I meet it on my way." His institutions although founded on Roman Law, were predicated on an authoritarian rule even whilst promising every soldier a Field Marshal's baton in his knapsack. Thus democracy in the army, with a free opportunity to rise inside its rigid cadres, was not democracy in the sense of a free choice by the people and yet in one of his great visions, Napoleon saw the power of the mass mind which had run amuck in the French Revolution. "He who moves the masses", he said, "changes the face of the earth."

THE FREE SOCIETY

Western Europe today is different from the whole of its predecessors in that it is a voluntary association of free and equal States, resting on the democratic idea, that the people in these States can choose their governments inside the alliance, predominantly military, which is the common bond of security for all. It is true, there are signs of authoritarianism in Western Europe today, and Portugal, whose name is rightly anathema in India, is a conspicuous example of the stigma which often mars Western European liberalism. Nevertheless, the broad current of Western Europe is one of an association of free societies, freely associated for a common, and wholly legitimate, purpose. The common purpose, which might be called togetherness on the analogy of the new structure of group assertion is, in fact, a response to the need for combined military security facing a great and unfriendly, power.

THE RISE OF NATO

The fact that NATO preceded economic co-operation is shown by the dates on which step by step the North Atlantic Treaty Organisation advanced over Western Europe. It is not necessary here to go into the whole story of how in the disillusion of 1947 and 1948 with a Communist coup in Czechoslovakia in February 1948 and the blockade of Berlin from June 1948 to April 1949, Western Europe was forced into cohesion. The Brussels Treaty of 1948, the North Atlantic Treaty of 1949, the Paris Agreement of 1954, and, finally, the addition of Germany which acceded to NATO on 9th May, 1955, are all steps in a process of cohesion; almost unbreakable now that it has come about, but basically created under fear of Russian military might. Whether that fear was justified or not, it was in fact the cause of union. Thus it comes about that what the nations of Europe could not for eleven centuries after Charlemagne achieve on their own, came about by the outside pressure of the Soviet Union's policy of advance into Central Europe. Whether, on balance, the Soviet Union's policy was wise or not is currently beside the point. It has certainly brought into being a powerful counterpoise; perhaps in this action and reaction are both equal and opposite.

BY BLOOD AND IRON

The Indian observer, even if he has a fine historical sense, cannot enter deep into the spirit of European events between 1945 and 1961. For one thing, they are basically events which turn on the security of the nations concerned and their security, although it seems to involve a global war when violated, does not basically interest the Indian people who are enormously distracted by their own problems, first following the coming of Independence—Kashmir is one such—and then the building up of the Plans. Thus, Western Europe has started its period of cohesion with two great handicaps not understood in India. The forceful character of Eastern Europe's aggression on the West is scarcely appreciated by nations which have always looked upon the West as an aggressor. One of the great historians of Western Europe, Arnold Toynbee, has talked of the siege of the West as the great reversal of the historical current of the eighteenth and the nineteenth centuries when the West ruthlessly besieged the rest of the world. It is natural that we, who still think in terms of our own painful experience, which has been that of aggressiveness by the Western European powers, do not appreciate the fact that the besiegers are now terribly besieged. Yet one cannot explain the tremendous cohesion of Western Europe except on the basis that it has been forced to combine, in Bismark's phrase, by blood and iron. The course of events does not suggest that NATO was, in the first instance, aggressive although views will naturally differ on its capacity to proceed beyond its original context which was purely defensive. Article 5 of the North Atlantic Treaty which described the essential character of the treaty shows that it was a defensive alliance. "The parties agree that 'an armed attack against one or more of them .... shall be considered an attack against them all' and that if such an attack occurs each of them will take 'such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area'." The European Common Market and the European Community are the children of what was basically a military alliance; it seems strange in retrospect that common interest needed to be enforced by the fear of common extinction.

Part A – A Politico-Economic Prologue

Eastern Europe: Union Against Schism?

IF the source of democratic unity in Western Europe has been the fear of Eastern European aggression, by what bond is Eastern Europe herself held together? Undoubtedly, as NATO has grown in strength with the power of the United States, there is a fear of military attack from Western Europe, although, as has already been indicated, this is not within the ambit of the NATO alliance. The Union of Eastern European States is much more a process of extending an undisputed rule of a common doctrine largely, though by no means entirely, dictated from the Kremlin. In a sense, just as Western Europe has been held together by the fear of an Eastern European onslaught, Eastern Europe has been forced to combine itself against schism between its own members no less than the fear of weakening itself before the enemy.

MINORITY GOVERNMENTS

The need for protection against "schism" will be apparent when one recognises that, in every single state of Eastern Europe, the Communist Party which exercises complete executive authority, is in a painful minority. In the U.S.S.R., members of the party number only seven per cent of the population. In Poland, they number only one per cent, and, while the authority of the State has to be maintained, it is obvious that there must be the apparatus of authoritarianism and, if necessary, force to prevent an overthrow by the majority. In this sense, doctrinal weaknesses of the ruling party acquire a power far in excess of what they would be in democratic societies. Administrations, as well as persons, need to fight for survival. How else can one explain the bitter history of purges to avoid deviations in the short history of Communism since the 1917 October Revolution? The truth is that the doctrine of the inevitability of the collapse of Capitalism, which was to have sustained the Revolution when it was consolidated, has proved insufficient to maintain faith in Communist administrations. For one thing, Capitalism is very far from collapsing; indeed, it has, under altered circumstances, acquired a very marked ascendancy over Western Europe. Schism also spreads within, when the picture across the "border" is one so different from that painted by Karl Marx or by current Communist teachings. The Western proletariat, far from dwindling into insignificance, is acquiring its own stake in Capitalism, and the affluent society is placing within its reach practically all the elements of welfare which hitherto belonged to the privileged only — the automobile, the television set, the telephone, scholarships, and above all, political power belong to workmen no less than to the middle classes of our time. The transformation of the bourgeoisie in Western Europe has been the basic challenge to the Communist philosophy of life.

THE CRISIS IN EAST GERMANY

In no area of Eastern Europe has this been more dangerously exposed than in East Germany. Here the classical doctrine of Communist teaching, namely, that Capitalism contained within itself the seeds of its own decay, based as it was on exploitation and on imperial ambitions, have been dramatically disproved. Berlin has been the window of Eastern Germany and thereby of the whole Communist world on the affluence of Western capitalism, freer in West Germany than almost in any country of the world. On December 30, 1961, Herr Ulbricht even admitted that the net result of this unequal competition was that 40 per cent of the national income of the East German State, or possibly nearly £5,000 million in all over the years had been sucked away by the movement of population and the consequent denudation of East German talent and skills. Thus the crisis which has led to Berlin's becoming a great citadel of Cold War, becomes full of meaning. The East demands that this window should be closed. The West, equally determined to demonstrate its superiority, is right to bar the way.

THE BATTLE FOR ECONOMIC EQUALITY

This is, in fact, although it takes the political forms of a new treaty for East Germany and the consequent settlement of the Berlin dilemma, basically an economic matter. What is involved in Berlin is the recognition that two unequal systems are at war and the Eastern European system cannot currently bear (at least before it has established the passage from a low to a high level of income) the comparison which Berlin presents. It is natural that the East should recognise that it must unite against the terrible leak in its body economic. Berlin has been the wound from which Eastern Germany has been bled over all the years since partition. It is right that its doctors of doctrine should attempt, in avoiding schism in their own ranks, to close for all time the wound or its consequences on the body politic whose strain is all the greater by the fact that it is authoritarian and run by small minorities without popular support.

Because the Eastern European system is authoritarian, because it does not enjoy popular support, and because in economic terms it cannot currently afford a traffic in men and a comparison of performance with West Germany, it is understandable that the authorities in the East should be adamant against free movement. This is not necessarily a permanent act of negation. All it means is that, in the long period of transition before Eastern Europe catches up with Western Europe, there will be intolerance and all the consequences of it in authoritarian institutions, lack of freedom of expression and so on. These are what might be described as the defences of a diffident society.

CAN CONFIDENCE RETURN?

If, however, the argument of the economic section (Part B) is true, one might make the assumption that perhaps twenty years from now, when diffidence in this respect has been somewhat destroyed by the undoubted capacity of Eastern European countries to employ the most modern technologies to develop their economies, there will be less fear that the affluent societies of the West can continue to draw the best talent that there is in the East. Meanwhile, however, the problem of defence of the Eastern World has made acute a major political problem. The question of coexistence is no longer a theoretical one, for the closure of the window of Berlin is necessarily an attempt to avoid schism within Eastern European ranks. The closure of Berlin thus conceived is not an attack on the West so much as an instrument in Eastern self-defence. On the other hand, to the West it is a vital element of strategy to demonstrate that its own way of life is more powerful in producing the fruits of material progress added to liberties of the individual citizen. Strategically, Berlin is too vital to both sides for a major reversal of positions to be obtained. Therein lies the danger of the Berlin situation, for retreat is now almost impossible and one cannot advance by nuclear war. That at least is the Russian view. But China and others are more ridden by theory, perhaps because they are further away from the fruits of action. Thus schism has produced more schism, with China and petty Albania calling for a "tough" line, whereas the Soviet Union, close to the major powers of attack, is necessarily more flexible and more calm. This is sometimes described by saying that the U.S.S.R. is becoming more "normal". In fact, it is much more the wisdom of expediency in an age in which nuclear war pays no dividends to either side. The line of division of Europe is hard, because it is probably not negotiable; there is too much at stake, and the only military methods altogether too unpredictable.

Part A — A Politico-Economic Prologue

India and Western Europe: The Perils of Doubt

THE analysis thus far has tended to show that Western and Eastern Europe are now in a dangerous state of stable equilibrium, stable only because the strength of both sides is great, and nuclear war so fearful that a military adventure to upset the balance is extremely unlikely.

In this quarrel between two great blocs primarily determined on a balance of power in Europe, the Indian Union has no direct interest so far as the dividing line is concerned. It has, however, a major interest in keeping up and extending its channels of communications with both sides. There is nothing immoral in India's failing to take sides in this strictly European battle. It has, indeed, moral overtones, but, if the analysis of the two preceding articles is correct, the essential factor in the European partition is a military balance of power, with the West holding strongly against further Eastern European advance into the heart of Europe. Conversely, the East cannot retreat for fear that its own periphery might crumble. In other words, the problem is one of security and, in the first round, security only. In the problem of their survival, it is natural that the nations of both sides should consider India's economic development or India's neutrality a matter not of the highest priority.

THE DEMOCRATIC IDEAL

Having said this, namely, that India is not central to the European struggle, we cannot absolve ourselves completely from taking our own sides in what is an ideological, as well as a military, matter. Our sympathies, at least because our Constitution is so framed, should be with the Western European democracies. They are set in the context of the way of life which we have chosen in our own Constitution, and our own Government, fighting on that basis, has to contend with the Indian Communist Party working very much on the lines of similar parties of Eastern Europe. In other words, the majority structure in the country is, so far as the framework of its political thinking is concerned, more committed to Western Europe than to Eastern Europe. This fact implies that in an approach to the European problem our natural sympathies should be with the West. What looks like a straight issue of choice is, however, clouded by several elements of uncertainty, particularly one predominant on each side.

COLONIALISM MINUS ?

So far as our approach to Western Europe is concerned, much of our passion for the democratic way of life tends to be inhibited by the fact that a large number of countries of Western Europe, with whom we should be associated in spreading the democratic idea, are ex-colonial or metropolitan powers or, even today, exercise colonial domination. The case of Portugal included in NATO has already been mentioned. It is not even a democracy in any appropriate sense. But there dies hard in the Indian Union a feeling that, even in regard to some of the best metropolitan powers, what are described as "colonial" interests dominate an excessive portion of their behaviour. Our differences with the United Kingdom do not exist only on the Congo and Katanga, though there they would appear to be significant. There has been in our anti-colonial past, and in the colonial outlook of the Western European countries, a constant jarring of views which has culminated in the great clash of opinion expressed at the end of the year on our action in Goa. Thus, paradoxically, while we should have been closer to Western Europe by the framework of our thinking, in fact, at this moment, India's actions in Goa are only favoured by the Eastern European world.

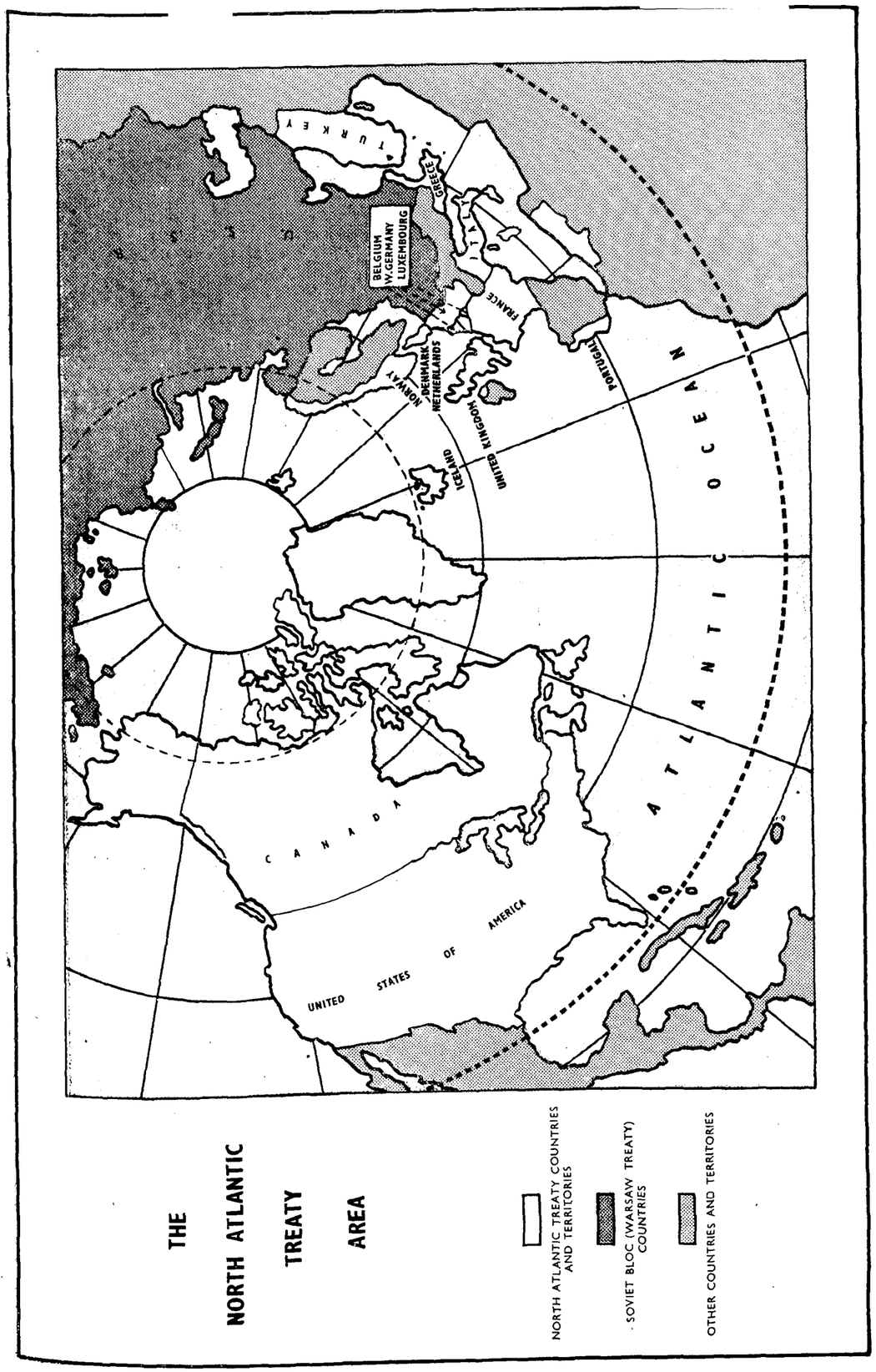
HESITATION IN INDIAN INVESTMENT

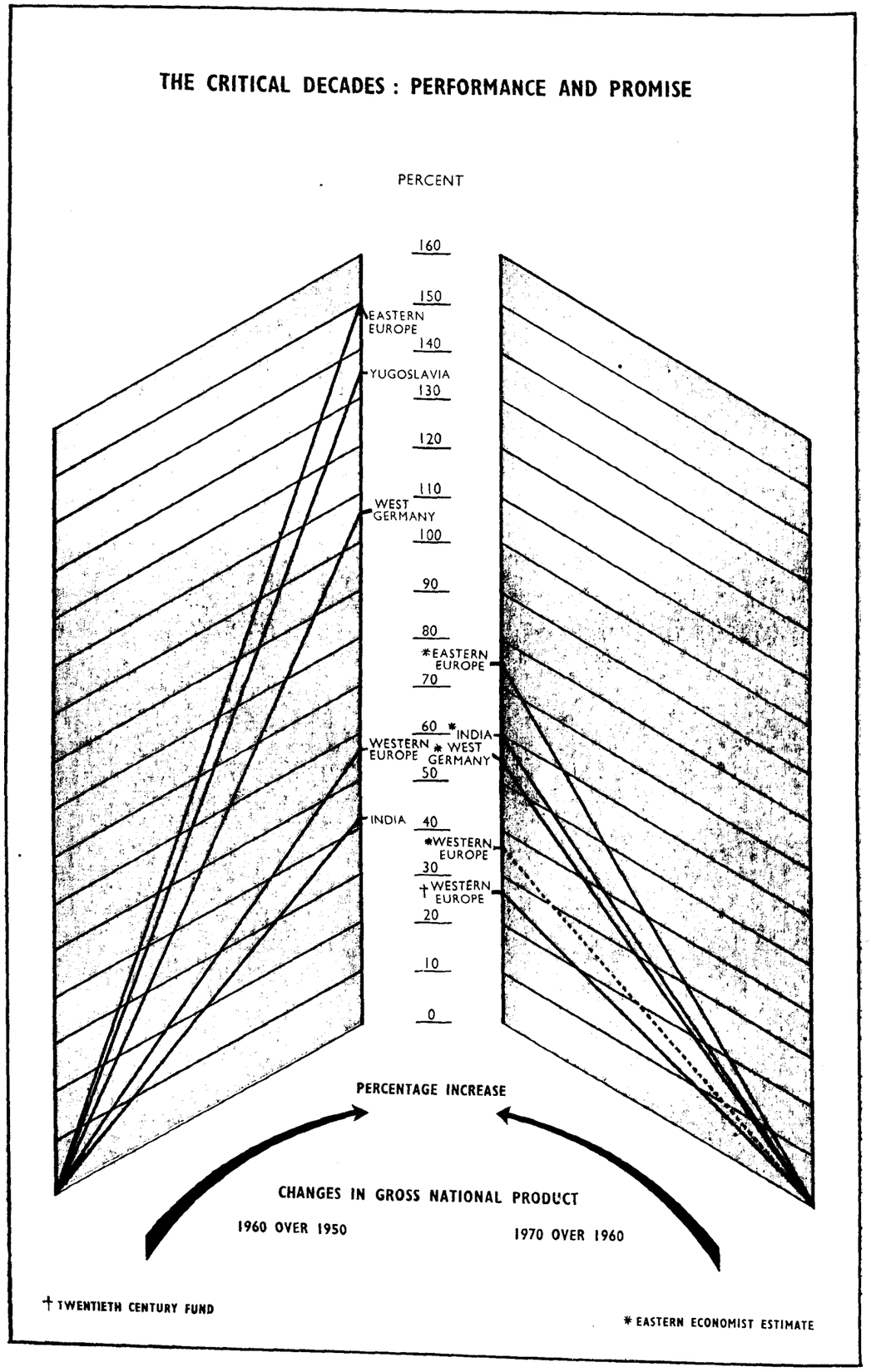
Again, while the Western European countries should look to the biggest real democracy in the world for new proof of the democratic way of life, the character of foreign investment by Western Europe in the Indian Union has been so marked by hesitation as, rightly, to raise the feeling that Western Europe is not entirely convinced of the fact that Indian partnership in the democratic way of life and her plans for progress deserve only partial though substantial support. In the Indian Union, there are some who would argue that it would not have been necessary for India to have gone to Eastern Europe to seek additional assistance had the United States and Western Europe underwritten the relatively moderate demands of her Third Plan, making it quite clear that the balance of payments problem implicit in a tremendous task of economic development of this kind were a democratic responsibility of the richer countries of the world. Undoubtedly, it has been a joint failure of India and Western Europe that they have not been able to find a level of investment at which each would feel that the other had done all it could to maintain the central bond of unity in thinking to prevent dependence on other sources alien to the democratic way of life.

NEUTRALISM THE BAR ?

Apart from the problems of Colonialism and the fact that Western Europe, including the United States, has not been able to rid India of her dependence on other countries, there is India's problem of neutralism in regard to the central problems of the Cold War. Most Western European countries, being heavily involved in an act of survival, tend to consider neutralism somewhat callous forgetting that the whole Afro-Asian world has problems which in their own context, in our own time, seem to us far reaching and more urgent than those of Western Europe.

India and Western Europe which should ordinarily be in full and free partnership are inhibited on both sides. We are constantly doubting the bonafides of the Western European democracies, particularly France and Britain, because of their colonial antecedents and interests. We view the alliance with Portugal with grave misgivings and we are naturally suspect when Europe and its problems are always placed ahead of those of the rest of the world implying a democratic self-interest which seems to us a lapse from the highest morality, just as our own self-interest in ourselves ignores the moral aspects of the Cold War. Secondly, both sides have had insufficient understanding of the problems of investment in the underdeveloped countries and while a significant progress has recently been made, hesitation of investment by richer countries in the Indian Union has produced a feeling of some humiliation since almost every thing that is received has to be asked for, and, in the last analysis, judged by authorities outside ourselves. We are probably, unduly sensitive in asking for assistance which we badly need, and we are probably inadequate salesmen of the commercial merits of investment in India. But the end result is the same, namely, that the doubts and hesitation on both sides have done something to prevent the full development of friendship betwen India and Western Europe such as would assist both groups to advance with ut questioning other's motives and looking on them with suspicion.





Part A – A Politico-Economic Prologue

India and Eastern Europe: Redressing the Balance

THE FAILURE OF THE WEST?

PERHAPS it may be argued that, if Western Europe and the United States, taking a great plunge into unfamiliar waters, had underwritten the development of India and Pakistan in the early fifties—as in fact, Western Europe was underwritten by the Marshall Plan—the course of history in the sub-continent, both politically and economically, might have been different. In fact, India's First Five-Year Plan was hesitant partly because it was believed that India could not "afford" a spacious plan; if assurance had come from abroad its dividends might have been great. The Second Plan encountered repeated foreign exchange crises because of the halting character of assistance from the West. The Third Five-Year Plan, notwithstanding a most helpful indication of Aid-India Club assistance for the two years, is in fact, still in animated suspense. There is a widespread feeling in the Indian Union that the West is not prepared to underwrite India's Plans fully and without reservation. There is justification enough for this view. It seems that Western European, as well as the American, view is that the more assistance that the U.S.S.R. and her associates can give to the underdeveloped countries, the more Eastern Europe will be weakened in the European scene and the less burden there would be on the Western European countries. It is probably, on balance, that this view is mistaken; but, mistaken or not, there is now no alternative. India has, inevitably, called in Eastern Europe to redress the balance of her economic needs.

THE DIPLOMATIC OFFENSIVE

It would be quite erroneous to represent India's current association with Eastern Europe as entirely an economic consequence of the failure of the West to underwrite economic needs. India herself has been anxious to maintain a neutral position arising both from her fear of military alliances, necessarily associated with the Atlantic Community which, as we have seen, is primarily fearful of aggression and, secondly, because, in the United Nations and elsewhere India wishes to take a non-aligned, and not a "prepared" or "influenced" position. This fact of India's willingness to stay outside Western European control has been skilfully used both by India and by Eastern Europe to develop channels of communication which were practically non-existent ten years ago. One of the most remarkable diplomatic operations in the world has resulted in the broadening of relationship between the Communist countries of the world and India—the greatest of all the neutralists. There are both political and economic overtones in this expanding association.

THE TROIKA

To take the political factors first, one must look upon the formulation of the Troika, or the principle that a neutral should be associated with both sides of the Cold War in resolving some major international disputes, as essentially a Russian recognition of the important part that India can play in the settling of Cold War disputes. While the principle of the Troika has not been accepted in so many words by the West, there exists today in fact in the Supervisory Commissions in Laos and Vietnam the Troika principle. Again, in a somewhat different manner, the willingness of the U.S.S.R. to trust India in alliance with the United Nations in the Congo has kept the Cold War somewhat out of that problem area. It is, in fact, a useful and new element in the international scene that India and other neutral countries can enter into international disputes thereby exercising power far greater than might be indicated by their economic or military potential. Thus it has come about that the international balance is being redressed in India's favour by Russian support both in political and in economic terms.

THE NEW RUPEE PAYMENT AREAS

In economic terms, Eastern Europe has seen some of the problems of the Indian economy with a vision substantially greater than that of Western Europe. Recognising that salesmanship in the export markets of the world was not a particularly strong point of Indian industry or trade, the U.S.S.R. was willing, from November 1958, to accept "inconvertible" Indian rupees in payment of practically all its trade obligations. All other countries of Eastern Europe followed suit, thereby creating a revolution in payments which had a three-fold advantage to the Indian Union. In the first place, because foreign exchange had not to be found, projects could be prepared with great rapidity and, indeed, were also hastened where individual nations of Eastern Europe have taken complete responsibility for projects as a whole. Bhilai and the Heavy Machinery Plant at Ranchi are only most remarkable illustrations of forward central planning which have been ahead of our own requests. Secondly, rupee payments have enabled us to explore Eastern European markets without our having trade representations on any significant scale. This is because the "idle" rupees were utilised by these Eastern European Governments for purchasing some of their requirements in India. In other words, these countries gave rise through their substantial imports to a great expansion in our exports. Thirdly, and this is not unimportant, it is possible as a result of the dovetailing of Eastern European plans with our own and with the fairly precise estimation of volume of rupees available for trade both ways to plan Indo-Eastern European trade in a manner which is quite impossible in the fluctuating markets of the West in which a market built today may well be lost tomorrow. One often fears that buying by Eastern European countries fluctuates voluntarily. This may be so in particular commodities, but in total volume it can be made more stable and grows at a much steadier rate than our trade with the Free World. Added to the barter agreements, which the State Trading Corporation has used particularly in Eastern Europe, though also significantly elsewhere, there have been invented for purposes of developing Indo-Eastern European trade devices which, judged by results, have been markedly successful. Indo-Eastern European trade bids fair to grow at several times the speed of our trade with other countries. This is not only connected with the fact that they have started from a low base. Even in absolute quantities increases in trade are very considerable.

It is possible to hold some critical views on the character of some of these operations. Being largely tied credits the prices are not always competitive in an international trading sense. Quality is more restricted and know-how is that prevailing in the countries from which purchases are made which cannot always be the best that the world possesses. "The Eastern Economist", however, reviewing the whole range of India's needs at the present time, and recognising the limitations both of physical supply and of Western foreign exchange, has come to the view that these arrangements are by and large in India's interest and that an attempt to abolish them would be a major error.

REDRESSING THE BALANCE

Thus both in a political and economic sense a partnership has risen between India and Eastern Europe which has had a substantial effect in correcting our dependence on the Western World and allowing India freedom to manoeuvre. It may be that a price has been paid for these developments, but no one who knows the importance of Russian support on Kashmir and, more recently, on Goa, can argue that the political traffic has been all one way. One can argue that while from time to time the leaning towards the Soviet Union has been excessive, and, in the light of our difficult relations with China, caution is necessary, the broad pattern has hitherto been rewarding to both sides.

Part A — A Politico-Eco nomic Prologue

Growthmanship: Thesis, Antithesis, Synthesis?

IT is now time to turn to the central theme of the Annual Number which is an essay in the presentation of the philosophies of the Western and Eastern Europe, as they are now emerging as perhaps a synthesis of what seem to have been dividing principles of economic philosophies on both sides of the Iron Curtain. Indian students of economics trained largely in the West, have tended to see Socialism as an antithesis of Capitalism and based historically on the vitriolic presentation of the arch-prophet of Socialism, Karl Marx. Many of them, seemingly modern, consider Karl Marx out of date because the doom which he had prophesied has not overtaken capitalist societies. But, of course, capitalist societies do not contain, in essence, today the great marks of division between employers and employed, and between entrepreneur and the proletariat, which were the basic postulates of the Marxian vision. On the other hand, students of Socialism see no withering away of the State, and no elimination of "the class struggle" in the central picture of industrial developments in the Communist States. Very much the opposite. The essence of Power, which is division of countries into rulers and ruled, extends with some variables, over every country in the world. For the present, the purpose is not to look at whole societies in change, but to examine the central problem of economic growth to see whether or not some new principles of growthmanship, to use Colin Clarke's telling phrase, can be dimly seen arising from the wreck of both capitalist and socialist economic philosophies as found in economic text-books still read in every Indian University.

THE CAPITALIST PHILOSOPHY

In the first place, much of what Adam Smith, and even Alfred Marshall, saw in the capitalist system has tended to disappear for good. Broadly, the argument was that competition tended to secure the distribution of resources in a manner which "by an invisible hand" became the optimum distribution for the nation as a whole. Classical economic theory propounded the doctrine that the real wage could not differ markedly from "the marginal product" of the labourer, and that, if this could at times depress the rate of wages by an influx of low quality labour, it could also raise it by making marginal productivity high by the heavy association of capital per worker. The United States provided the classical instance of the gospel of high wages, showing everywhere that the Marxian doctrine of the constant deterioration of the proletariat by the iron law of wages was a basic, and foolish, error. Wages could go up as well as down and, in the last century, by and large, they have been steadily up and are still rising. What was wrong with the capitalist philosophy was not its assumption that, when perfect competition was granted, this would result in a fairly beneficial system, depending on market forces, in turn depending on free human preferences, which would work out for the benefit of all. Its error was in its postulation of perfect competition and in the further assumption that equilibrium could be stable at a level of only optimum employment. The depression of the thirties proved that was far from the truth. The Wall Street crash of 1929 killed unfettered enterprise. In the General Theory of Employment, Wages and Interest, Keynes established quickly the doctrine that the capitalist "system" could not be left to itself, and might need increasingly the stimulus of forced public investment as well as forced saving. In other words, after all the great private enterprise system depended at critical times, on public sector action. Thus the capitalist system established the public sector at a central point in its own philosophy of individualistic entrepreneurship.

THE SOCIALIST COMPROMISE

By contrast, the Socialist system based itself on a system of distribution of resources on the facile assumption that a single unit would be much better qualified to determine the requirements of resources of individual units than the free play of market forces. Theoretically, if perfect foresight was given to the men in control and the methods they used were equally not liable to error, there was something plausible in the assumption that any level of development could be charged into an economic system by the enlightened leadership of the planning State. The flaw here was basically the fact that knowledge and foresight were extremely limited, that power produced blindness as well as corruption and that, on balance, the distribution of resources by the State was not necessarily superior to the distribution of resources by the "market" and often, lacking the benefit of competition, reaped only the dubious advantages of State monopoly.

THE MIXED ECONOMY

Partly as a result of the failures of the two extreme principles and by the compromises which have been forced upon them, "the mixed economy", which now operates over the whole of Western Europe and to some little extent in Eastern Europe, has been a substantial winner in terms of current acceptance. It has also been proved much more effectively in practice than in theory. In the process of the mixture, all those great central dogmas of capitalist teaching, competition, "stable" equilibrium, the equalities of saving and investment, have all come to be what, in fact, they are, interesting ornaments to the basic facts of progress. Indeed, it has now come about that the theory of income growth, related to investment, which in turn was related to capital formation, has been finally disproved by Colin Clark. It is not now true that the secret of growth is capital investment, whether in a socialist or capitalist State. In all States, it has been shown that there are great advantages to be gained by positive entrepreneurship by the State, but that it is possible to make the error of excessive "forced" investment no less than of unduly low investment. In other words, all the virtues of the "systems" as systems, have ceased to bear any significant viability in the old debate on which was the superior of the two systems. Western and Eastern Europe, now racing against one another in what looks like the old battle between the old philosophies, are, in fact, operating on the same central base of two prime-movers, technology and markets, powerful in both systems to work the wonders of growth and conversely to work all the difficulties of financial management, such as inflation or unemployment. In this process the prime-movers are killing all the old dogmas on both sides.

TECHNOLOGY AND MARKETS

So far as this essay comes out with any positive conclusion it is to the effect that the substance of modern economic growth in the second half of the twentieth century is allied in all the nations of the world to two major elements, — the first of which, Technology, utilises the fruits of scientific knowledge as well as scientific management; the second, the principle of low costs of production follow upon large markets by the employment of the law of increasing returns, equally relevant in a public sector or private sector unit, makes the mass consumption society possible and thus an economic "take-off".

If a new synthesis is to arise on the debris of the "Wealth of Nations" or Marshall's "Principles of Economics" on the one hand, or Karl Marx's "Das Kapital" on the other, it would be a strongly twentieth century

Part A — A Politico-Economic Prologue

document, in which there might be a complete presentation of economic growth without reference to any of the great figures of economic thought in either the Capitalist or the Socialist worlds. In a mysterious way which may, indeed, not be lasting, the major elements of economic growth are now assuming dominion over the philosophies which have brought to birth the warring agencies of Government which seem to employ them. So far as the Indian Union is concerned, the major moral that needs to be drawn is that the true debate in economic philosophy is not between Right and Left, but whether the climate can be made appropriate for the absorption of Technology and the expansion of markets in the most rapid time. It is likely that the mixed economy, when freedom for the mixture to change without the terrible biases which are introduced by political prejudices and political power by those who have learned their economics a long time ago, would be the best solvent of the problems, no less than the acrimonies, of our age.

The Changing Spectrum of European Economic Progress

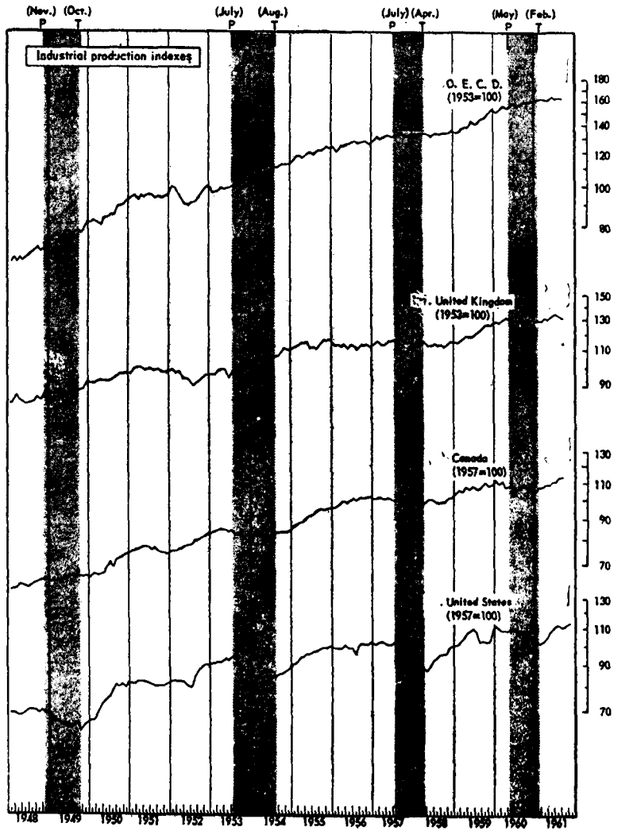
IT is possible to produce chapter and verse to illustrate the main argument of the last piece that "systems" are seemingly irrelevant to the pace of economic progress. There are presented here just a few illustrations of what in Western Europe as well as elsewhere has taken place in the period roughly since India became independent. The two graphs which appear here will show the rate of industrial production in the OECD (Organisation for European Economic Development), the United Kingdom, Canada, the U.S.A., Germany, France, Italy and Japan, showing that in the capitalist systems themselves the forces of economic progress are very unequally matched. Thus the OECD has done substantially better over this period in terms of rate of growth than has Canada, the United States or the United Kingdom. West Germany, France and Italy seem now to be doing equally well, but their rate has been surpassed by Japan. Practically all the countries of Western Europe have doubled their industrial production within a period of seven years. Japan has more than trebled its own.

Against these particular figures, the large claims made for Eastern Europe will be seen in better perspective. Not, indeed, that Eastern Europe has a less spectacular picture to show in industrial production, but its bases of operation are substantially lower than those of Western Europe, and in some respects, such as Rumania and Bulgaria, are lower than those of Japan. In absolute terms, Western Europe is surpassing Eastern Europe in its rate of absolute production although so far as gross national product is concerned there tends to be a rise here and fall there with much of a muchness throughout. In order, however, to give this wide spectrum of economic progress some more factual basis one might perhaps take the figures for the last year in terms of four countries which are now pacemakers of economic progress in Europe. Italy on the Western European side had the highest rate of economic progress with 13 per cent rise in national income in the year 1960. Yugoslavia, betwixt and between, has had a similar rate of rise in 1960 and an average rate of rise of about 10 per cent since 1954-55. Her plans ten years from now assume that this tremendous rate of growth in gross national product will continue in the sixties. Poland has had a similar rate of growth and as tables elsewhere in this issue would show, it has an almost equal capacity to develop with Western Europe. The Soviet Union itself has raised its industrial production spectacularly, but has stagnated in agricultural production in the last two years; it may be it is facing a particular hump, the solution of which is some distance away. On the other hand, the Soviet Union has shown at least in the field of fuel research and space flights that rates of economic progress are no bar to the exploitation of the highest technology and the power of organisation in practically every scientific field. A great stream of economic progress flows out of Western Europe and Eastern Europe and it would be difficult for anyone to contend that here, and nowhere else, is virtue to be found. Virtue is to be found everywhere in one of the most dazzling spectacles of economic progress ever seen. It is against this dazzling spectacle of Europe's economic progress — surpassed in rates of progress though they may be by Yugoslavia and Japan —that the disappointment of the United Kingdom's low progress in that of the Free Trade Area are seen in a new perspective. The urge to join the higher reaches of the spectrum has now become one of the great motivating forces of economic policy. Again the solution is not in terms of 'systems' but in terms of the expansion of markets. This explains the true purpose of the entry of Britain into the European Common Market to be followed shortly by the countries of the Free Trade Area.

This essential point, namely, that all countries are now operating a pragmatic system of both controlled and free trade and are employing the same instruments under somewhat different conditions with variable, but similar, results, is central to an understanding of the Indian problem at this moment. India has everything to learn from both sides of the Iron Curtain. Her rate of economic progress is less than half of any of the important countries of Western or Eastern Europe and when one considers the low base from which these operate one must recognise that the achievements of the Second Plan, satisfactory as they seem to us, are merely a pe ty beginning from which determination to proceed on a much higher level of development must be based. Power, technology and markets, these three, and perhaps the greatest of them all is the power of the human mind, to appreciate truly the predominance of these components of prepetual economic progress.

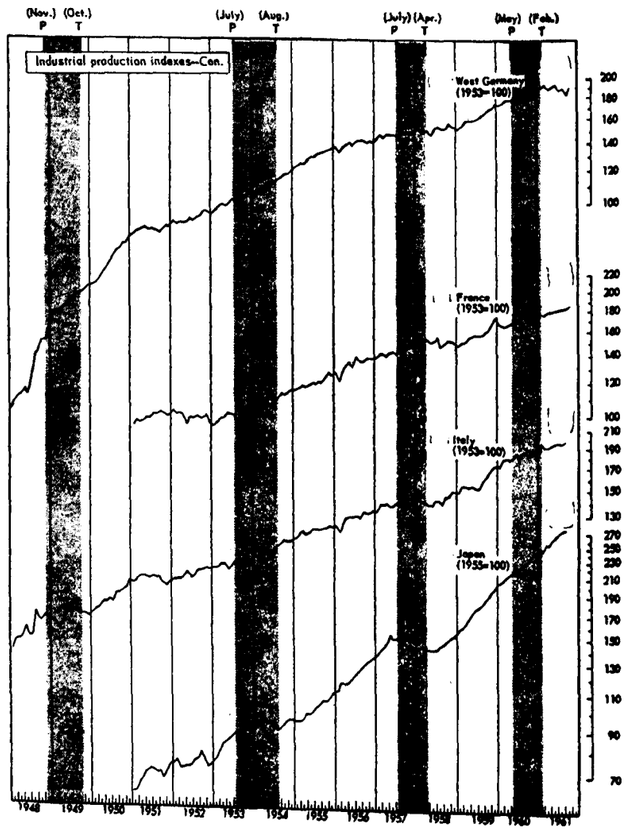
India and Europe: Striking the Balance

MANY of the conclusions reached in the foregoing articles have tended to be more negative than positively constructive on India's choice. Thus it has been argued that neither system has, in terms of economic efficiency, an absolute proof that it is better than the other and that on both sides of the Iron Curtain there are currently at work forces which seem to suggest that "systems" are irrelevant and the essential prime-movers are technology, markets and scientific management. Similarly, it has been shown that both capitalist and socialist doctrines were mistaken in assigning certain virtues or defects to the other. In particular, Capitalism without Colonialism can well meet the Communist challenge as has been shown by Germany, Italy and the Netherlands amongst other countries. Similarly, on the socialist side, it would be a mistake to suppose that free enterprise has been eliminated. In Yugoslavia, the free market and the chain of incentives is sweeping, and is almost revolutionary in its capacity to trust individual or group production against the



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State. Should India's choice at this moment be either the East or the West or the middle way?

Choices are not made in this somewhat neutral way, implying that almost any system can deliver the goods. In the current situation, the Western European system has a power and capacity for both assistance and trade which will rank it higher than the Soviet system and, of course, with Western Europe stands the United States. There is little likelihood at the moment of Eastern Europe's providing even a fifth of India's requirements of capital or even a fifth of India's exports or imports. Thus, while theoretically the systems are both effective, there is no equality in current contributions they make to the Indian scene. In the year 1961 special mention should be made of the tremendous achievements of the Common Market. Payment surpluses of the European Common Market are now running at $3 billion a year, whereas the United States has almost the same deficit in her international payments, and Russia's external surpluses are never large enough for her not to have a very tightly controlled investment operation. Similarly, most of the European Common Market is affected by over-employment and the demand for internal capital. India cannot afford to ignore this trading area although it is obvious we will need to work specially hard in it. It is easy to make the mistake of believing, because one has to work very hard for every increase in European Common Market trade, whereas the increases we have found in Eastern Europe have come relatively simply, that our destiny lies in Eastern Europe and not in the West. There is no error so fundamental as supposing that Eastern Europe can replace the West—the United States and Western Europe—in Indian economic development.

Apart from the fact that proportions are over four to one in trade and much more in aid, as the following sections will show, there is no prospect of the U.S.S.R. and the Eastern European countries being able to produce any absolute surpluses of the same order as those being produced by Western Europe and the United States. It is the view of "The Eastern Economist", notwithstanding the great claims made in Russian literature, that the absolute gap may not narrow very much, although Eastern Europe, because of its lower economic base, will show a higher rate of progress in gross national product than both Western Europe and the United States. Projections can, of course, be anyone's toy and no one can be absolutely sure what the future holds in store. But it will be a matter of great surprise if, in the next twenty years, India's trade relations were even one-third with Eastern Europe and less than two-thirds with Western Europe. In other words, the West will probably be for the next four plans at least twice as important to us as the East. In this sense the two sections of Europe pursue what, in respect of India, should be an unequal race.

The problem for Indian administrators is to recognise both the sources of strength in Eastern and Western Europe and the necessary differentials which must exist so that we can plan our relations with each country in terms which will be most advantageous to ourselves. In the discussion of the European Common Market in the Indian Union, there has been too much concentration on arithmetical workings of tariff changes, and very little on the basic appreciation of the total growth which has carried Western Europe so far ahead of expectations in just two years. A great volume of understanding and analysis needs to be thrown into the understanding of Europe on both sides. With it there must be a new capacity for salesmanship, necessarily much more demanded in Western Europe than in Eastern Europe. India's trade organisations and her business representations are of far too small an order to influence the course of trade. If the projections presented in the next section are even approximately of the right size, India will need to treble immediately her organisation for salesmanship, analysis and understanding in this tremendously pulsating Continent. This is the time to make a major decision, recognising that both tradition and advantage lie, not in a bias towards Western Europe, although Eastern Europe will have tremendous contribution to make as the years advance. The balance is naturally difficult to strike; it will have to be struck annually but in the long period the centre of gravity of Europe will certainly lie inside the Western European field. That is as much as need be said at this moment. Policies designed to raise Indian economic development as rapidly as possible are not necessarily policies dependent on Western Europe or on Eastern Europe exclusively; but they should be based on an accurate knowledge of the capacity of Western Europe and Eastern Europe separately to help and on new channels of communication which at present are very inadequate. A policy for Europe must think big, act big and, perhaps, also be big. India is not so important an economic entity that she will be wooed on her economic merits alone. We must carry an image of greatness into Europe; one wonders whether we have not failed seriously to realise what this means.

Conclusion to Part A

IT is now possible to draw together threads of the argument as presented in Part A. It has been argued, in the first place, that Europe has always been a divided Continent, but that its current division into two great blocs is, in many respects, unique. The coming of nuclear weapons has abolished the chance of a gainful war and, therefore, conquest which was the element of change in a constantly moving European kaleidoscope, is now obsolete. Though the division is irksome—partly because Russia is in the heart of Central Europe and partly because the periphery of Eastern Europe is still insecure—the position, as it now obtains, is one of stable equilibrium. Secondly, it has been argued that this is, primarily, a military situation concerning the European powers and the balance of world power and is not of primary national interest to the Indian Union. Therefore, neutrality, so far as the particular issues raised by the European military war are concerned, should be India's policy. We are sometimes, unfortunately, unmindful of the stake that these countries have in NATO or in the Warsaw Pact or in nuclear detonations, just as they are unmindful of our anti-colonial needs, and indeed, of our pressures for economic development. These might be described as the hesitations on both sides in a situation in which we wish to be friendly with both blocs without sharing their fears.

Thirdly, it has been pointed out that Indian conceptions in regard to the vitality of the two systems represented by the blocs in Europe, are often basically mistaken. Both Capitalism and Socialism have ceased to have the theoretical form which they were given by their preceptors, Adam Smith and Alfred Marshall, on

Part A – A Politico-Economic Prologue

the one side, and Karl Marx or Lenin, on the other. Capitalism is vigorous on its own account and now maintains a constantly rising standard of living of the "proletariat". Under the Welfare State it is helping to abolish even the "class struggle". It can survive without colonies and, indeed, is presently surviving on its own affluence. Socialism, for more reasons than one, is no longer the monolithic State driving private enterprise and the free forces of the market out of existence. It continues to borrow tools and "incentives" from the capitalistic world. In the last analysis, both Western and Eastern Europe rest upon affluence created by technology, scientific management and markets. There is less power in "systems" of thought than ever before.

Fourthly, while in a sense, the old debate on systems has disappeared, India's choice, or rather India's degree of partnership with the two sections, cannot be equal and is never likely to be equal. It is argued that, over the next twenty years, it is likely that India's relationship in trade, aid, and assistance with the West will be two-thirds and with Eastern Europe only one-third. This is consistent with the point that the rate of rise of economic growth of Eastern Europe, because of the lower base from which it starts, will be somewhat higher in percentage terms. All in all, however, there is nothing to show that in absolute quantities the East will win the economic race.

There is only a moral postscript to be added to this analysis. All that has been said before can stand on the basis of Realpolitik without any preference based on the political and moral values which India professes. It is believed, however, that we have a moral obligation to support those systems which approximate to our sense of the dignity of the human individual, freedom of expression, and the democratic way of life sustained by institutions freely built in a plural society. There can be no doubt that here, more than anywhere else, our interest lies in the success of Western European experiments by which economic progress is continually unfolding itself on the basis of the creation of human personality and new patterns of culture in which the purposes of living are often more important than life itself.

PART B

An Economic Review

Rates of Economic Growth

India and Europe: 1950 to 1960 with Projections to 1970

Introduction

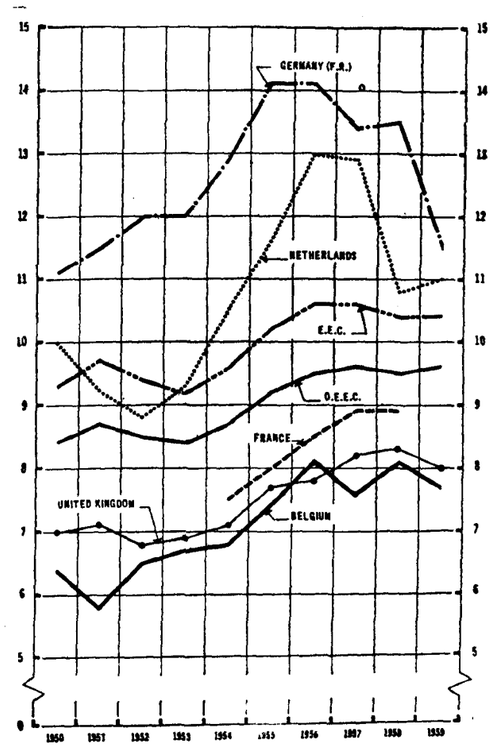
THE vast expansion in the European markets on both sides of the Iron Curtain has sharply focussed attention on the basic criteria which accelerated the economies of the European countries. The various research agencies of the United Nations have attempted to analyse the factors and the conditions of economic growth not only in the industrialised countries but also in the developing countries and the centrally planned economies. Invariably, attention has been rivetted on the importance of capital accumulation. Professor W. W. Rostow, a couple of years ago, stressed that in addition to the rising rate of investment and restraint in population, the existence of a manufacturing section and institutional frame-work and the presence of daring entrepreneurs were essential concomitants of economic prosperity. The European experience of expansion during the last decade has, however, emphasised the importance of technology and productivity in economic growth. The accumulation of capital and a restraint on population growth are "essential" factors for raising standards of living but not "sufficient". They must be supplemented by the new advances in technology so as to raise output per man-hour and reduce costs. The pressure on the present-day mass markets demands even scrapping of inefficient plants. Wherever possible, new power-driven labour-saving machines must be introduced if the engines of progress are not to be retarded. At the same time, the market researcher, the cost accountant and the new class of managers must contribute their skilful knowledge in order to make the whole experiment a success. The cost accountant and the management accountant in particular have come to occupy an important place. It is no more necessary to wait till the end of the fiscal year to know the condition of business. The cost accountant lays out the whole programme of costs and with the assistance of the management accountant puts the finances of any new corporation or business on a sound footing. The services of the market researcher are available to produce goods according to the present-day tastes.

It is, thus, that the "necessary" conditions of economic progress are the same which have been discussed in the earlier Annual Numbers of "The Eastern Economist". The present Number lays stress on conditions of "sufficiency" for ensuring rapid economic growth. It stresses scientific management, mass production and adoption of technological advancement in production. In one word, it advocates "rationalisation" of the whole economy for taking it on to the road of prosperity. Happily, all these ideas, in a different form, are there in the Third Five-Year Plan document but in a very diffused manner. This Number attempts to highlight the significance of these new variables which are likely to play a very great part in India's economic development during the next decade.

Systems Do Not Matter

THE HISTORY of economic growth in Eastern Europe as well as in Western Europe during the last decade brings home one vital truth and that is that the economic expansion witnessed in both the wings of Europe has been phenomenal. Whatever the political machinery, the rates of growth of the economies have been extremely encouraging. It is true that the U.S.S.R. and the East European countries are dedicated to the principles of totalitarian planning and earnestly believe that for an assurance of rapid success, rigid long-term plans are extremely necessary. It is also true that in almost all the Plans of the Communist countries, top priority is assigned to heavy industry while the consumer goods are severely neglected. It cannot be denied that even after discounting the exaggerated figures of the centrally planned economies the prosperity attained is in no way mean. While the West European countries are not dedicated to the principles of planning as they operate in the Communist world, the economic policies provide such incentives that the economies have expanded much beyond expectation. The miracle in West Germany has been followed by another miracle in Italy. France is nowhere behind in this race for miraculous growth in industrial output. At the same time, the West European countries have shown signs of mutual co-operation by integrating their economies. The establishment of the European Common Market in Western Europe has resulted in maximization of resources both in men and materials. The integration of the other West European countries with the Common Market is likely to further accelerate their growth.

IN MACHINERY AND EQUIPMENT AS A PERCENTAGE OF THE G.N.P.



ECONOMIC PROGRESS: 1960 AS COMPARED TO 1950

The table below shows the annual rates of growth in national product as witnessed during the last decade both in the planned economies of Eastern Europe and the free enterprise economies of Western Europe. Statistics for the East European countries are to be interpreted with a little care because they are not exactly comparable with the West European countries, but even then it will be seen that the race between the two parts of Europe is clearly in favour of the West. The Indian Union cannot but learn the lesson of accelerating her own economy by following techniques which have already been tried and found extremely helpful in raising the standard of living of the people. Whether it is a socialist economy or a free enterprise economy, the stress today is on productivity and greater application of technology. At the same time, new methods in management are being tried all over Europe and social studies are being made of labour and employer attitudes which ultimately hold the key to rising productivity. India's Five-Year Plans will have to concentrate on the improvement of the quality of both men and machinery in order to follow the footsteps of European prosperity.

GROSS NATIONAL PRODUCT (By Volume)

	Percentage change of 1960 over 1950
Western Europe	
Austria ..	82
Belgium ..	33
Denmark ..	39
France ..	53
West Germany ..	106
Greece ..	189
Iceland ..	155
Ireland ..	15
Italy ..	77
Netherlands ..	61
Norway ..	40
Portugal ..	48
Sweden ..	38
Switzerland ..	63
Turkey ..	75
United Kingdom ..	29
O.E.C.D. Countries combined (excluding Spain) ..	56
Eastern Europe	
U.S.S.R. ..	164
Hungary ..	85
Rumania ..	162
Poland ..	114
Czechoslovakia ..	90*
Yugoslavia ..	135
India ..	42

*Relates to the period 1950-59.

GROSS SERIES VERSUS NET SERIES

A comparison of the rates of economic growth between the Eastern and the Western Europe remains extremely difficult because of the incomplete statistics made available from the East European countries. After Stalin's death the quantity of economic statistics published by the U.S.S.R. and other East European countries has increased. This cannot be said about the quality of these figures. It has been known for a long time that the U.S.S.R. and other East European countries have specialised in publicising gross production series which tend to put them very favourably in relation to the net output series of the West European countries. Statistics relating to particular branches of economic activity such as the national product series, as in the case of U.S.S.R. and other East European countries, are extremely misleading and inadequate. This fact may be illustrated with reference to one of the important series of industrial output in the U.S.S.R.

In one of the recent Soviet publications a new series of net industrial output has appeared under the name of Mr. S. G. Strumilin who is the Dean of the Soviet economists. The results of the gross series are set against net series in table below. It will be seen that the net series are almost half of the gross series. In other words, the gross series of production will need to be deflated upto fifty per cent.

Strumilin's Estimates of Industrial Output (Billions of roubles)	1926-27 Gross	1926-27 Net	Net as Percentage of Gross	Index of Growth 1928 = 100: Official Index of Gross Output	Strumilin's Index of Net Output
1928 ..	21.5	10.1	47	100	100
1932 ..	43.3	19.4	45	202	192
1937 ..	95.5	39.8	42	446	394
1940 ..	138.9	69.3	50	646	686
1945 ..	127.5	46.9	37	593	464
1950 ..	240.6	81.1	34	1,119	803
1955 ..	444.8	136.1	31	2,069	1,347
1956 ..	492.4	147.7	30	2,288	1,462

The East European statistical handbooks make use of the term "national income" very frequently but it is not known whether the definition is comparable to the one used in the West European countries. In any case, it is interesting to study the annual rates of growth of the Eastern and Western European countries in the various phases of development. The table below sets out the annual rates of growth (compound) in most of these countries. The Federal Republic of Germany, amongst the West European countries, shows a clear lead over the rest. The Netherlands and France also show a remarkable rate of growth. Amongst the Com-

ANNUAL RATE OF GROWTH OF GROSS NATIONAL PRODUCT BY VOLUME

	1938-1948		1948-1953		1953-1960	
	Total	Per Capita	Total	Per Capita	Total	Per Capita
Belgium	1.4	1.6	3.7	2.8	2.6	2.1
Germany (F.R.)	—2.0	—4.0*	11.4*	10.5*	6.9	6.0
France	—0.2	—0.2	6.6	5.8	4.5	3.6
Netherlands	1.3	—	4.1	3.6	4.8	4.4
Denmark	1.7	0.6	3.7	2.5	3.6	2.7
Norway	2.4	1.6	4.6	2.2	3.2	2.4
United Kingdom	0.9	0.1	2.6	2.3	2.4	2.3
Sweden	2.4	1.3	3.2	2.5	3.7	3.4
United States	5.3	3.8	4.7	2.9	3.1	0.7

* Periods 1938-1949 and 1949-1953.

Eastern Europe		Total	Per Capita
Albania	1955-58	7.2	4.0
Bulgaria	1952-59	9.5	8.4
	1952-53	21.5	20.3
	1954-58	6.5	5.5
	1954-58	6.5	5.5
Czechoslovakia	1950-59	7.5	6.4
	1950-53	8.9	7.6
	1954-58	7.6	6.5
Hungary	1950-57	5.9	5.1
	1950-53	9.1	8.1
	1954-57	6.4	5.9
Poland	1952-59	8.8	6.8
	1952-53	10.3	8.2
	1954-58	8.3	6.4
Rumania	1950-59	10.3	9.0
	1950-53	16.5	15.2
	1954-58	8.0	6.4
U.S.S.R.	1950-59	10.5	8.7
	1950-53	10.8	9.0
	1954-58	10.6	8.7
Yugoslavia	1952-59	10.7	9.2
	1952-53	19.7	18.0
	1954-58	8.8	7.5
India	1950-60	3.0	1.2



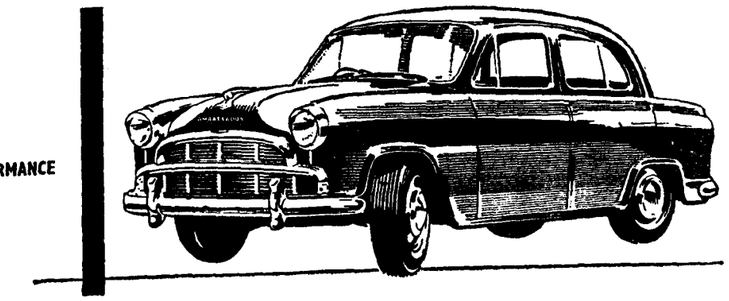
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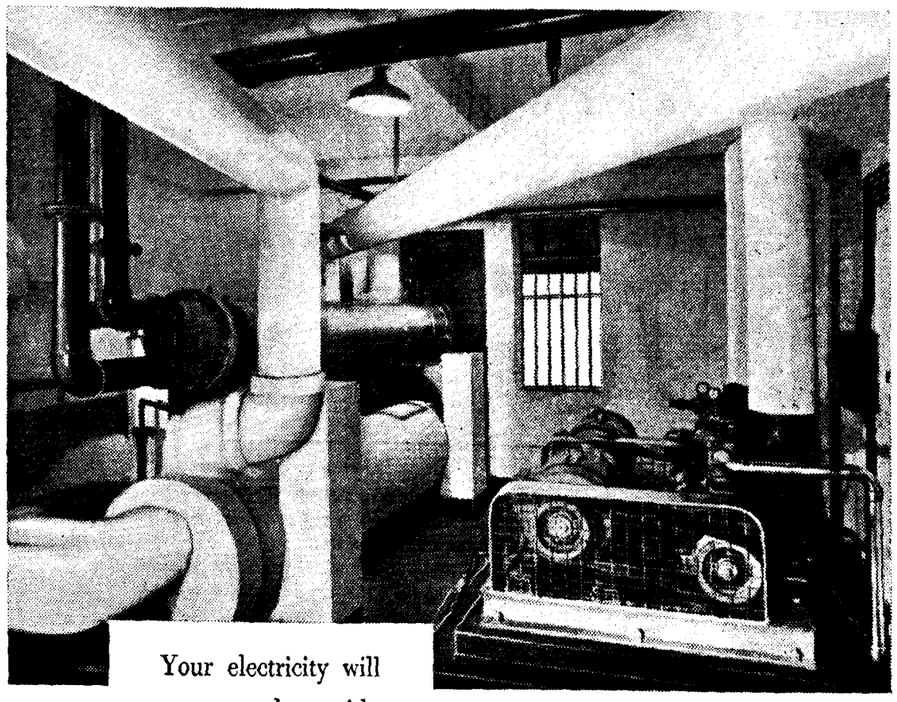


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munist countries, Poland seems to have done extremely well in the recent past with an average rate of growth of about 9 per cent. Yugoslavia also belongs to the same category. Hungary, Czechoslovakia, and Albania stand at the slightly lower levels of economic development. The U.S.S.R., as usual, has the highest rate of growth of 10 per cent though it is not known if the U.S.S.R. series, for gross national product, should also be deflated in the same manner as Strumilin deflated the industrial output series.

THE WORLD ECONOMIC SURVEY

The Secretariat of the United Nations has never missed the opportunity of analysing statistical data published by various countries. In the latest World Economic Survey for 1960, the Secretariat has attempted an analysis of the relationship between investment and economic growth. It has rightly come to the conclusion that there is a positive correlation between the two. It means that any increase in investments should be closely associated with accelerated growth in the economy. It also means that the countries with high percentage of investment are likely to record high rates of growth in gross national product. The table on page 48 highlights this fact especially in relation to the industrialised world.

As stated earlier, the findings of the Survey, however, need to be supplemented by other essential details. High rate of investment is "necessary" for high rate of economic growth in any economy but it is not "sufficient" especially in a developing economy. Unless new developments in the field of technology, management etc. are pressed into service and productivity enhanced in almost all the spheres of economic activity, mere diversion of resources may not be of much avail.

WESTERN EUROPE IN 1970

The Twentieth Century Fund in its latest publication on Europe's needs and resources has estimated the future pattern of growth of gross national product. The projections are based upon the following assumptions:

(1) Labour input for Western Europe as a whole is likely to increase from about 281 billion man-hours in 1955 to approximately 291 billion man-hours in 1970 or by 3.6 per cent. The estimate is based on the assumption that while population would grow at the steady rate of 0.9 per cent per annum there would not be any substantial increase in the working man-hours because of the anticipated fall in the working hours in every week.

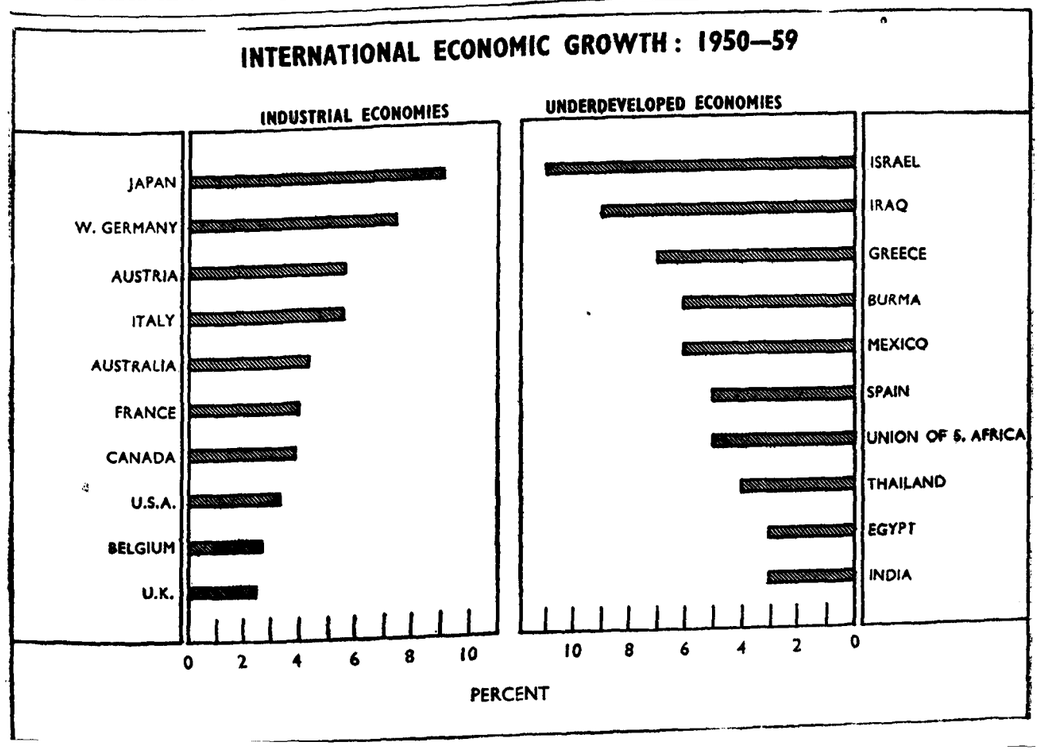
(2) Expansion in Western Europe's gross national product during the next decade will emerge from technological progress and higher productivity. It is assumed that labour productivity between 1955-1970 would grow at the average rate of 2.7 per cent.

The results of projections based on these two assumptions are set out on page 70.

Between 1955 and 1960, certain developments have taken place which have hastened the productivity rate in Western Europe needing a revision in the estimates made by the Twentieth Century Fund. Whereas the Fund has estimated that the total gross national product in 1970 would be around 341.6 billion dollars at 1955 prices, it is now computed by the Research Section of "The Eastern Economist" that there is every possibility of the gross national product rising to 369 billion dollars. This optimistic forecast has been based on the acceleration in the economies of the West European countries, especially the Common Market countries which have registered a significantly fast rate in growth. During the five-year-interval 1955-60, the increase in gross national product is of the order of 23.1 per cent whereas the Fund did not expect an increase of more than 15 per cent. The per capita gross national product in 1970 for the West European countries will definitely exceed the level of 1,100 dollars (U.S.) as against 1,067 dollars (U.S.) estimated by the Twentieth Century Fund.

INDIA IN 1970

India's Third Five-Year Plan envisages a rise of about 34 per cent in national income. Phenomenal growth is anticipated in the mining and factory establishments at about 82 per cent. Agriculture is likely to rise by 25 per cent while tertiary sector may rise by about 32 per cent. It may be stated that during the past decade India's national income rose by 42 per cent. Some of the investments which were made during the Second Five-Year Plan have not borne fruits so far. It is likely that their impact on production will



be felt in the Third and the Fourth Five-Year Plans. That is why the rate of anticipated rise in national income has been stepped up. It is estimated by "The Eastern Economist" Research Section that during the next decade it will be possible for the Indian Union to raise its national income by 60 per cent. Thus, at the end of the sixties, India's per capita income is likely to touch the 100 dollars (U.S.) mark.

EASTERN EUROPE IN 1970

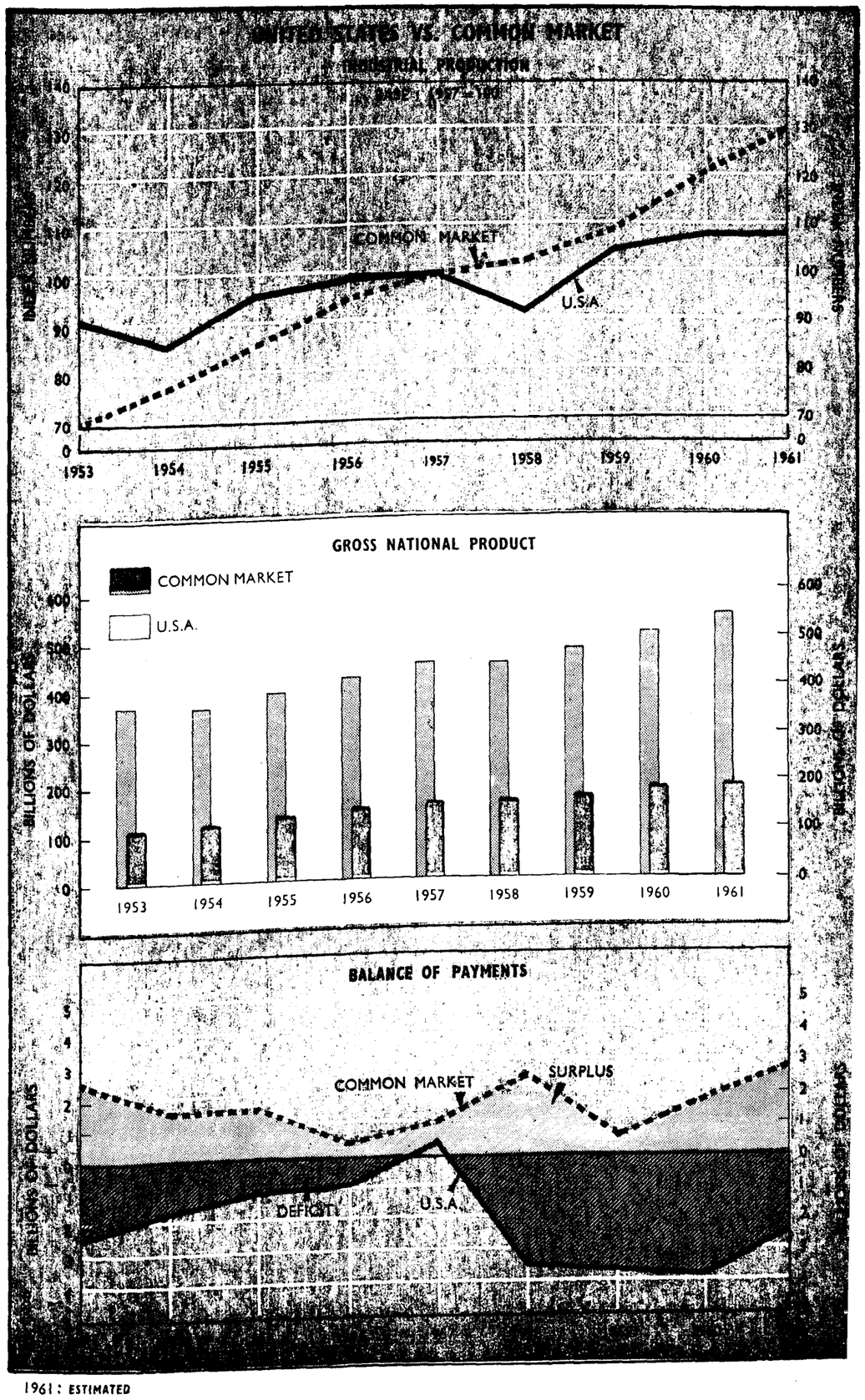
The East European countries during the past decade have registered steep rates of growth. Most of them have recorded a rate of growth of 7 to 8 per cent per annum (compound). It is not likely to continue to grow at this rate during the next decade because the past decade was taken up mostly in recovering from the ravages of World War II. Now that these economies have already reached the maturity stage, it will not be possible to continue to rise at the same rate. It is estimated that the U.S.S.R. and the other East European countries will rise at an average rate of 7.5 per cent (simple). In per capita terms, the Communist world including China may rise to 500 dollars (U.S.) but without China the East European countries are likely to reach the 1,000 dollar (U.S) mark. This figure conceals the lift given to the East European countries by the high rate of development in the U.S.S.R. Separately some of the countries such as Bulgaria and Hungary may not even cross the 700 dollars (U.S.) per capita mark.

INDIA: THE ROLE OF SAVINGS AND INVESTMENT

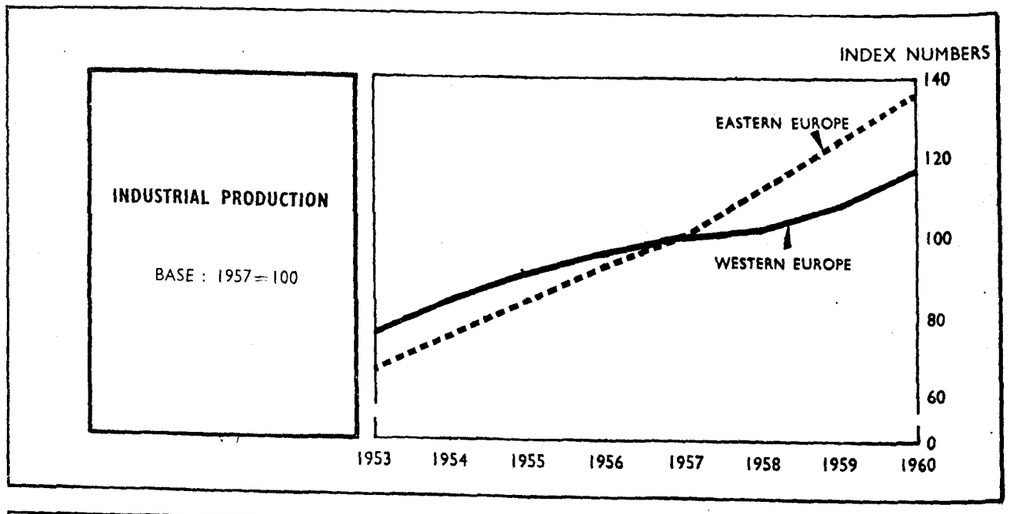
The problem of capital accumulation has been, during the fifties, the central problem for all developing countries including the Indian Union. Since vast masses of people in the developing countries live below the subsistance level, it is not possible to force them to tighten their belts further without creating social upheaval. National governments in these countries, therefore, advocate further taxation, both direct and indirect, for purposes of national savings upto a limited extent while much greater reliance is placed on voluntary savings. In the last resort, forced savings through deficit financing are attempted in order to fill the gap in resources. It has been observed in general that higher rates of growth result from allocating higher proportion to investment. This is, however, not the universal truth. There are quite a few cases when countries have extended their economies despite very modest allocations to investment. Also, there are certain other countries which have failed to raise their economies despite increased investments. By and large, the European countries fall in the category of those countries

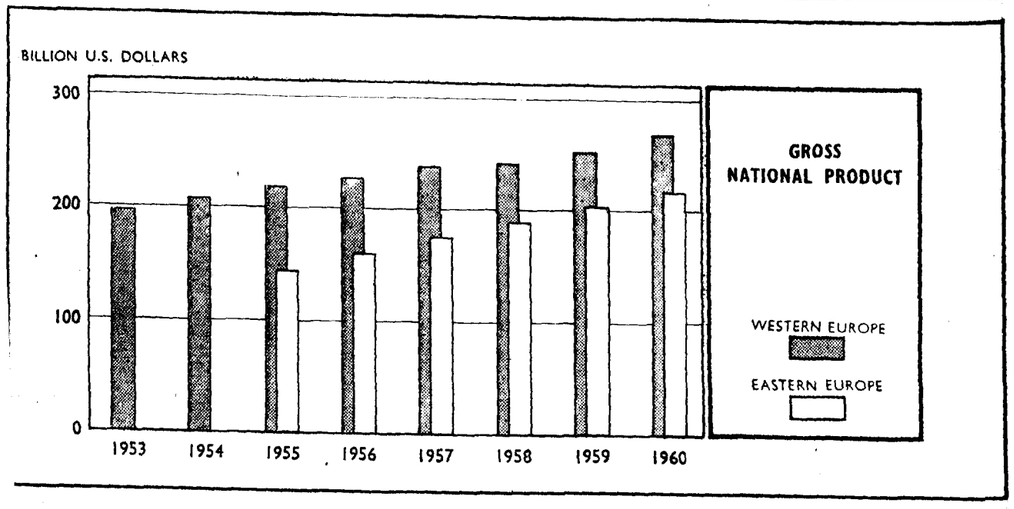
RATE OF GROWTH OF OUTPUT AND RELATIONSHIP BETWEEN INVESTMENT AND OUTPUT 1950 — 1959

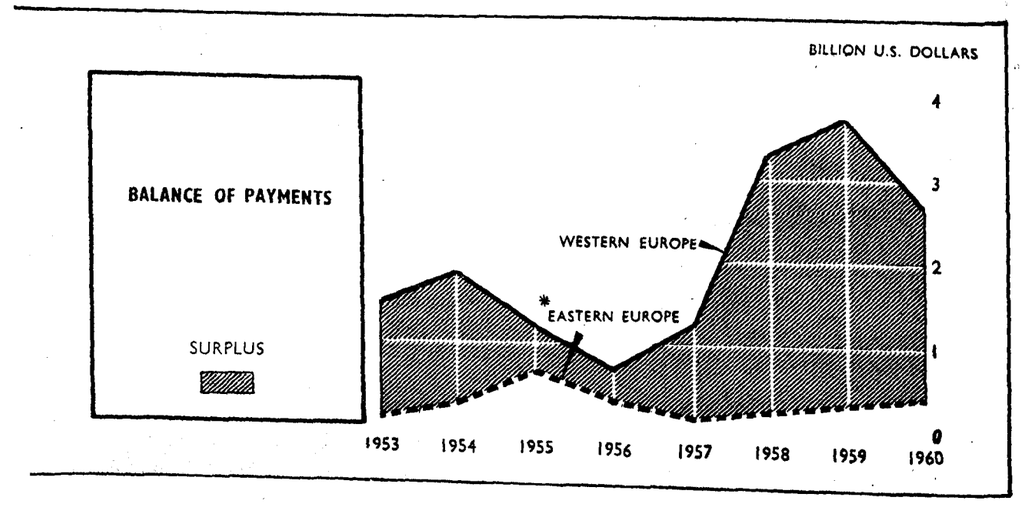
	Annual Rate of Growth in Real gross Domestic Product (percentage per annum)	Gross Domestic Fixed Capital Formation	Gross Domestic Capital Formation	Incremental Capital Output Ratio
		Percentage of Gross Domestic Product		
Japan	9.1	22.3	28.5	3.0
Germany (Federal Republic) ..	7.5	21.3	23.9	3.1
Austria	5.7	21.2	21.8	4.0
Italy	5.7	20.0	20.8	3.6
Netherlands	4.6	22.2	24.3	5.3
Australia	4.3	25.8	28.4	6.5
Finland	4.2	25.6	—	7.0
France	4.0	16.9	18.6	4.6
Canada	3.9	23.1	24.5	6.0
Norway	3.4	28.4	29.7	8.9
United States	3.3	16.7	18.0	5.3
Sweden	3.3	20.2	21.1	6.4
New Zealand	3.1	21.1	23.2	7.8
Belgium	2.7	15.7	16.3	5.7
Denmark	2.7	17.7	18.9	6.7
United Kingdom	2.5	14.6	15.6	6.1



WESTERN EUROPE VS. EASTERN EUROPE







19 JAN 1962 PUBLIC DEPARTMENT

which have succeeded in extending their economies by increased investments. The Indian Union also has chalked out her Five-Year Plans based on steadily rising rate of investment which currently lies at 11 per cent of the national product and is to be raised to 14 per cent of the national income by the end of the Third Five-Year Plan, i.e., 1965-66. This is a no mean achievement in view of the extremely low level of India's capital formation immediately before the commencement of the First Five-Year Plan. It has been estimated by the Planning Commission that the rate of capital formation was hardly 5 per cent of the national income in 1950-51. It was raised to about 7 per cent in 1951-52 and to 11.5 per cent in 1960-61.

CAPITAL - OUTPUT RATIO

The problem of capital formation cannot be studied in isolation. It has to be related with the rise in population and the capital-output ratio in the economy. The concept of capital output ratio has come in for severe criticism in recent economic discussions but it must be stated that it is a useful concept which assists in understanding as to what goes on within an economy. It is on the basis of these three basic variables, namely, the rate of capital formation, the rate of rise in population and the capital-output ratio, that, mathematically speaking, the rate of growth of an economy can be worked out. A statistical table based on these three variables, sets out below, the different rates of capital formation which are necessary to maintain the level of per capita income.

MINIMUM CAPITAL REQUIREMENTS TO MAINTAIN THE PER CAPITA INCOME CONSTANT

(Rate of Rise in Population)

Capital Output Ratio	1.00	1.25	1.50	2.00	2.25	2.50	3.00
2.00	2.000	2.500	3.000	4.000	4.500	5.000	6.00
2.50	2.500	3.125	3.750	5.000	5.625	6.250	7.500
3.00	3.000	3.750	4.500	6.000	6.750	7.500	9.000
3.50	3.500	4.375	5.250	7.000	7.875	8.750	10.500
4.00	4.000	5.000	6.000	8.000	9.000	10.000	12,000

The capital-output ratio itself is a function of the structure of investment and the sectoral break-up of the national product. In a country like the Indian Union where half of the income still comes from agriculture—which is subject to the vagaries of the monsoons—it is highly likely that the ratio would be disturbed from year to year because of the fluctuations in the behaviour of the monsoons.

In the industrial sector, however, this ratio has a definite role. In nearly all the European countries where production has steadily risen and no spare capacity is usually available, the capital-output ratio has been fairly stable. At the end of 1960, almost all the available capacity in each of the European countries was fully utilised. It means that, unlike India, the capital-output ratio is not subject to the fluctuating pressures of unutilised capacity. This is one of the major weaknesses from which all the developing countries, including India, suffer because they do not have sufficient manpower which can utilise the plant and equipment to full efficiency. Vast investments of capital remain unutilised leading to an unfavourable operation of the ratio. Such leakages need to be averted.

During India's First Five-Year Plan when the monsoons were extremely favourable and agricultural production rose out of proportion with investment, the ratio turned out to be 2.06. During the Second Plan, when no unutilised capacity was available and the monsoons were not very favourable, the ratio rose to a little above 3. The following table shows the impact of the vagaries of the monsoons and the vast unutilised capacity both in agriculture and industry in boosting the ratio.

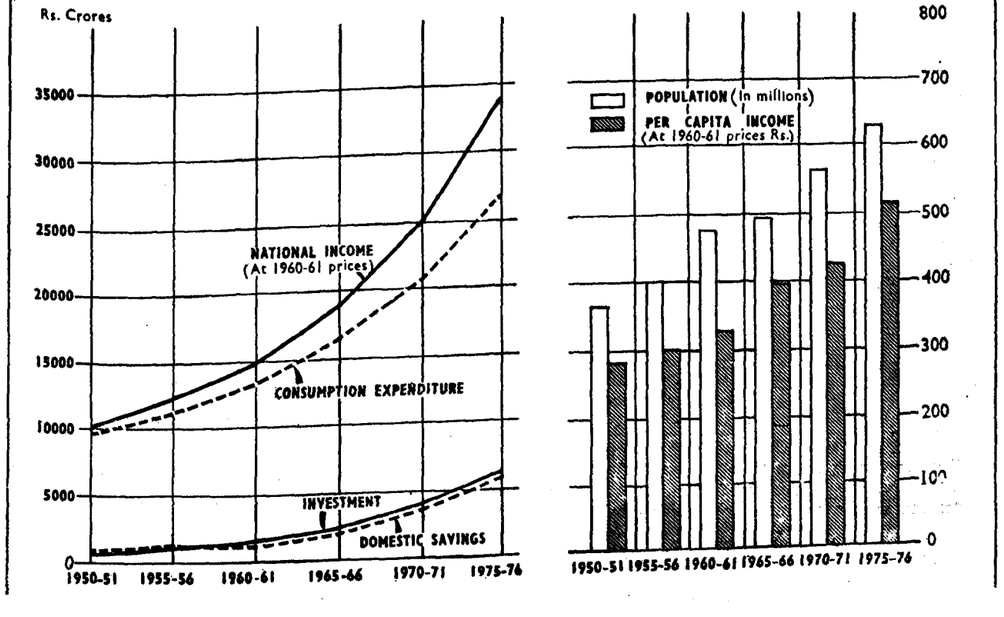
CAPITAL - OUTPUT RATIOS

(IN THE THREE PLAN PERIODS)

(Rs. crores)

	First Plan (At 1948-49 prices)	Second Plan	Third Plan (At 1960-61 prices)
National income at the beginning of the Plan ..	88.50	104,80	14,500
National Income at the end of the Plan	104,80	125,30	19,000
Absolute increase in National Income (output) ..	16,30	20,50	45,00
Net Investment (input) ..	33,60	67,50	104,00
Input : Output	2.06:1	3.29:1	2.31:1

NATIONAL INCOME, INVESTMENT, SAVINGS AND CONSUMPTION EXPENDITURE : 1950-51 TO 1975-76



INFLATION

Growth and inflation do not necessarily go together. It means that when an economy decides to accelerate its pace, it is not necessary that its price structure must get disturbed. There are some developing countries where despite considerable inflation sizeable rates of growth—usually more than 5 per cent per annum —have been attained. In the Indian Union, the expansion that was planned in the economy during the Second Five-Year Plan created stresses and strains. The new purchasing power distributed to the masses created pressure on the consumer goods and prices indicated a rise of more than 5 per cent per annum. Expansion in the economy as well as inflation went hand in hand and no damage was done to the economy. It is, however, to be conceded that the fresh bouts of inflation, if generated during the Third Plan, will be strongly resisted by the people. The Indian Government has, however, taken long-term measures to keep the prices under control. One of these measures relates to the imports of foodgrains and other agricultural produce under PL 480 from the United States so as to keep buffer stocks of these products.

SOURCES OF FINANCE

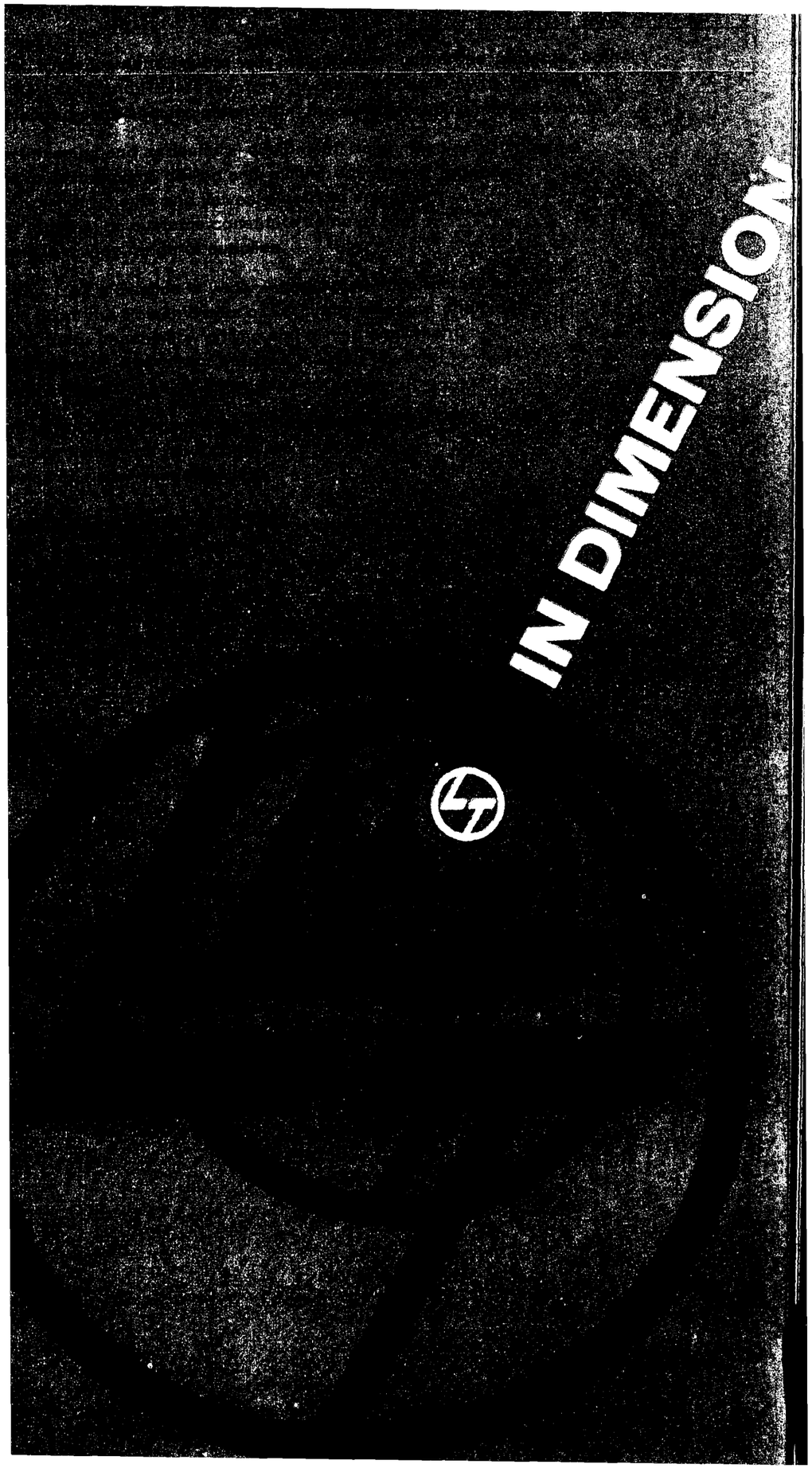
Where does the capital come from for investment in the developing countries? By and large, it is the net domestic saving which has been instrumental in mobilising resources for investment though there are a few exceptions such as Israel, Puerto Rico and Cyprus having large proportions of foreign capital. The level of foreign and domestic savings as a percentage of gross domestic product between 1950-59 is set out in the table below. It will be seen that the Indian Union lies

LEVELS OF FOREIGN AND DOMESTIC SAVING 1950 - 1959

(Percentage of gross domestic product)

Country	Total supply of saving	Depreciation	Total net saving	Foreign saving*	Net domestic saving
Rhodesia and Nyasaland	29	6	23	9	14
Venezuela	27	8	19	3	16
Israel	26	..	..	21	..
Congo	26	8	18	2	16
Trinidad and Tobago	24	8	16	6	10
Union of South Africa	23	8	15	1	14
Malta	22	4	18	3	15
Jamaica	21	7	15	9	5
Puerto Rico	20	6	14	18	—4
Argentina	20	10	10	2	8
Costa Rica	20	5	15	4	11
Burma	19	6	13	—1	14
Cyprus	19	4	15	12	3
Spain	18	7	10	2	8
Colombia	18	9	9	—	9
China (Taiwan)	17	6	12	7	5
Greece	17	5	12	8	4
Tanganyika	17	..	..	—1	—
Mexico	16	..	..	1	..
Brazil	16	5	11	1	10
Thailand	16	..	..	2	..
Morocco	16	6	10	—1	11
Portugal	16	5	11	5	6
Honduras	15	5	10	2	8
Iraq	15	4	10	—3	13
Ecuador	14	5	9	1	8
Turkey	14	4	10	2	8
Korea (Republic of)	13	5	8	9	—1
U.A.R. (Egypt)	12	..	..	3	..
Guatemala	12	4	8	2	6
Ceylon	11	2	9	..	9
Ghana	11	..	..	2	..
Chile	10	7	3	2	1
Philippines	9	5	4	2	2
Indonesia	6	3	3	1	2
India	..	..	8	1	7

* Foreign saving is equal to payments for imports of goods and services minus receipts from exports of goods and services. A postive foreign saving reflects an excess of such payments over receipts and a negative foreign saving an excess of receipts over payments.



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among these developing countries almost at the bottom showing that the rate of saving is almost the lowest (8 per cent). It is, however, to be noted that the foreign savings constitute only one-seventh of the total savings. By and large, despite substantial inflow of foreign capital into the Indian Union, economy has raised itself by its own bootstraps.

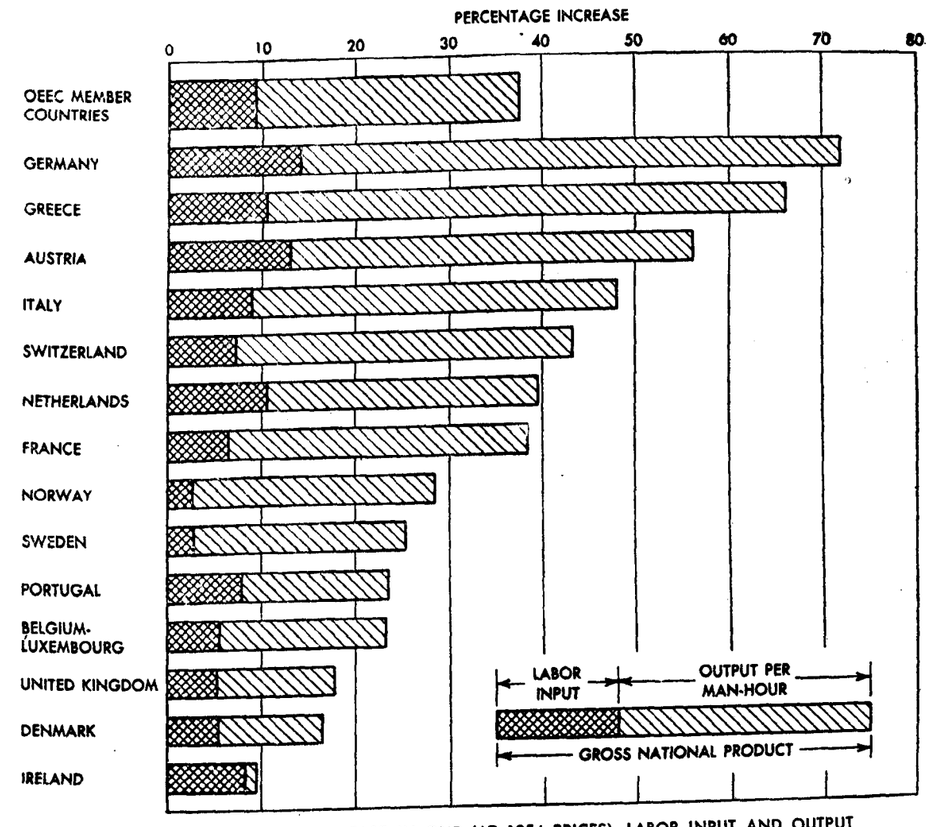
Stress has, therefore, been laid in India's Third Five-Year Plan on the machinery to accelerate the rate of domestic savings. India's Third Plan envisages raising of domestic resources from Rs. 3,510 crores during the Second Plan period to about Rs. 5,300 crores during the Third Plan period. In the government sector, balances from current revenues, contribution of railways and surpluses of other public enterprises are to be greatly enhanced. Loans from the public and small savings are also anticipated to rise substantially during the Third Plan period. Additional taxation also will yield substantially more. All this points to the awareness in India about improvement in domestic resources which must be more than external aid. This is all the more important because the cushion in the shape of sterling balances which was available hitherto will not be available during the operation of the Third Five-Year Plan because the balances have currently been reduced to the precarious level of Rs. 130 crores.

Productivity

SHARE OF PRODUCTIVITY IN G.N.P.

An analysis of the growth in gross national product in West European countries from 1950 to 1957 shows that major increases in production have been achieved more by "rationalisation" and "automation" than by increasing the labour force. It means that the share of labour input in the increased volume of gross national product in Europe has been much smaller. It has been estimated that the contribution of innovation and technology has been nearly three times the labour input. This fact is illustrated in the graph below which shows the relative shares of "labour input" and "output per man hour" in the gross national product of the West European countries. It will be seen that Germany during 1950-57 witnessed more than 70 per cent increase in its gross national product. During the same period the labour input in West Germany did not increase by even 15 per cent. It means that the increase in output through productivity alone was 60 per cent or four times the labour input. Roughly, the same proportions between "labour input" and "output per man hour" prevailed in almost all the other West European countries. In Norway, Sweden, Belgium and Luxembourg, the contribution of productivity was slightly higher than in Germany. Ireland alone stood in a different class where productivity had lagged very much behind. This graph amply demonstrates the fact that the key to prosperity in the West has been through productivity (output per man hour), by and large.

How can the Indian Union escape the impact of this new concept which is taking roots slowly but surely in all the Indian industrial units—big or small? Whereas it can be predicted safely that Europe will achieve higher per capita output levels during the next decade or so, it can also be forecast about Indian industries in particular that the widespread use of latest machinery in all the major industries is likely to increase productivity substantially. It is to be conceded that this order of rise in productivity cannot be attained



PERCENTAGE INCREASE IN GNP (AT 1954 PRICES), LABOR INPUT AND OUTPUT PER MAN-HOUR, SELECTED COUNTRIES, 1950–1957

without substantial investments in the capital structure of the industries.

REDUCING COSTS

Adam Smith, Father of Economics, stated that "productivity is inversely related to real cost". This fundamental law continues to be the main key to prosperi y even today. Productivity in the United States is ahead of all the other countries, though not many precise attempts at comparison are available. In general, productivity in the European countries is lower than in the United States of America, while productivity in the European countries is significantly higher than in the developing countries including the Indian Union. Disparities exist even in the West, and variations are large from country to country and from industry to industry. By and large, the long-term training programmes in Europe have raised the level of skill of the labour force and widespread use of latest technology has raised productivity (output per man hour) which has got translated in terms of lower costs and higher wages. A gene al rise in the standard of living is the natural outcome of the operation of the scissors of rising wages and lowering costs.

RATIONALISATION IN INDUSTRY

In the Indian Union, the movement for higher productivity is of recent origin. Every industry is slowly becoming conscious of the virtues of productivity and is willing to invest capital for the new techniques in output so as to reduce costs. Labour has erroneously tended to retard the progress of higher productivity by refusing to co-operate in the installation of automatic machinery. Because of surplus human power in the Indian Union, the spectre of rising unemployment induces the labour leaders to take a line which in the short period looks beneficial to labour but in the long run retards allround development without holding out hopes of raising the level of living. Luckily, resistance to new machinery and innovation is breaking down. The Indian Union is happily placed in one particular respect, namely, it can skip over a number of technological processes through which the Western world has passed and adopt latest methodology in manufacture without any resistance from labour force. It is only in the ca e of the old established industries such as the cotton textile industry, jute industry etc. that opposition fr m labour has to be encountered. The Third Five-Year Plan recognises the importance of productivity and clearly states: "The vicious circle of poverty and unemployment and low productivity can be broken only by a tremendous stress on the maximum possible contribution being made by all the participants in the process of production. For the workers no real advance in their standard of living is possible without a steady increase in productivity, because any increase in wages generally, beyond certain narrow limits, would otherwise be nullified by a rise in prices. Workers have, therefore, to insist on and not resist the progress of rationalisation in their own interest and in the larger interests of the country."

PRODUCTIVITY IN THE U.S.

A page out of the U.S. economic history will illustrate the impact of rising productivity on the standard of living. Between 1910 and 1953, output per man hour in the United Staties rose by about 2 per cent per annum on the average and it was during this period that the American worker enjoyed significant increases in purchasing power as well as standard of living. Produc'ivity rose much faster at 3.4 per cent per annum during a most recent period i.e. 1947-53. The fall in productivity in 1954 and the rather slow recovery in 1955 a d 1956 was reported to be due partly to the shortage of qualified workers.

COMPARISONS IN PRODUCTIVITY

Even Europe has to make a tremendous effort to catch up with the United States of America in productivity. One of the pre-War attempts at comparison in producivity between Great Britain and the Uni.ed States shows that in 1936-37, the produc.ivity index of the United States of America was 238 as compared to Great Britain as 100 and Germany as 107. It means that before World War II, every factory worker in the United States produced more than double in physical volume than his counterpart in Great Britain or Germany. In individual industries, the range of difference was much larger. In such industries as radio sets, automobiles, iron and steel products, the volume of output of each American worker was nearly four times that of his counterpart in Great Britain.

After the War, Great Britain did catch up with the United States of America in specific industries but there were still many branches where it lagged behind. In the case of tin cans, castings and wool spinning, its productivity was one fourth of that in the United State3 while it was very near the United States productivity in cement and razor blades manufacture. In the manufacturing of mirrors and smoked fish, Great Britain had overtaken the United States of America.

FACTORS AFFECTING PRODUCTIVITY

Productivity cannot be raised without the utilisation of up-to-date and modern technology whether it is agriculture, industry, trade or commerce. If a nation is poor in resources it has no alternative but to save (or borrow) and invest in fast moving machinery which may ultimately cut down costs of operation. In other words, there is no escape from increased investment which is a necessary condition for all economic progress. This may either be achieved by stimulating domestic saving or by borowing capital from abroad.

High cost of machinery and equipment which must be imported at the first stage is a big s.umbling block This has been competently discussed in the following quotation from the latest publication of the Twentieth Century Fund, regarding Europe's Needs and Resources:

"With savings so scarce and dear, capital goods—which are themselves much dearer in Europe than in the United States—have to be bought.

"High cost is an indirect result of low productivity. If a machine takes a cumulative total of one thousand working hours to build in the United States and six thousand working hours in Italy or Austria clearly it cannot be sold in Austria for less than the equivalent of six thousand hours' wages, while in the United States it could easily be sold for little more than the equivalent of one thousand hours wages.

"A particular machine may thus be profitable in the United States, and not in Europe, profitable in Paris and not in Athens, or profitable in Milan and not in Bari. This can be demonstrated by a simple example. A certain make of washing machine costs $120 in New York and 110,000 francs in France.

"This represents seventy or eighty hours' wages in the United States and five hundred in France. Thus a French worker has to save wages for at least five hundred hours of work in order to buy the machine in France.

"The housewife is in much the same position as a businessman in deciding whether or not to buy the machine. In terms of wages to be paid out to a substitute for about 100 hours wage payments in New York, but six or eight times that number in France, in order to 'pay for itself'— to the use the Accountant's terminology—be considered "amortized". This is no small difference! The figures for Italy and Greece are even higher—probably two and three times those for France."

THE VICIOUS CIRCLE

"This indicates how the way to increased productivity, by means of investment and modernisation of equipment, becomes a 'vicious circle'; the poorer one is, the more difficult it becomes to achieve wealth—this goes without saying. The greater the need for machinery, the more difficult it is to acquire it and, owing to the low level of wages, the less profitable to use it."

It is thus clear that even Europe needs more capital in order to raise its productivity so as to compete with the United States. Recent prosperity in West Germany, France and Italy is the result of sizeable increase in investments and installation of latest machinery. While new and complex techniques have been pushed in all branches of life, there has arisen the need for men who can handle these complex problems.

ATTITUDES MUST CHANGE

An erroneous impression exists in this country that productivity in the various branches of the economy can be raised by widespread use of machines alone. This is far from the truth. Modern research has revealed that before an economy can make use of scientific and technological research, the users of these techniques must change their age-old attitudes. The employer, the worker and the consumer are all required to alter their attitude if a proper use of the facilities that are available is to be made. This needs to be explained.

MANAGEMENT VERSUS LABOUR

Gone are the days when the head of an institution could run his organisation by being a "boss" i.e. one who had only to give orders to his officers to get them executed impersonally. The widespread consciousness which has been created amongst labour by the fast-spreading trade union movement has created resistance to the old fashioned employer who will not be able to get, through his old techniques, the best out of his men. His men will be hostile to him. They will not trust him. In Europe today the ruling classes have been replaced by a fast-growing middle class which has learnt all about the mood of the present-day worker and this class knows how to make itself understood to the employees. Their whole approach to labour has undergone a great change and it is this middle class management which is capable of taking work out of labour. The worker also knows that the present day industrial jobs cannot be performed by unskilled labour; it is skilled labour today which can claim, whether in India or in Europe, higher wages. At the same time it must be recorded that this process of mutual understanding between management and labour is a very slow one. The climate in terms of human relations has been slow in adjusting itself in Europe. In the Indian Union as well the Third Five-Year Plan will see vast changes in relationship between management and labour because then alone will these two vital units be able to function in a harmonious manner so as to profit by the new plants and equipment which are being imported at a very fast rate.

THE CONSUMER

The future pattern of expansion in industry, commerce and trade will also be governed by the attitude of the consumer. With every lift in the standard of living the consumer also will be on the look out for goods of better quality. The mass media such as the newspaper, the radio and the television set, will all combine to help the consumer in making up his mind about his new demands. The next wave of industrialisation in the Indian Union will bring along with it a new class of practitioners who will be able to translate to management the moods of the consumer. The market researcher of tomorrow will be called upon to forecast the probable changes in consumer tastes and all future plans of expansion will depend upon his findings. The market researcher has already come into his own in the United States of America and Europe. We must borrow Europe's techniques if we buy Europe's machines; we can ignore to take account of these new developments at our own risk and cost.

PRODUCTIVITY MOVEMENT IN EUROPE

Under the auspices of the Organisation for Economic Co-operation and Development, considerable work has been done in Europe in the field of management-labour relations. The promotion of research in the field of human sciences as applied to industries is regarded as one of the elements in the programmes for technical efficiency. This field is described as "neutral territory" where all the European countries can collaborate. Even in the Europe of today, knowledge of physiological, psychological and sociological aspects of work is not complete. Ignorance about these aspects of work is definitely a brake on progress.

Recently, the European nations have, in collaboration with the European Productivity Agency, carried out studies for the first time on the international scale. Frequent exchanges of views have taken place between specialised institutions. The European Productivity Agency has also made grants available to research workers in order to perfect their training. Round Table Conferences and Study Sessions on specific subjects such as the incidence of "office automation" on white collar workers and the evaluation of methods for training managerial and supervisory staff are being evolved.

An interesting aspect of the hunger for technical knowledge is revealed by the activities of the European Productivity Agency. Not only that the Agency prepares a digest of technical articles published in English and in the national languages of Spain, Greece, Italy, Japan and Turkey and a host of other countries, but even Russian technical literature is being translated into European languages so as to learn from the experiences of the scientists and researchers across the iron curtain. In 1960, the Agency permitted the establishment of an European Centre for the translation and diffusion of this literature. It has been decided to house the Centre in the University of Delft in the Netherlands.

Technology

THE TECHNOLOGICAL advancement made so far in the realms of various sciences makes one believe as if the childhood dreams have come true. Most of these scientific achievements had at one time or another been termed as Utopian or unattainable. What is much more significant is the speed with which these achievements have been made. The time scale has changed from 50 years to 5 years. It means that a really significant invention took at least 50 years to come to fruition in the nineteenth century. A similar landmark today is being achieved at one-tenth the time interval. The ushering in of the Sputnik Age is holding out the hope of further reducing the time scale for new discoveries. A fair idea of this aspect of the technological revolution can be had from the following quotation culled out of S.C. Giffillan's article, "Prediction of Invention" in **Technological Trends and Their Social Implications:**

Taking the 19 inventions voted the most useful introduced between 1888 and 1913, the average inter-

vals were: Between when the invention was merely thought of, and the first working model or patent, 176 years; thence to the first practical use, 24 years; thence to commercial success, 14 years; to important use, 12 years—say 50 years from the first serious work on the invention. Again in the study of the most important inventions of the generations before 1930 the median lapse was found to be 33 years between the "conception date", corresponding to second above, and the date of commercial success. Searching for exceptions, it is hardly possible to find an invention which became important in less than ten years from the time it, or some fully equivalent substitute, was worked out and few did it in less than 20 years. (p. 797).

All over Europe technology is being pressed into service according to the particular requirements of each economy. In Switzerland industrial prosperity has been recorded beyond the physical resources of the country. It is a well-known fact that this tiny country midst the snowy Alps lacks all the natural resources which are necessary for industrial advancement. Despite all these limitations, the Swiss watch industry is still the leader in the world. In efficiency, the Swiss industry surpasses all other countries in not only watchmaking but also in the manufacture of quality engineering instruments, tools, pharmaceuticals, fabrics etc.

Another characteristic example of the healthy impact of technological growth is Denmark where animal husbandry has been closely knit into a top-ranking industry. It has evolved its own farmers' co-operatives, state experimental farms and produces today goods of quality which are sold all over Europe and in the United States of America. Denmark's neighbour, the Netherlands has evolved an outstanding electrical industry. Philips is a household name in India and the parent company came from Holland. From the Leyden jar of the 18th century to the present day fluorescent tubes, the electrical industry has made vast progress. Uniliver, the supplier of cheap food and cosmetics, is another outstanding example of partnership in techniques between Holland and Britain. Another outstanding name is that of Shell in the petroleum industry where Holland made a mark by making use of present-day technology.

Examples can be multiplied from Belgium, France and Germany where the European technological revolution has brought not only "muscle emancipation" for the housewife but has made even factory labour extremely easy by the latest push-button system. Mention must be made of the discoveries of Louis Pasteur which made pateurisation of milk possible and has laid the foundations of the fast expanding canning industry not only in Europe, but all over the world. The German thoroughness is manifest from the brilliant academic research in chemistry which has been translated into practical use in the industrial processes being employed in industry today. The synthetic dye-stuffs, drugs, antibiotics and fertilizer industries are today not specialities of Germany alone because their methods have now been employed all over the world but the credit for pioneering work in these lines does go to Germany.

It is for the Indian Union to imbibe the spirit of German thoroughness, French zeal for getting at the truth and the British skill at scientific research and industrial management. India's Third Five-Year Plan no doubt does lay emphasis on India's technological growth. The primary need of the day is to multiply the research laboratories all over the country not only under Government auspices but also in the larger industries. Then alone can the fruits of modern technological knowledge be made available to the man in the street; then alone can the standard of living be raised all-round.

CHEMISTRY IN THE SERVICE OF MAN

The technological progress witnessed during the last 100 years has revolutionised the mode of life all the world over. Many of the pessimistic forecasts about the future of world proved wrong through the pioneering discoveries of the scientists. The Malthusian fear of world getting over-populated has been removed once for all by the manufacture of fertilizers by taking nitrogen from air. It is believed that 50 million tons of nitrogenous fertilizers when mixed with appropriate proportions of phosphate and potash compounds, could be instrumental in raising the production of cereals by 150 million tons—an increase in production which would be sufficient for providing daily ration of bread for 1500 million people a year. The science of chemistry has gone a long way in improving standards of living. Not only does it help in the manufacture of vitally needed fertilizers but also provides today chemicals to eradicate pests which in some countries claim—even today—10 to 20 per cent of agricultural produce. With the utilisation of ever-growing scientific knowledfge, it is possible to save tremendous amounts of agricultural produce from the ravages of pests. Also, with the invention of refrigerators—which are being manufactured in millions in Europe today—food can be preserved for indefinite period. This has assisted in reducing the retail price of foodstuffs. The science of chemistry has also assisted in hygenic packing of these foodstuffs. One of the most recent contributions relates to the manufacture of artificial fibres. The production of cotton has not been able to cope with the world demand, and the science of chemistry has helped in the manufacture of synthetic fibres so as to provide attractive clothing to the world. It is computed that between 1950 to 1959, production of synthetic fibres rose by 750 per cent or an average yearly increase of 26.5 per cent. Practically unlimited range of colours have been produced and made available to the textile industry so as to provide charming fabrics for the people.

In the construction industry, chemistry has played an important part in providing insulating material at much cheaper cost. The new plastic-based load-bearing components permit a great saving in cost as well as in space. The age of plastics has been ushered in by chemistry at a very fast speed. For a variety of needs, plastics have come to man's rescue. We are today dealing with materials "made to measure". In many other fields, new innovations are fast changing everyday life. In the field of pharmaceuticals, antibiotics such as penicillin have made it possible for thousands of people to enjoy a healthy life.

FORWARD AND FASTER

The jet age has already arrived and the recent scientific efforts are diverted to new machines, which permit a vertical lift and forward propulsion because take-off and landing at big air strips has become obsolete. Much more amusing will be the technique of motoring on air, a demonstration of which was given at the U.S. pavilion in the Indian Industries Fair early this year. The U.S. pavilion had put up for demonstration a car which lifted itself above the earth by a few inches and moved on a cushion of air of its own compression. It had no wheels. Compressed air lifted it above the ground and kept it sustained as it moved forward. Such an invention is likely to make the use of building of roads absolutely redundant. It is a foregone conclusion that the trains, the tracks and the city trains will very soon become obsolete.

TECHNOLOGICAL EDUCATION

All the technological progress cannot be accomplished without having a sufficient number of trained personnel. In all the advanced nations of the world, great stress is laid on the extension of facilities for giving technological education. The number of pure science studies as well as the applied science students is very large in almost all the advanced nations of the world. The following table shows that in 1956 in the U.S.S.R., for every million of the population, there are 280 persons working on the applied sciences while there

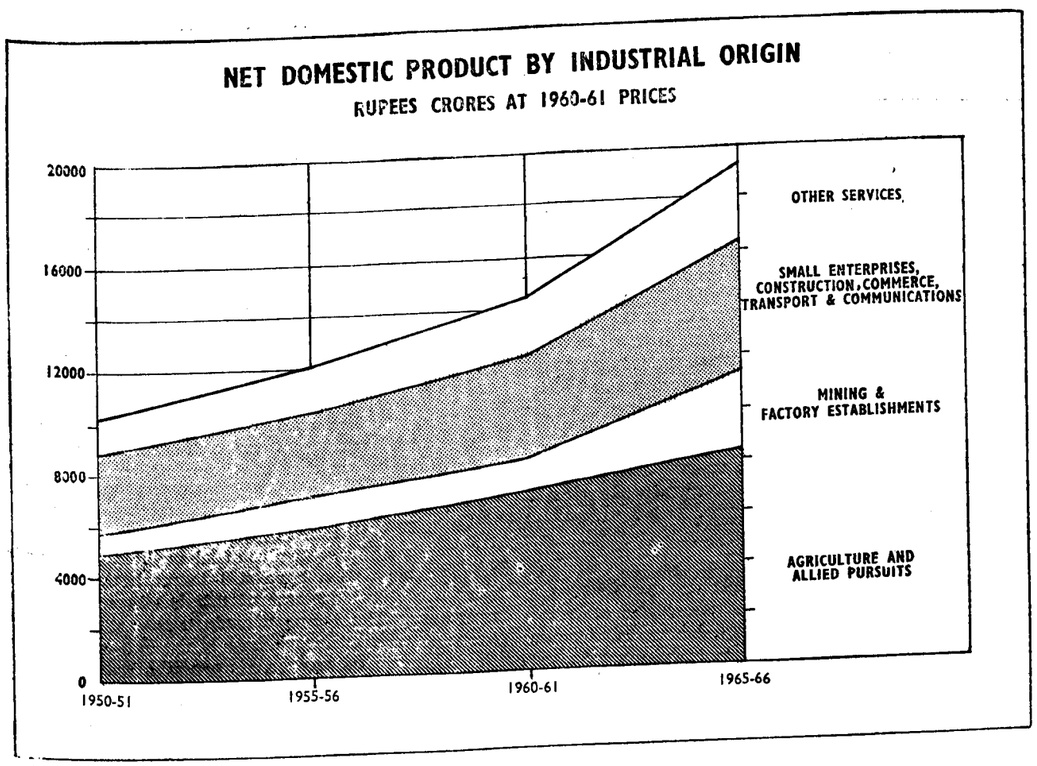
are only 56 for the pure science (for every million of the population). Similar is the case in the United States and to a lesser degree in Great Britain and Germany. The estimated figure for 1960 for applied science is 38,000 for U.S., 4,200 for Britain and 90,000 for the U.S.S.R. In the United States, the number of science teachers in 1956 was less than 50,000, in Britain less than 20,000 and in Russia over 2,00,000.

Country	Pure Sciences		Applied Sciences	
	Total	Per Million Inhabitants	Total	Per Million Inhabitan's
U.S.S.R.	12,000	56	60,000	280
United States	23,500	144	22,500	137
Great Britain	5,200	105	2,800	57
France	1,760	41	2,988	70
West Germany	3,450	67	4,450	86
Switzerland	215	44	399	82
Italy	2,436	51	2,200	45

It is, therefore, patent that India's economic growth is a function of its technological expansion. Without new inventions and without the assimilation of new technological advance already made in the world, wheels of industry cannot move at the anticipated rates. The scientific method has to be learnt by our men who have to operate the machines and they can ignore the advancement made in the world in the field of science only at their own peril.

TRAINED PEOPLE

At more than one place, the Third Five-Year Plan has laid stress on the desirability of investment in men and machines to move in unison. In the educational programmes set out for the next five years, top priority has been given to the technological training programmes. The financial allocations for this purpose have also been substantially stepped up. The total outlay for education for the Third Plan is as high as Rs. 5,600 million as compared to Rs. 2,560 million in the Second Plan and Rs. 1,530 million in the First Plan. Schemes of technical training, especially in the field of engineering and technology, will absorb no less than Rs. 1420 million in the next five years. Admission of students for degree courses in Engineering and Technology is anticipated to rise from 14,000 in 1960-61 to 19,000 in 1965-66. Still greater expansion is being planned for the diploma course students; as against the current capacity of 25,570 students, the intake is anticipated to grow by 50 per cent to 37,390 students by 1965-66.



The Burden of Rising Population

VICTORY OVER DEATH

THE 1961 census showed that all the forecasts made during the last decade in regard to the growth of India's population had been gross under-estimates. The most optimistic estimate placed India's population at 431 millions whereas actually it turned out to be 7 millions more at 438 millions. This under-estimation in the growth in population is not an isolated example. There are a number of other Asian countries which had their census in 1960 or 1961 and which revealed that the increase in population had been much beyond expectations. The table below shows the degree of divergence in growth rates between the actual census results and the forecasts made by expert agencies of these countries :

RATE OF POPULATION GROWTH

	Period	Average annual rate of population growth	
		1960-61 Census	Official Estimates
Philippines ..	1948-60	3.2	2.4
Thailand ..	1947-60	3.0	2.0
South Korea ..	1955-60	2.9	1.6
Sarawak ..	1947-60	2.5	1.3
Pakistan ..	1951-61	2.2	1.7
India ..	1951-61	2.1	1.4
Japan ..	1955-60	0.9	1.0

The rate of growth in population in all these countries, including the Indian Union, has risen because modern science, especially in the field of medicine, has taken rapid strides so as to curtail the death rate. Increased knowledge about hygienic living and the abolition of famines have raised the birth rate. The net result of both these factors has been to accelerate the rate of growth in population. The experiment of widespread use of contraceptives which has had a sobering effect in curtailing the growth in population in the U.K., France, Sweden, Italy, Finland, Japan etc. is currently being initiated in India in right earnest and is likely to show some positive results during the next decade. At present, ignorance about birth-control is widespread and mere distribution of contraceptives may not bring about the desired results. An intensive, educative plan for popularising "planned parenthood" must be launched along with free distribution of contraceptives.

FAMILY PLANNING

India's Third Five-Year Plan, like the earlier two Five-Year Plans, recognises the importance of family planning in restricting growth in population. Various steps have been taken in recent months in order to put the family planning movement on a sound footing. The Ministry of Health has decided that contraceptives be distributed free in medical and health centres in rural areas without reference to the income of the individual. For this purpose, a recurring grant of Rs. 1,500 per year is being made to every clinic, hospital, dispensary, maternity home and health centre. Similar grants to the extent of Rs. 1,000 per year are being given to every medical centre, commercial organisation, mill, factory, tea garden etc. Total allocation for family planning during the Third Five-Year Plan is Rs. 270 million.

In rural areas, Family Planning Clinics at the headquarter of the Primary Health Centre and each of its sub-centres would be set up to make family planning services readily available to the people. The Ministry has also agreed to give assistance to voluntary organisations if they set up family planning centres in rural areas on a pattern similar to the family planning clinics at the headquarters of the Primary Health Centres. All these measures being currently taken by the Union Government show the importance which the Indian Government attach to this problem.

URBANISATION IN INDIA

The 1961 census has revealed that during the last decade, the rural-urban structure of India's population has not undergone much change. In 1951, the percentage of the urban population to India's total population was 17.4 per cent and during the last ten years it rose by 0.4 per cent to 17.8 per cent. In the earlier decades, the trend towards urbanisation had been clearly visible, The following table shows that a major shift to urbanisation took place in the decade 1941-51:

PERCENTAGE OF URBAN POPULATION

Year	%
1881	9.3
1891	9.4
1901	10.0
1911	9.4
1921	10.2
1931	11.1
1941	12.8
1951	17.4
1961	17.8

EUROPE: SHORTAGE OF MANPOWER

European countries, whether in the West or the East, do not suffer from any such surplus of manpower as we do in the Indian Union. There are various reasons for that. In the first place, the Second World War created a shortage of able-bodied persons because of the heavy toll taken by War. Post war babies' boom has not created any surplus of labour because new additions to population have still to reach the adolescent age. A natural outcome of this has been the paucity of labour. The tempo of industrialisation which has been hastened in Europe, both in the East and the West, needed more manpower, despite the accelerated use of automatic machinery. Also increased industrialisation and urbanisation have raised standards of living which are not conducive to increase in the size of the families. Rising living standards coupled with widespread use of contraceptives have tended to lower the size of the family. In East Europe, the Communist doctrine of letting population increase unchecked prevails because the Communist ideology on population is deadly anti-Malthus, except for Poland and Yugoslavia where the damaging effect of uncontrolled population increase is realised.

The table alongside compares the growth rates in population during the decade 1950-60. It will be seen that the Indian Union is preceded by only Turkey whose rate of rise in population at 27.5 per cent was significantly higher than that of India. In most of the West European countries the rise during the decade under study was less than 10 per cent. In this category lie Belgium, Denmark, France, Greece, Italy, Norway, Portugal, Spain, Sweden, United Kingdom and Austria. Ireland had a fall in population mostly because of migration of large numbers of people. In the East European countries Bulgaria, Czechoslovakia and Hungary had less than 10 per cent rise during the decade while East Germany lost about 9 per cent of its population mostly because of migration to Western Germany. Poland, Rumania and the U.S.S.R. only enjoyed rates above 10 per cent. It is significant to note that in this comparison between India and East Europe and West Europe, Turkey held the first place, India the second and Poland the third place. The U.S.S.R. holds a very close fourth position. These figures highlight what has already been stated above that the average rate of rise in population in the East European coun ries is definitely higher than what prevails in Western Europe. The problem there is not of restricting the population; it is to encourage the rise in reproduction. But the high level of literacy, rise in living standards, widespread knowledge about contraceptives etc. tend to restrict the growth of population in most of the European countries, whether in the East or the West.

LESSON FOR INDIA

In this regard there is only one lesson to be learnt from Europe. A steep rise in living standards will automatically restrict the size of the family which means that population problem is closely linked with the problem of growth. The barriers caused by caste, religion, language etc. are likely to fall before the onslaught of the rising standards of living. It is usually believed that an increase in the literacy ratio tends to lower the birth rate. The experience of the past two decades has cast doubts on this theory. India's most literate State of Kerala has the highest rate of rise in birth rate and hence in population. It seems that literacy campaign, even if successful, will not result in restricting the growth in India's population. It must be joined by urbanisation and rising living standards for limiting the size of the average family and hence India's total population.

RATES OF POPULATION GROWTH : 1950 — 60

Country	Population (in thousands) 1950	1960	Rate of Growth 1950-60
I. India ..	3,59,217§	4,36,424§§	21.5
II. **Western Europe:**			
Belgium ..	8,639	9,153	5.8
Denmark ..	4,270	4,581	7.1
Finland ..	4,009	4,456	10.6
France ..	41,736	45,540	8.7
Greece ..	7,566	8,327	9.6
Ireland ..	2,969	2,834	—4.6
Italy ..	46,603	49,361	5.7
Netherlands ..	10,114	11,480	12.7
Norway ..	3,265	3,587	9.5
Portugal ..	8,405	9,125	8.2
Spain ..	27,868	30,128	7.8
Sweden ..	7,014	7,480	6.5
Turkey ..	21,063	27,829	27.5
United Kingdom	50,325	52,383	4.0
Austria ..	6,935	7,081	2.1
Switzerland ..	4,694	5,298	12.2
Yugoslavia ..	16,346	18,655	13.3
III. **Eastern Europe**			
Bulgaria ..	7,251	7,867	8.2
Czechoslovakia	12,389	13,649	9.7
Hungary ..	9,341	10,002	6.9
East Germany	18,388	17,298*	—8.8†
U.S.S.R. ..	1,80,100**	2,14,400**	17.5
Poland ..	24,824	29,703	18.1
Rumania ..	16,311	18,403	12.1

** Estimated.
* Relates to 1959. † Relates to 1950 - 59.
§ As on March 1, 1951.
§§ As on March 1, 1961.

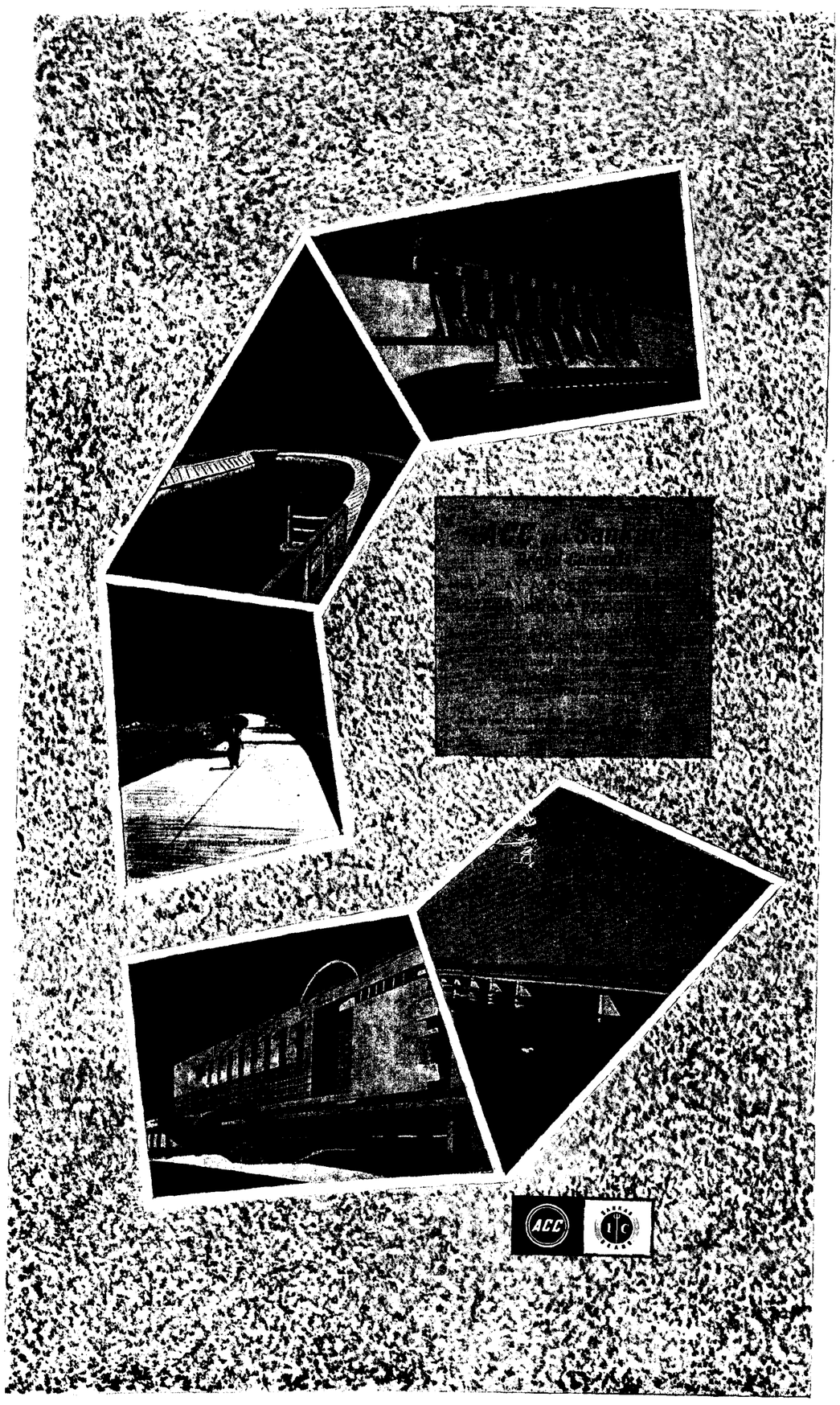
GROSS NATIONAL PRODUCT*: 1950—59

(Actuals and Index Numbers)

Country	Total GNP (Mil. U.S. dollars) 1950	1954	1957	1958	1959	Average GNP Per Head of Population (In U.S. dollars) 1950	1954	1957	1958	1959
I. India ..	18,585	21,588	22,869	24,465	26,313†	52	56	56	59	61†
	(100)	(116)	(123)	(132)	(142)	(100)	(108)	(108)	(113)	(117)
II. **Western Europe**										
1. Belgium ..	8,068	9,206	10,172	10,088	10,333	934	1,044	1,132	1,114	1,135
	(100)	(114)	(126)	(125)	(128)	(100)	(112)	(121)	(119)	(122)
2. Denmark	3,698	4,006	4,307	4,401	4,624	866	909	959	975	1,017
	(100)	(108)	(116)	(119)	(125)	(100)	(105)	(111)	(113)	(117)
3. Finland ..	2,840	3,554	3,935	3,922	4,156	708	848	908	896	942
	(100)	(125)	(139)	(138)	(146)	(100)	(120)	(128)	(127)	(133)
4. France ..	38,460	44,499	52,930	53,620	54,760	922	1,047	1,200	1,203	1,214
	(100)	(117)	(138)	(139)	(142)	(100)	(114)	(130)	(131)	(132)
5. West Germany ..	26,930	37,240	46,790	48,100	50,860	574	765	927	941	983
	(100)	(138)	(174)	(179)	(189)	(100)	(133)	(161)	(164)	(171)
6. Italy ..	15,930	19,950	23,590	24,630	26,250	342	417	487	505	535
	(100)	(125)	(148)	(155)	(165)	(100)	(122)	(142)	(148)	(156)
7. Luxembourg	338	339	390	397	404	1,138	1,108	1,234	1,240	1,247
	(100)	(100)	(115)	(117)	(120)	(100)	(97)	(108)	(109)	(110)
8. Netherlands	5,837	7,133	8,196	8,338	8,773	577	672	744	745	773
	(100)	(122)	(140)	(143)	(150)	(100)	(116)	(129)	(129)	(134)
9. Sweden ..	7,200	8,126	8,996	9,083	9,674	1,026	1,127	1,221	1,225	1,298
	(100)	(113)	(125)	(126)	(134)	(100)	(110)	(119)	(119)	(127)
10. Norway ..	2,696	3,142	3,446	3,454	3,586	826	926	986	980	1,008
	(100)	(117)	(128)	(128)	(133)	((100)	(112)	(119)	(118)	(122)
11. United Kingdom ..	57,950	64,330	68,470	68,520	70,720	1,156	1,267	1,331	1,326	1,360
	(100)	(111)	(118)	(118)	(122)	(100)	(110)	(115)	(115)	(118)
12. Ireland ..	1,695	1,825	1,868	1,808	—	571	621	647	634	—
	(100)	(108)	(110)	(107)	—	(100)	(109)	(113)	(111)	—
13. Greece ..	1,426	1,896	2,405	2,476	2,583	188	240	297	303	313
	(100)	(133)	(169)	(174)	(181)	(100)	(128)	(158)	(161)	(166,
14 Portugal§	1,551	1,747	1,930	1,961	2,000	185	201	217	218	221
	(100)	(113)	(124)	(126)	(129)	(100)	(109)	(117)	(118)	(119)
15. Turkey ..	4,824	6,085	7,436	8,231	—	230	259	292	315	—
	(100)	(126)	(154)	(171)	—	(100)	(113)	(127)	(137)	—
16. Spain ..	—	869	944	—	—	—	302	321	—	—
17. Iceland ..	163	203	237	252	—	1,140	1,318	1,436	1,491	—
	(100)	(125)	(145)	(155)	—	(100)	(116)	(126)	(131)	—
18. Austria ..	2,654	3,354	4,142	4,277	4,438	383	481	592	609	630
	(100)	(126)	(156)	(161)	(167)	(100)	(126)	(155)	(159)	(164)
19. Switzerland	4,850	5,950	6,930	7,070	7,390	1,033	1,208	1,354	1,364	1,412
	(100)	(123)	(143)	(146)	(152)	(100)	(117)	(131)	(132)	(137)
20. Yugoslavia	(100)	(120)	(173)	(176)	—	(100)	(113)	(157)	(158)	—
III. **Eastern Europe** (Index Numbers)										
Albania†† ..	100	171	198	211	253	100	156	165	171	198
Bulgaria** ..	100a	118	152	167	—	100a	115	145	158	—
Czechoslovakia**	100	133	168	181	190§	100	127	156	166	173
Hungry** ..	100	125	149	159	173	100	120	142	150	—
Poland** ..	100	139	186	192	204	100	129	163	165	173
Rumania** ..	100	157	207	214	242	100	151	190	197	221
U.S.S.R. ..	100	153	203	226	244	100	143	180	197	209

* At 1954 prices and exchange rates. ** National Income. †† Volume of production. § Estimate.

(a) 1952. †Relates to 1960-61. Note: Figures for India relate to National Income at 1948-49 prices.





A paying proposition

Low-shaft blast furnaces such as the one shown in the picture offer two substantial advantages: They can be successfully used for the economic reduction of small size, low-grade ores, and the investment costs of the plant are relatively low. The first unit of this type with a daily output of 80-100 tons was set up by KRUPPS at Barbil/India and more are being planned for erection in India and other Asiatic countries where a similar raw materials situation makes the low-shaft blast furnace the ideal solution to the problem of developing a domestic iron and steel industry. KRUPPS have been associated with iron and steel for 150 years and today, with a turnover of about US $ 1.25 billion, give employment to some 110,000 people. From the screw to the complete industrial plant; from the converter to a fully equipped iron and steelworks; from the wharf crane to the sea-going vessel; from the rail to the locomotive; from the motor-truck to the giant excavator — KRUPPS make it! Detailed information can be obtained from KRUPP representatives all over the world or from the Essen Head Office.

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RATE OF GROWTH OF OUTPUT AND RELATIONSHIP BETWEEN INVESTMENT AND OUTPUT, 1950 - 1959

Country	Rate of growth in gross domestic product (percentage per annum)	Gross domestic capital formation as percentage of gross domestic product	Incremental capital output ratio
Jamaica	12	21	2
Israel	11	26	2
Trinidad and Tobago	9	24	3
Iraq	9	15	2
Venezuela	8	27	3
Greece	7	17	2
Rhodesia and Nyasaland	7	29	4
China (Taiwan)	7	17	3
Burma	6	19	3
Mexico	6	16	3
Brazil	6	16	2
Costa Rica	6	20	4
Philippines	6	9	1
Turkey	6	14	3
Panama	6	12	2
Malta	5	22	3
Spain	5	18	3
Guatemala	5	12	2
Puerto Rico	5	20	4
Congo	5	26	6
Cyprus	5	19	5
Korea (Republic of)	5	13	2
Union of South Africa	5	23	4
Ecuador	5	14	3
Ghana	5	11	3
Colombia	4	18	4
Thailand	4	16	4
Indonesia	4	6	1*
Portugal	4	16	4
Chile	4	10	3
Honduras	3	15	4
U.A.R. (Egypt)	3	12	4
India	3	8	2
Ceylon	2	11	4
Tanganyika	2	17	8
Argentina	2	20	12
Morocco	2	16	11

*Calculated from the ratio of gross fixed investment to gross domestic product in current prices.

PERCENTAGE INCREASE IN GNP, EMPLOYMENT, LABOUR INPUT AND GNP PER MAN-HOUR: 1950-55

Country	Gross National Product*	Employment	Labour Input**	GNP per Man-hour	Annual compound increase in GNP per Man-hour
Western Europe ..	26.2	7.0	8.2	16.6	3.1
Austria	38.6	6.5	8.5	27.7	5.0
Belgium-Luxembourg ..	16.6	2 8	(2.8)	13.4	2.5
Denmark	7.9	1.4	(1.4)	6.4	1.2
Finland .. .	27.4	8.0	8.0	18.0	3.2
France	22.8	2.8	3.5	18.6	3.5
Germany	59.7	17.3	19.4	33.8	6.0
Greece	38.3	8.2	(8.2)	27.8	5.0
Ireland	8.5	—2.3	—2.3	11.0	2.1
Italy	32.9	5.2	7.7	23.4	4.3
Netherlands ..	27.2	7.4	7.4	18.4	3.4
Norway	18.8	2.7	(2.7)	15.7	3.0
Portugal	14.7	3.4	(3.4)	10.9	2.1
Sweden	16.0	1.5	(1.5)	14.3	2.7
Switzerland	17.7	4.6	4.6	12.5	2.3
United Kingdom ..	15.3	4.4	6.0	8.8	1.7

* At 1955 prices.

** Labour input takes into account not only changes in total employment but changes, if any, in average hours worked during the year, and therefore shows the total labour supply or total number of man-hours worked during the year. Figures in parentheses do not reflect changes in working hours in the countries to which they apply, as no data on working hours were available and it was assumed average working hours were unchanged.

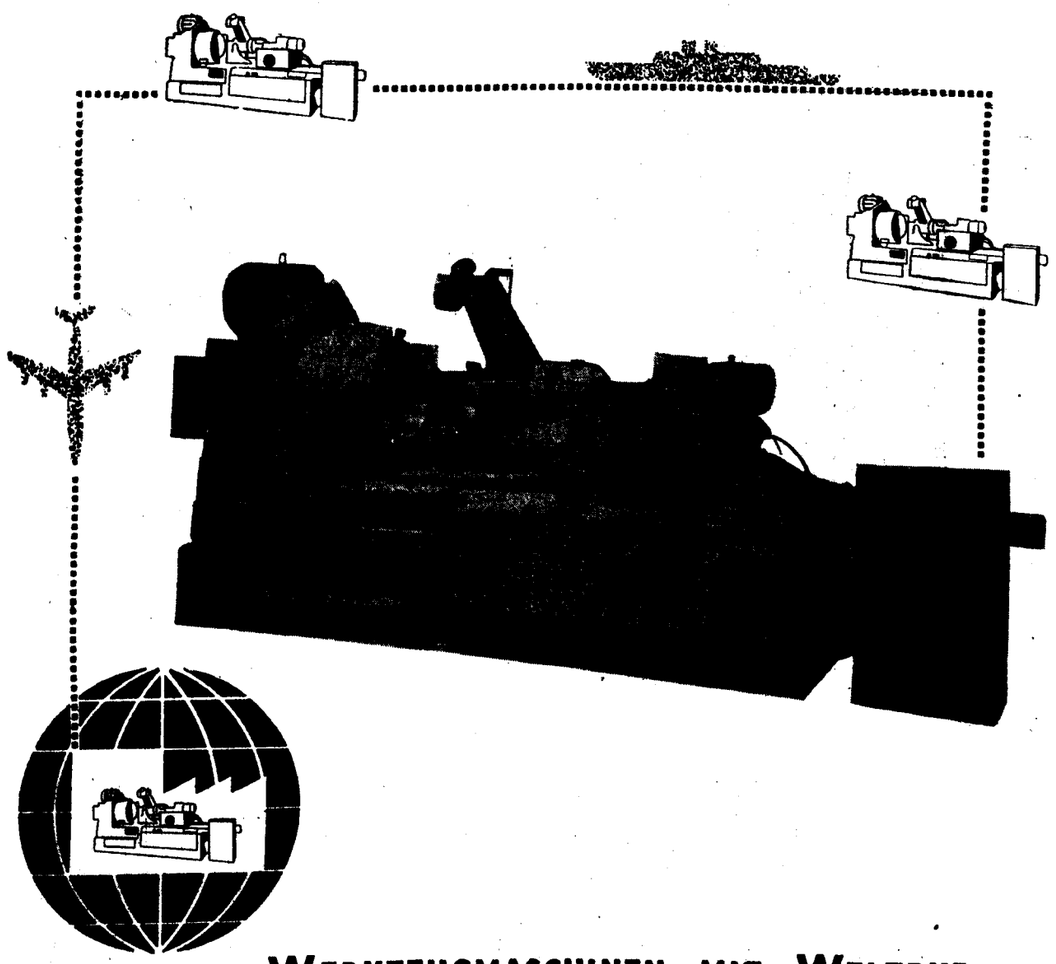
ESTIMATED CHANGES IN PRODUCTIVITY IN INDUSTRY: 1953 — 58

Country	Percentage Increase over Preceding Year					Annual Compound Rate of increase	
	1954	1955	1956	1957	1958*	1953-55	1956-58
Weighted** average of 11 countries	6.1	6.0	3.6	4.4	3.4	6.1	3.9
Austria	8.0	6.5	0.9	3.4	3.3	7.2	3.4
Belgium	7.0	7.5	5.2	2.5	3.2	7.2	2.8
Finland	12.0	8.0	—	7.4	3.1	10.0	5.2
France	8.0	8.3	7.7	4.8	6.1	8.2	5.4
Germany	5.0	6.7	3.6	8.6	5.6	5.9	7.0
Italy	7.0	9.3	6.0	4.0	4.7	8.2	4.3
Netherlands	6.0	4.7	1.8	2.7	2.6	5.4	2.6
Norway***	7.0	4.7	4.5	2.6	0.8	5.9	1.7
Sweden***	3.0	3.9	3.7	3.6	1.7	3.5	2.7
Denmark	5.0	2.9	3.7	0.9	0.9	3.9	0.9
United Kingdom	5.0	2.9	—	1.9	—	4.0	1.0

* Based on 9 to 11 months.

** Weighted by industrial gross domestic product.

*** Rates of increase per worker instead of per man- hour.



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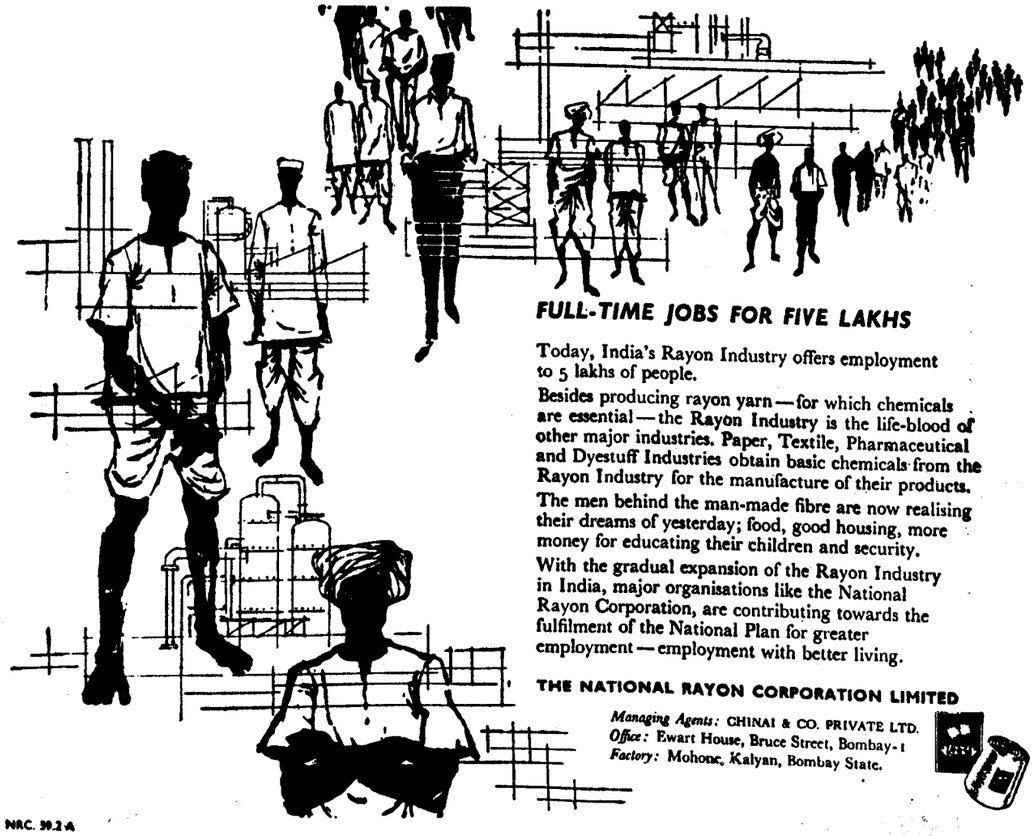
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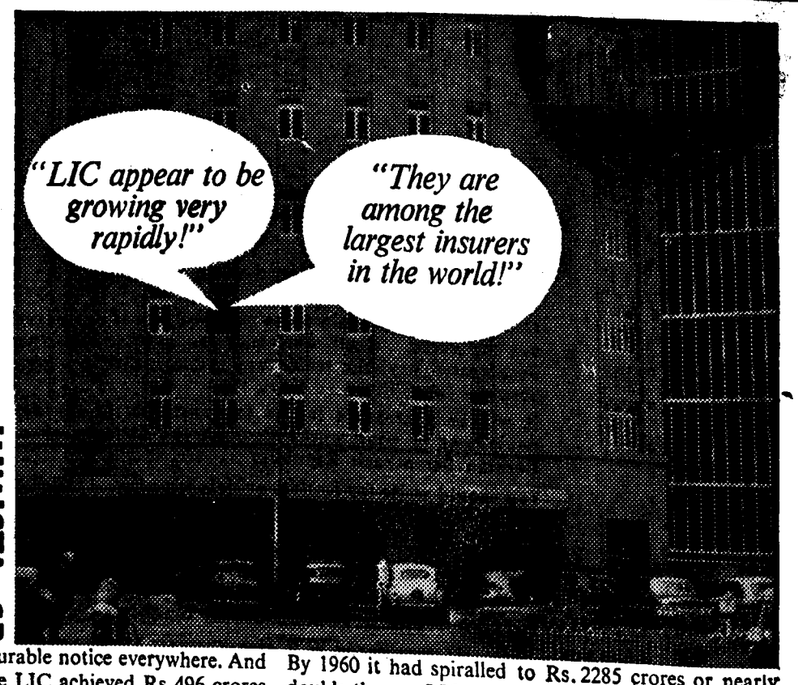
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APPLIC.E 27-A

ESTIMATED GROSS DOMESTIC PRODUCT FROM AGRICULTURE*, BY COUNTRY**, 1950 AND 1957

(Amount in Million U.S. Dollars at 1954 Prices)

Country	1950	1957	Per cent of Total GDP 1950	Per cent of Total GDP 1957	Percentage Increase 1950-1957
Western Europe†	($20,747)	($24,606)	(14.1)	(12.2)	(18.6)
Greece	411	728	32.2	35.8	77.1
Ireland	(370)	(420)	(32.8)	(33.8)	(13.5)
Portugal	440	493	30.9	27.7	12.0
Spain	(1,750)	(2,320)	(29.5)	(26.0)	(32.6)
Italy	3,825	4,597	27.7	22.4	20.2
Denmark	666	806	20.3	20.9	21.0
Finland	(515)	517	(27.9)	20.7	(0.4)
Austria	(450)	(550)	(17.0)	(15.1)	(22.2)
France	(4,940)	(5,500)	(18.1)	(14.6)	(11.1)
Norway	380	412	15.5	13.3	8.4
Netherlands	(665)	(960)	(13.0)	(13.1)	(44.4)
Sweden	(920)	(950)	(13.8)	(11.5)	(3.3)
Luxembourg	31	32	11.4	8.9	3.2
Switzerland	(465)	(535)	(10.3)	(8.4)	(15.0)
Belgium	654	686	8.9	7.6	4.9
Germany	2,333	2,860	10.3	7.3	22.6
United Kingdom	1,932	2,240	4.9	4.8	15.9

* Includes forestry, which accounts for 12 per cent of GDP in Finland, about 6 per cent in Sweden, 3 per cent in Switzerland and 2 per cent or less in most other countries. Includes also fishing, of minor importance, except in Portugal and Norway.

** Ranked by GDP from agriculture as per cent of total GDP in 1957.

† Excludes the Saar, Iceland and West Berlin.

PROJECTIONS OF GNP IN 1970, BASED ON ESTIMATED AVERAGE ANNUAL PRODUCTIVITY GROWTH RATES, 1955-1970, BY COUNTRY

(Amount in Dollars at 1955 Prices)

Country	1955			Average Annual Percentage Increases in Productivity, 1955-1970	1970		
	Labour Input Millions of Man Hours	Gross National Product			GNP Per Man-Hour(a)	Labour Input, Millions of Man-Hours	Total GNP Millions
		Total Millions	Per Man-hour				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Western Europe	281,326	$220,745	$0.78	2.71	$1.19	291,430	$341,615
Austria	7,299	3,846	0.53	3.0	0.82	7,049	5,787
Belgium	7,886	9,542	1.21	2.7	1.80	8,060	14,540
Denmark	4,345	4,148	0.96	2.4	1.36	4,735	6,454
Finland	4,255	2,826	0.66	2.7	0.99	4,772	4,724
France	41,924	40,329	0.96	3.0	1.50	44,379	66,524
Germany	54,552	41,810	0.77	3.0	1.19	52,961	63.182
Saar	979	805	0.82	3.0	1.28	1,003	1,285
West Berlin	1,997	1,752	0.88	3.0	1.37	2,131	2,911
Greece	8,153	2,164	0.27	2.7	0.40	8,974	3,545
Iceland	146	146	1.00	2.7	1.49	165	246
Ireland	2,620	1,503	0.57	2.4	0.82	2,490	2,039
Italy	37,997	21,822	0.58	3.0	0.90	42,361	37,998
Luxembourg	334	369	1.11	2.7	1.65	315	519
Netherlands	9,428	7,875	0.84	2.7	1.25	10,603	13,201
Norway	3,059	3,267	1.07	2.7	1.59	3,301	5,258
Portugal	6,851	1,817	0.27	2.4	0.38	7,584	2,867
Spain	24,158	7,995	0.33	2.7	0.49	26,572	13,127
Sweden	6,560	8,725	1.33	2.7	1.98	6,924	13,730
Switzerland	5,152	6,376	1.24	2.7	1.85	5,408	9,983
United Kingdom	53,631	53,628	1.00	2.4	1.43	51,643	73,695
European Economic Community	153,100	122,552	0.80	2.95	1.24	159,682	197,249

a. Rounded to nearest cent.

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THANKS to this new impulse sweeping the countryside, every village with a population of 300 has an elementary school. The number of elementary schools was only 16,000 in the State ten years ago; today it is 27,000.

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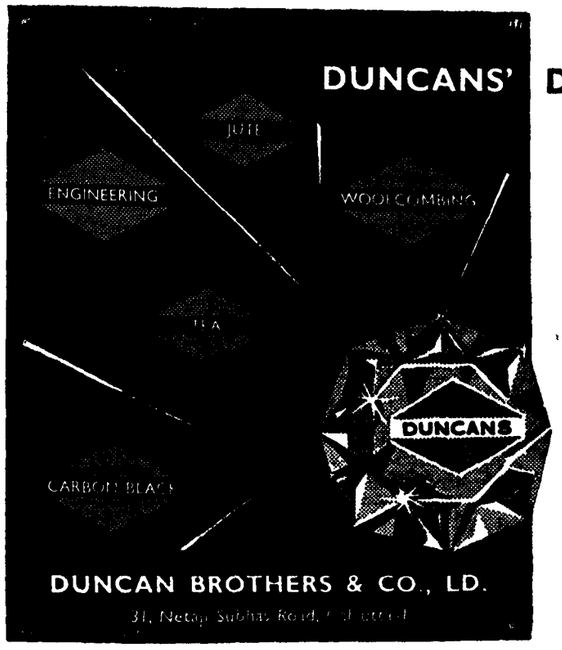
NEW industries and factories that have sprung up in neighbouring townships have provided gainful employment to village surplus population.

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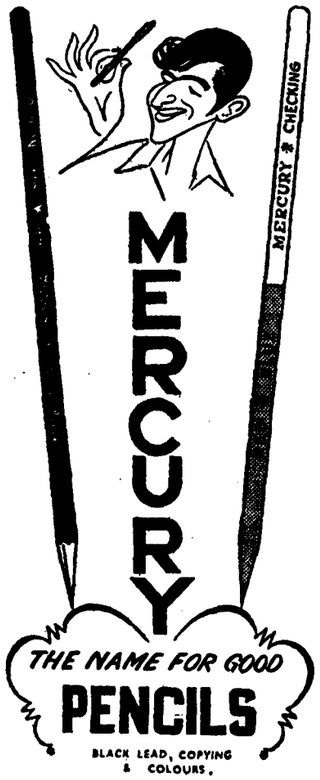
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ESTIMATED TOTAL AND PER CAPITA GNP, 1955 AND PROJECTIONS FOR 1970, BY COUNTRY

(Amount in Dollars at 1955 Prices)

Country	Total (Millions) 1955	Total (Millions) 1970	Total Percentage Increase	Per Capita 1955	Per Capita 1970	Per Capita Percentage Increase
Western Europe ..	$220,745	$341,615	54.8	$ 747	$1,067	42.8
Austria ..	3,846	5,787	50.5	551	823	49.4
Belgium ..	9,542	14,540	52.4	1,076	1,569	45.8
Denmark ..	4,148	6,454	55.6	934	1,316	40.9
Finland ..	2,826	4,724	67.2	666	963	44.6
France ..	40,329	66,524	65.0	932	1,400	50.2
Germany ..	41,810	63,182	51.1	850	1,180	38.8
Saar ..	805	1,285	59.6	811	1,113	37.2
West Berlin ..	1,752	2,911	66.2	797	1,294	62.4
Greece ..	2,164	3,545	63.8	259	378	45.9
Iceland ..	146	246	68.5	924	1,288	39.4
Ireland ..	1,503	2,309	35.7	515	728	41.4
Italy ..	21,822	37,998	74.1	454	747	64.5
Luxembourg ..	369	519	40.7	1,194	1,674	40.2
Netherlands ..	7,875	13,201	67.6	732	1,072	46.4
Norway ..	3,267	5,258	60.9	953	1,365	43.2
Portugal ..	1,817	2,867	57.8	207	289	39.6
Spain ..	7,995	13,127	64.2	276	403	46.0
Sweden ..	8,725	13,730	57.4	1,201	1,787	48.8
Switzerland ..	6,376	9,983	56.6	1,281	1,817	41.8
United Kingdom ..	53,628	73,695	37.4	1,047	1,362	30.1
European Economic Community ..	122.552	197,249	61.0	759	1,127	48.5

AREA AND ESTIMATED POPULATION DENSITY, BY COUNTRY

1955 and with Projections for 1970

Country	Population in Thousands		Area		Number of Persons			
					Per Square Kilometre		Per Square Mile	
	1955	1970	Square Kilometres	Square Miles	1955	1970	1955	1970
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Western Europe	295,390	320,103	3,590,611	1,386,335	82	89	213	231
Belgium	8,868	9,267	30,507	11,779	291	304	753	787
Denmark	4,439	4,905	42,936	16,578	103	114	268	296
Finland	4,241	4,907	337,009	130,119	13	15	33	38
France	43,279	47,524	551,208	212,882	79	86	203	223
Germany	49,203	53,565	245,359	94,733	201	218	519	565
Saar	992	1,155	2,567	991	386	450	1,001	1,165
West Berlin	2,198	2,250	481	186	4,563	4,678	11,801	12,097
Greece	8,367	9,370	132,562	51,182	63	71	164	183
Iceland	158	191	103,000	39,768	2	2	4	5
Ireland	2,921	2,800	70,283	27,136	42	40	108	103
Italy	48,062	50,900	301,226	116,303	160	169	413	438
Luxembourg	309	310	2,586	998	119	120	310	311
Netherlands	10,751	12,320	32,450	12,529	331	380	858	983
Norway	3,429	3,853	323,917	125,064	11	12	27	31
Portugal	8,765	9,906	92,200	35,599	95	107	246	278
Spain	28,975	32,574	503,486	194,396	58	65	149	168
Sweden	7,262	7,682	449,681	173,622	16	17	42	44
United Kingdom	51,220	54,100	244,016	94,215	222	216	544	574
Switzerland	4,977	5,494	41,288	15,941	121	133	312	345
Austria	6,974	7,030	83,849	32,374	83	84	215	217
INDIA	**391,300**	**554,700***	**3,262,871**	**1,173,936**	**120**	**170**	**333**	**473**

* Relates to 1971.

India and Europe: Agriculture

Old Challenge: New Strategy

A RETURN to the theme of recent agricultural developments in India and Europe with a view to spotlighting the lessons which this country can learn from the experience of the West, barely two years after the first attempt was made in this regard in the Annual Number of 1960, may appear to be retreading the familiar track or pouring old wine in new bottles. But that is not the case. During the past two years, certain momentous developments have taken place in the agrarian economies of European countries which warrant a reappraisal of the situation. Firstly, there has been a stagnation in Soviet agriculture since 1958; the index of farm output (base: 1950-52=100) remaining practically unchanged around 159. This has evoked a sharp reaction in the highest quarters of the Soviet Union itself. Failures on the agricultural front have formed a recurrent theme of Mr. Nikita Khrushchev's utterances in the past one and a half years. Secondly, there has been witnessed in 1959-60 a sharp increase in the farm output in Yugoslavia and an appreciable increase in Poland, which have evoked considerable interest amongst agricultural economists in underdeveloped countries like India. Thirdly, while there have been these contrasts in the Socialist economies, West European countries have maintained their steady growth in farming. Finally, India has completed ten years of planning. It should be quite an interesting exercise to compare the rate of growth in Indian agriculture during the past decade with those of West European countries with their free market economies and of Eastern Europe which is wedded to Communism. This comparison can be very illuminating and instructive in the formulation of our future agricultural policy that has to aim at steady increases in farm output not only to provide food for our stridently increasing population (whose standard of living has to be raised from practically bare subsistance in the vast rural areas), but also to meet the growing demands for agricultural raw materials from the rapidly expanding industrial sector of our economy.

With this end in view, an attempt has been made in the following pages to assess the rate of growth in the agrarian economies of Western Europe, Eastern Europe and India. The three studies among themselves contain an assessment of practically all the means and techniques adopted in the world to foster agricultural development—in Western Europe with its representative character of free enterprise, in Eastern Europe through the socialistic way of collectivisation and State farming and in India through maintenance of private initiative but with stress on voluntary co-operative farming. An effort has also been made to find out the correct line of approach to the solution of the various ills of our agricultural economy. The weak spots in Indian agriculture have been highlighted and some measures suggested to remedy the situation as also to accelerate the rate of growth so that the goal of self-sufficiency in food and the more important agricultural raw materials is attained at an early date.

West European Agriculture: A Record of Steady Growth

THE SIGNIFICANTLY falling share of agriculture in the gross domestic output of West European countries (Table AGR—I) and accent there on industrialisation may suggest that agriculture in these countries is being relegated to a secondary position. But nothing is farther from truth than this superficial impression. In the post-Second World War era, most of the countries of Western Europe have set before them the goal of achieving self-sufficiency in food, the primary objective of farming in these countries. Today, sixteen years after the termination of the Second War, the percentage share of domestic output in total food consumption in these countries has gone up quite appreciably (Table AGR—2). This is a clear pointer to the fact that agriculture in Western Europe is not treated as anything of secondary importance and that concerted efforts are being made to help the farmer to raise his output.

Three factors appear to have combined to bring about great stress on agricultural development in Western Europe in the past fifteen years. The first and the foremost reason has been the new consciousness in these countries about national security in the form of an assured food supply during war-time; it has necessitated efforts to produce within national borders not only more foodstuffs, but a balanced output as well. However ill-suited for particular crops, the land in almost all the West European countries today is devoted to produce some of virtually every kind of foodstuff which forms an important element in national diets. Wheat, thus, has come to be grown in Switzerland and Austria on lands which could have been better utilized for raising forage crops. Belgium similarly has attempted to grow grapes, though climate there is hardly suitable for this purpose. Some of the North-Western countries of Europe have tried to produce oilseeds as well.

The second major factor contributing to added stress on agricultural development in Western Europe

TABLE AGR—I.

PERCENTAGE SHARE OF AGRICULTURE IN GROSS DOMESTIC PRODUCTION IN EUROPE AND INDIA

Country	1950	1953	1959
Western Europe			
Austria	—	—	—
Belgium	9	9	7
Denmark	21	21	17
Finland	25	24	20
France	—	—	—
West Germany	11	9	7
Greece	34	37	32
Ireland	—	31	26
Italy	29	26	19
Netherlands	14	12	10
Norway	15	14	12
Portugal	—	31	26
Spain	—	25(a)	27(c)
Sweden	—	—	—
Turkey	49	48	44
United Kingdom	6	5	4
Yugoslavia	—	30	28(d)
Eastern Europe			
USSR	—	—	—
Bulgaria	—	—	—
Czechoslovakia	—	15	9
East Germany	15	12	12
Hungary	—	28(a)	27
Poland	—	26(b)	26
Rumania	28	25	19
INDIA	51	51	50

(a) Figure refers to 1954
(b) „ „ „ 1955
(c) „ „ „ 1957
(d) „ „ „ 1958
(—) Means not available.

TABLE AGR—2(a)

PERCENTAGE SHARE OF DOMESTIC OUTPUT IN TOTAL CONSUMPTION

Countries and Areas	Wheat*		Barley		Maize		Sugar	
	1948-1952	1957-1958	1948-1952	1957-1958	1948-1952	1957-1958	1948-1952	1957-1958
France	97	110	89	128	47	80	41	100
West Germany	50	65	76	66	3	2	61	85
Italy	81	105	82	56	97	86	92	116
Netherlands	30	29	47	37	6	1	70	93
Denmark	82	63	103	100	—	—	138	122
Sweden	87	107	97	100	—	—	82	87
United Kingdom	33	35	71	74	—	—	31	25
Total Western Europe ..	72	83	85	87	69	69	65	69

* Including trade in wheat flour (in wheat equivalent). **Note:** If the figure is more than 100, that implies that surplus produce was exported.

has been the recurrent balance of payments difficulties experienced in the past few decades by most of the countries in the region. In countries like Denmark, the Netherlands and Italy agriculture has been promoted to earn foreign exchange to meet the growing demands of industry. In many others it has been fostered to conserve foreign exchange.

Finally, there has been the powerful influence of the "farm populations" in the political set-up in all these countries and the need to raise incomes from farming to something comparable to returns in industry. Agriculture in most of the countries of Western Europe had been a 'depressed' industry upto the outbreak of the Second World War. With the growing disparity between agricultural incomes and industrial returns, a discontented peasantry would have been a source of constant irritation to the politicians in these countries.

RATE OF GROWTH

The growth of agriculture in Western Europe in 1950's is reflected in Table AGR—3. The table reveals that while the progress has been slow in Ireland, Norway, Portugal, Sweden and Switzerland, it has been strident in Greece, Italy and Yugoslavia. Total farm output in Greece went up by as much as 57 per cent in the eight-year period to 1959-60, in Italy by 30 per cent and in Yugoslavia by 141 per cent (by 110 per cent if the average for 1957-58, 1958-59 and 1959-60 is taken into consideration in view of the sharp fall in 1958-59). In most of the other countries the gross rate of growth during this period has been of the order of 2 to 2.5 per cent per annum.

The strident increase in the total farm output in Greece, Italy and Yugoslavia has to not an inconsiderable extent been due to increase in area under cultivation. But the increases in output elsewhere, except in Spain and Portugal, have been primarily owing to increases in productivity—yields per hectare. In most of the countries of Western Europe, particularly North-West Europe, E.E.C. countries and the British Iles, there had been reached a saturation point in regard to area under cultivation in late 1940's; there was left little scope for further extension in crop area. Whatever minor increases might have been there in cultivated area in these countries in 1950's due to reduction in "current fallows", they have been more or less offset by diversion of land from agriculture to other uses—house-building, industrial uses etc.

INCREASES IN UNIT-AREA YIELDS

An idea of how farm yields per hectare in West European countries have gone up during the past two decades can be had from Table AGR—4. Compared to the average yields per hectare during the four-year period 1934 to 1938, yields of wheat in the United Kingdom, Italy, Germany and France have gone up by nearly 30 per cent, in Sweden, Denmark and Norway by about 13 per cent and in the Netherlands by nearly 44 per cent. More or less similar has been the case with barley and sugar-beet. The increases in the yields of rye, oats and potatoes, of course, have been comparatively lower. But there has been a steady increase all-round.

Compared to the average yields during the three-year period 1949 to 1952, wheat yields per hectare have gone up by 43 per cent in Greece, 25 per cent in France,

TABLE AGR—2(b).

PERCENTAGE SHARE OF DOMESTIC OUTPUT IN TOTAL CONSUMPTION

Countries	Eggs		Butter		Cheese		Beef and Veal**		Pork*	
	1948-1952	1957-1958	1948-1952	1957-1958	1948-1952	1957-1958	1948-1952	1957-1958	1948-1952	1957-1958
France ..	99	94	94	102	101	103	100	98	99	99
West Germany ..	69	60	94	93	87	77	93	87	96	95
Italy ..	97	88	88	78	102	99	87	74	100	90
Netherlands ..	119	171	254	194	189	200	90	103	123	132
Denmark ..	386	353	654	328	211	291	185	243	230	249
Sweden ..	109	109	112	140	99	95	93	88	98	114
United Kingdom ..	80	97	5	10	20	45	57	57	52†	60†
TOTAL Western Europe ..	97	96	86	89	92	98	92	90	97	98

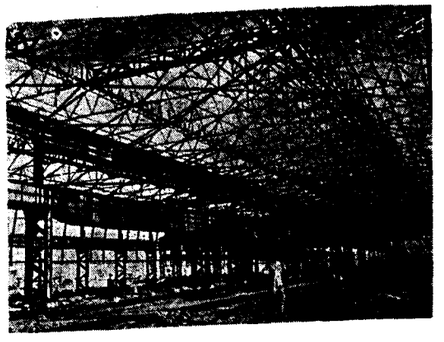
* Including bacon and salted pork (in pork equivalent).

† The United Kingdom is almost self-sufficient in pork; for bacon and ham alone the percentage for 1957-58 is 39 (1953-54 : 45 and 1938 : 35).

** Production relates to meat from indigenous livestock only, and trade includes trade in live animals (in meat equivalent). **Note:** If the figure is more than 100, that implies that surplus output was exported.

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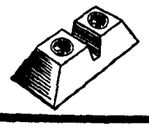
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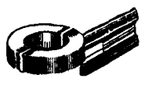
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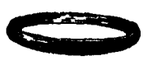
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TABLE AGR—3.

INDICES OF THE VOLUME OF AGRICULTURAL PRODUCTION IN WEST EUROPEAN COUNTRIES
(Average 1952-53 / 1956-57 = 100)

	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60 (Preliminary)
Austria ..	91	103	96	103	108	112	121	113
Belgium-Luxembourg ..	94	96	103	107	100	109	114	107
Denmark ..	99	101	101	97	102	113	112	115
Finland ..	98	105	100	97	100	108	110	113
France ..	91	100	104	104	101	105	104	109
West Germany ..	95	101	101	100	103	105	111	107
Greece ..	81	105	100	104	110	126	122	127
Ireland ..	95	98	105	99	103	116	103	97
Italy ..	92	104	96	105	104	102	117	120
Netherlands ..	99	100	101	103	98	106	114	115
Norway ..	97	99	99	97	108	100	101	99
Portugal ..	87	106	104	102	101	105	97	94
Spain ..	101	95	103	98	103	108	110	118
Sweden ..	104	103	101	91	101	100	98	95
Switzerland ..	101	100	103	99	97	98	108	109
United Kingdom ..	96	98	100	99	107	106	102	108
Yugoslavia ..	70	115	90	119	105	147	126	169

22 per cent in Austria, Spain and Yugoslavia and by 14 to 17 per cent in West Germany, Italy, Norway and the United Kingdom. Elsewhere the increase has been comparatively lower, but it is there. Barley yields similarly have gone up by 49 per cent in France, 37 per cent in Yugoslavia, 26 per cent in Austria, 24 per cent in Greece, 20 per cent in Italy, 12 to 17 per cent in the United Kingdom, West Germany and Switzerland and to a slightly lesser extent in the Netherlands, Belgium, Norway and Sweden. Maize yields have doubled in France, gone up by 59 per cent in Yugoslavia and Italy, 43 per cent in Austria, 39 per cent in Spain and by 25 per cent in West Germany. Sugar-beet yields have increased by a comparatively lower order than wheat, barley and maize yields, except in Yugoslavia where they have gone up by 96 per cent and in Austria where they have increased by 43 per cent.*

What are the factors which have contributed to increases in yields per hectare in West European countries? Among the various factors that are said to have resulted in higher productivity in agriculture in these countries, the following four are the most important: (1) increased application of chemical fertilizers, pesticides and herbicides: (2) growth in mechanisation: (3) use of improved seeds and strains of plants; (4) greater emphasis on agricultural education and advisory services.

TABLE AGR—4.

YIELDS OF SIX CROPS IN SELECTED WEST EUROPEAN COUNTRIES: 1909-13†, 1934-1938 and 1956-59

(Quintals per hectare)

		United Kingdom	Germany	France	Italy	Netherlands	Sweden Denmark Norway	Greece	Spain
Wheat	1909-13	23.3	22.7	13.2	10.2	23.4	22.4	9.0	9.2
	1934-38	23.0	22.8	15.6	14.3	26.6	24.8	9.0	9.5
	1956-59	31.6	30.9	22.8	18.4	38.2	28.0	14.7	10.6
Rye	1909-13	20.5	18.6	10.6	12.4	19.9	16.5	8.8	8.7
	1934-38	17.5	17.3	11.6	13.3	22.5	18.7	8.2	9.3
	1956-59	23.8	25.9	13.2	14.6	28.6	23.1	9.4	9.1
Barley	1909-13	21.5	21.3	14.3	9.1	24.0	19.7	9.9	11.5
	1934-38	22.8	21.6	14.5	10.9	24.5	23.7	9.5	12.5
	1956-59	30.1	28.3	24.2	12.6	38.3	27.6	12.4	11.9
Oats	1909-13	20.1	19.8	13.4	9.4	21.7	16.9	8.7	8.2
	1934-38	22.4	20.2	14.0	12.6	24.4	22.3	8.2	8.6
	1956-59	24.7	25.4	18.2	13.2	30.3	23.9	11.5	8.7
Potatoes	1909-13	143.0	157.1	87.1	49.9	131.8	158.4	36.3	118.1
	1934-38	180.4	165.3	111.8	65.7	162.7	186.7	66.2	106.3
	1956-59	190.3	225.3	146.0	91.5	257.5	182.2	116.3	113.6
Sugar-beet	1909-13	202.4	299.7	232.7	335.5	292.3	331.6	—	241.8
	1934-38	233.6	308.2	263.9	253.6	256.2	351.6	—	141.6
	1956-59	313.0	372.0	299.0	307.0	417.0	355.5	—	227.0

* Economic Survey of Europe in 1960.
† Interwar territory.

FERTILIZERS, PESTICIDES AND HERBICIDES

Although the more advanced countries of Western Europe, notably the United Kingdom, the Netherlands, Sweden and Denmark, had stolen a march over the rest of the world in the use of chemical fertilizers early during this century, which revolutionized their agrarian economies, most West European countries did not take resort to this innovation till the outbreak of the Second World War. The war, however, gave a tremendous fillip to application of artificial fertilizers in West European agriculture.

The use of fertilizers in West European countries has become widespread since the end of World War II. This is evident from Table AGR—5. Consumption of fertilizers in West European agriculture has not only increased during the past one decade in the less developed countries like Austria, Greece, Ireland, Italy, Portugal and Spain, but also in the highly developed ones where they had already been in widespread use before the Second World War. The application of all the three inorganic manures has gone up by nearly one and a half times their average application during the four-year period 1948-59 to 1952-53 in Austria, Greece, Ireland, and Spain. In the case of Yugoslavia the increase has been over thirteen times. In Denmark, Finland, France, West Germany, Italy, Portugal and the United Kingdom, consumption of fertilizers has gone up by 50 to 90 per cent. In the case of other countries the increase has been of a slightly lower order. The slow increase in the use of fertilizers in the Netherlands and Sweden during 1950's is explainable by the fact that they were already being made use of extensively by the farmers in these countries before 1950.

Consumption of chemical fertilizers per hectare of arable land and the manner in which it has gone up during the past one decade in West European countries is reflected in Table AGR—6.

Chemical fertilizers in Western Europe are not only used to increase yields of foodgrains, but of grasslands also. This fact introduces considerable bias in assessing the application of inorganic manures to food crops. The use of fertilizers for boosting grain yields, thus, is considerably of a higher order than is revealed by this table.

Another important fact that has to be taken note of in this connection is that all the three plant nutrients —nitrogenous, phosphatic and potash fertilizers—are extensively, and in a balanced proportion, made use of in West European countries.

The widespread use of fertilizers in Western Europe has been facilitated by the general high level of education; high farm incomes and better organisational methods obtaining there.

If the use of fertilizers has contributed to improving the yields of crops through provision of nutrition to the soil, the use of pesticides and herbicides has led to reduction in losses to crops through damage by pests and plant diseases. The application of pesticides and herbicides in West European agriculture is of more recent growth than fertilizers. But today they are in general use in most of the advanced countries.

TABLE AGR—6.

FERTILIZERS* CONSUMPTION PER HECTARE OF ARABLE LAND IN WESTERN EUROPE IN 1959

Country	Per ha of arable land	
	Kilogrammes	Index Numbers 1950 = 100
Belgium-Luxembourg	327	116
France	96	176
Western Germany	278	164
Italy	54	174
Netherlands	461	109
Austria	119	238
Denmark	138	148
Finland	63†	140†
Ireland	113	157
Norway	169	130
Sweden	84	138
Switzerland	207	151
United Kingdom	180	149
Greece	31	238
Portugal	38	172
Spain	29	242
Turkey	1	—
Yugoslavia	33	1,500

*In terms of plant nutrient. †1958.

TABLE AGR—5.

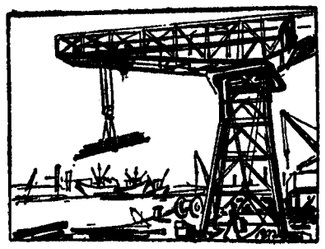
PATTERN AND INDICES OF CONSUMPTION OF FERTILIZERS IN WEST EUROPEAN COUNTRIES

('000 metric tons)

Country	1948-49—1952-53				1959-60				Index of Fertilizers Consumption. Base=(1948-49—1952-53 =100)
	Nitrogenous Fertilizers	Phosphate Fertilizers	Potash Fertilizers	Total	Nitrogenous Fertilizers	Phosphate Fertilizers	Potash Fertilizers	Total	
1. Belgium ..	77.0	85.2	118.5	280.7	99.1	84.0	149.4	332.5	119
2. Luxembourg ..	3.3	5.3	3.7	12.3	4.5	6.4	6.2	17.1	142
3. France ..	251.7	454.2	362.1	1068.0	504.8	783.0	685.9	1973.7	185
4. West Germany ..	365.0	405.5	660.8	1430.8	624.1	706.9	1046.1	2377.1	166
5. Italy ..	145.4	282.9	23.5	451.8	360.8	389.0	112.2	862.0	191
6. Netherlands ..	146.2	115.6	151.2	413.0	212.0	110.9	152.6	475.5	155
7. Austria ..	22.5	33.0	27.5	83.0	45.0	74.9	84.0	203.9	246
8. Denmark ..	65.4	83.4	110.1	258.9	122.3	115.9	174.9	413.1	159
9. Finland ..	19.0	65.1	34.8	118.9	52.3	87.4	66.7	206.4	173
10. Ireland ..	7.8	40.0	17.3	65.1	20.7	80.5	56.0	157.2	242
11. Norway ..	32.4	35.4	45.2	113.0	48.8	48.0	45.2	142.0	126
12. Sweden ..	60.5	97.3	55.8	213.6	102.7	107.8	91.6	302.1	141
13. Switzerland ..	8.3	32.0	15.3	55.6	15.0	43.5	40.0	58.5	105
14. United Kingdom ..	209.3	402.9	215.2	827.4	420.2	428.0	431.6	1279.8	155
15. Greece ..	23.6	19.1	5.3	48.0	69.7	52.4	7.1	129.2	269
16. Portugal ..	26.0	53.1	4.2	83.3	68.4	74.8	10.5	153.7	186
17. Spain ..	77.0	155.5	39.5	272.0	235.0	278.1	78.0	591.1	251
18. Yugoslavia ..	5.9	9.9	3.2	19.0	78.4	95.9	101.2	275.5	1453

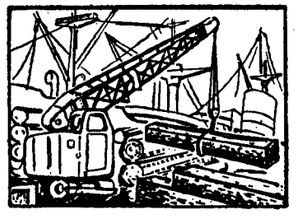






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Issued by the Commissioners for the Port of Calcutta

MECHANISATION OF FARMING IN WESTERN EUROPE

The second important factor that has led to increases in yields of agricultural crops in West European countries is mechanisation. The use of farm machinery and tractors in European agriculture dates back to only after the First World War, when rapid industrialisation started depleting the labour force in the countryside. Tractorisation did not make much headway in West European agriculture right up to the Second World War because of various reasons, the most important of them being the small size of holdings and the none-too-happy financial position of the farmers of those days. World War II gave a good fillip to tractorisation in agriculture of these countries. The trend gathered further momentum after the war when the leading countries of Western Europe started taking keen interest in increasing the size of agricultural holdings by means of consolidation.

The vastly improved financial position of the West European agriculturist after the Second World War also helped in fostering mechanisation of farming to a considerable extent. Full employment achieved by these countries after the war necessitated switch-over to mechanised agriculture. Labour inputs in West European agriculture, thus, have shown (Table AGR—7) a distinctly downward trend in the recent past. An idea of the progress made by West European countries in mechanising their agriculture can be had from Table AGR—8.

There has been a sharp increase during 1950's in the number of tractors deployed for cultivating a thousand hectares of arable land in Austria, Finland, Denmark, Belgium-Luxembourg, France and West Germany. The comparatively lower increase in the case of the Netherlands, the United Kingdom and Switzerland is due to the fact that these were the countries where tractors had been in considerable use before World War II. An important result of tractorisation, apart from the saving in labour, has been increase in productivity per acre, resulting from timely sowing, cultivation and harvesting of crops.

The use of combine harvesters in Western Europe, however, appears to have not made much headway except in West Germany, Austria, Norway, Sweden and the United Kingdom. But that is probably due to the fact that fuller data about other countries are not available. Generally, of course, the agricultural expenditure estimates in some of the major agricultural countries indicate that outlay on machinery other than tractors is approximately equal to the expenditure on tractors.

TABLE AGR—7.

LABOUR INPUTS IN WEST EUROPEAN AGRICULTURE: 1957-1959

Index Numbers (1950-1952=100)

E=based on employment; MY=based on man-years

Country	Type of Data	Total	Family Workers	Hired Labour
Austria (a)	E	96	100	81
Belgium	E	77	77	80
Denmark (b)	MY	84	93	76
France	E	90	...	...
Western Germany (c)	MY	74	77	79
Ireland	E	86	88(d)	84(d)
Italy	E	92	...	...
Netherlands	MY	89	89	88
Norway	MY	84	88	55
Swedan (e)	MY	75	82	55
United Kingdom (f)	MY	88	100	82

(a) 1951=100
(b) Family workers other than farmer and wife are included in hired labour
(c) Total: 1957-1958; Details: 1956-57
(d) Men only
(e) 1952=100
(f) 1957-1958. Family workers other than farmer and wife are included in hired labour.

TABLE AGR—8

USE OF TRACTORS AND COMBINE HARVESTERS IN WEST EUROPEAN AGRICULTURE IN 1959

	Tractors*		Horses, mules and asses**		Combine harvesters	
	Per thousand ha of arable land		Per thousand ha of arable land		Per thousand ha of cereals area	
	Numbers	Index Numbers 1950=100	Numbers	Index Numbers 1950=100	Numbers	Index Numbers 1950=100
Belgium-Luxembourg	35.9	427	170	72	3.7	3
France	29.2	449	98	80	4.2	7
Western Germany	80.9	496	106	58	5.9	168
Italy	13.1	354	61	66	0.5	..
Netherlands	43.4†	185†	189	79	3.7†	2†
Austria	59.1	704	103	63	8.5	110
Denmark	34.8	552	76	41	4.7	16
Finland	31.4	616	100	61	5.0	28
Ireland	21.8¶	212¶	194	58	..	..
Norway	50.1	374	139	59	20.0	18
Sweden	41.7	244	64	54	16.0	3
Switzerland	83.1	204	236	77	..	..
United Kingdom	59.1	133	31	34	17.0	5
Greece	4.3	358	279	156	0.7	3
Portugal	1.9	..	828	96§	0.2	7
Spain	2.1	300	77†	79†	0.4	..
Turkey	1.7	170	94	77	0.5	14
Yugoslavia	3.8	475	164	107	..	..

* Tractors in agriculture, excluding garden tractors.
** Mules and asses have been converted into horse units at a rate of 0.7 and 0.5 respectively.
‡ 1954. † 1955. ¶ 1956. § Provisional estimate.

IMPROVEMENT IN SEEDS AND PLANT STRAINS

Increased use of fertilizers, pesticides and herbicides and resort to tractorisation by themselves would not have yielded bountiful results. A great part has been played in boosting farm outputs by use of improved and high-yielding varieties of wheat, barley and hybrid maize. In fourteen West European countries (out of the eighteen) the total area sown to barley increased by 34 per cent between 1949-53 and 1954-58, whereas that sown to oats decreased by 13 per cent. This has been all due to evolving of improved strains of barley. Similarly, there has been extensive shift from rye cultivation to wheat in North-Western Europe.

Cultivation of hybrid maize has caught up well in Italy and Yugoslavia. In the former, hybrid maize yields as much as 51.8 quintals per hectare, while the other varieties yield only about 21 quintals. In Yugoslavia, the average yields from hybrid maize amount to 46.2 quintals, as against only 22.2 quintals from other varieties. The area sown to hybrid maize increased from barely 3.6 per cent in 1949 to 30.1 per cent in 1958 in Italy and from almost nil in 1955 to 17 per cent in 1959 in Yugoslavia. The use of improved plant strains has been helped to a great extent by easy availability of certified seeds.

EXTENSION SERVICES

No small part has been played in the agricultural development of Western Europe by the great emphasis that has come to be placed in the recent past on agricultural education and advisory services. Agricultural education in these countries today covers the entire range of technical and economic problems facing the peasantry. Formal educational institutions and Government agencies carry on basic research in all aspects of agriculture, including soils and the use of chemical aids to production. Governmental and co-operative organisations are active in imparting technical training to agriculturists and in disseminating information on new farming methods and techniques. Agricultural demonstration programmes and field advisory services, assisted in many countries by instructional work carried on by farm equipment and fertilizer manufacturers' representatives, reach into remote farming areas. An idea of how far Government alone interests itself in various West European countries in providing funds for agricultural research, educational and advisory services can be had from Table AGR—9.

No reliable statistics of non-Governmetal expenditure in this respect are available. But in most of the countries of the North-Western Europe non-Governmental organisations are reported to be spending substantial sums on agrarian research and provision of services to the farmer. The figure for Denmark, for instance, is estimated to be just about the same as that for Governmental expenditure in this field.

TABLE AGR—9.

GOVERNMENT EXPENDITURE ON AGRICULTURAL RESEARCH, EDUCATION AND ADVISORY SERVICES IN 1955 IN WEST EUROPEAN COUNTRIES

Country	Thousands	Per Male Worker in Agriculture
	$	$
Austria ...	5,750	12
Belgium ...	1,175	4
Denmark ...	3,750	10
France ...	15,000	5
Germany Western	27,000	14
Greece ...	950	1
Ireland ...	3,700	10
Italy ...	16,000	3
Netherlands ...	17,750	38
Norway ...	5,450	25
Sweden ...	9,250	24
Switzerland ...	4,400	15
United Kingdom ...	28,000	29

TABLE AGR—10.

INCREASE IN OPERATING EXPENSES IN WEST EUROPEAN AGRICULTURE

Country	Total Expenses as percentage of Agricultural Output 1950-1952	1957-1959
European Economic Community		
Belgium ...	32.6	33.7
France* ...	18.7	21.2
Western Germany* ...	26.6	30.4
Italy ...	13.6**	15.2
Netherlands ...	32.8	39.3
Other N.W. Europe		
Austria* ...	25.2	26.3
Denmark* ...	22.0**	26.9
Finland ...	20.7	24.4
Ireland* ...	25.4†	27.4
Norway* ...	25.5	30.4
Sweden ...	27.6	32.1
Switzerland‡ ...	33.7**	35.1
United Kingdom	41.7	49.9
Southern Europe		
Portugal* ...	10.0	10.3§
Spain* ...	9.9	12.3
Turkey* ...	19.2	20.1
Yugoslavia* ...	6.2†	9.7
United States ...	38.5	43.4

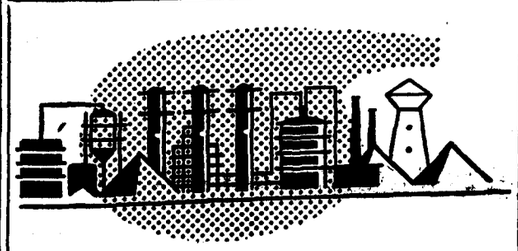
* 1957-58
** 1951-1952
‡ 1955
† 1953-1954
§ Including subsidies.

PRICE SUPPORTS AND SUBSIDIES

The farmer in Western Europe has been encouraged to make increased use of chemical fertilizers, pesticides, agricultural machinery and improved seeds by the protection granted to his products in almost all these countries during the post-Second War era in the form of guaranteed minimum prices. The measure of protection afforded to farm products in various West European countries is indicated in the chart on page 87. On an average, the element of protection in most of the advanced countries has been of the order of 20 to 40 per cent. Protection has been granted not only to agricultural commodities in whose case estimated cost of production has been higher than world norms, but also for the most competitive commodities.

The most common form that protection to farm products has taken in Western Europe is the fixation of support prices for these commodities. Consumers, of course, usually pay world market prices, but the producers receive deficiency payments from public funds when the market price is below the guaranteed minimum. The support price may cover the whole of a farmers output or be limited to a certain quantity or a certain sum. In a majority of countries the support prices are higher than those obtaining on the world market; only in two countries—Sweden and the Netherlands—they have some close correlation with world prices.

To keep the burden of indirect subsidisation at the minimum, resort has been taken to fixing of impor



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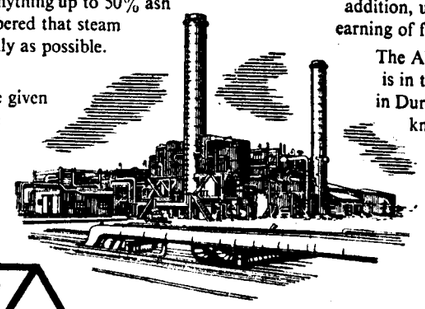
Waste fuel

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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quotas and imposing of import tariffs. In the recent past quantitative restrictions have been the general rule rather than imposition of import duties. The lever of price supports has also been widely made use of to increase production of particular commodities. Preferential prices are fixed in such cases.

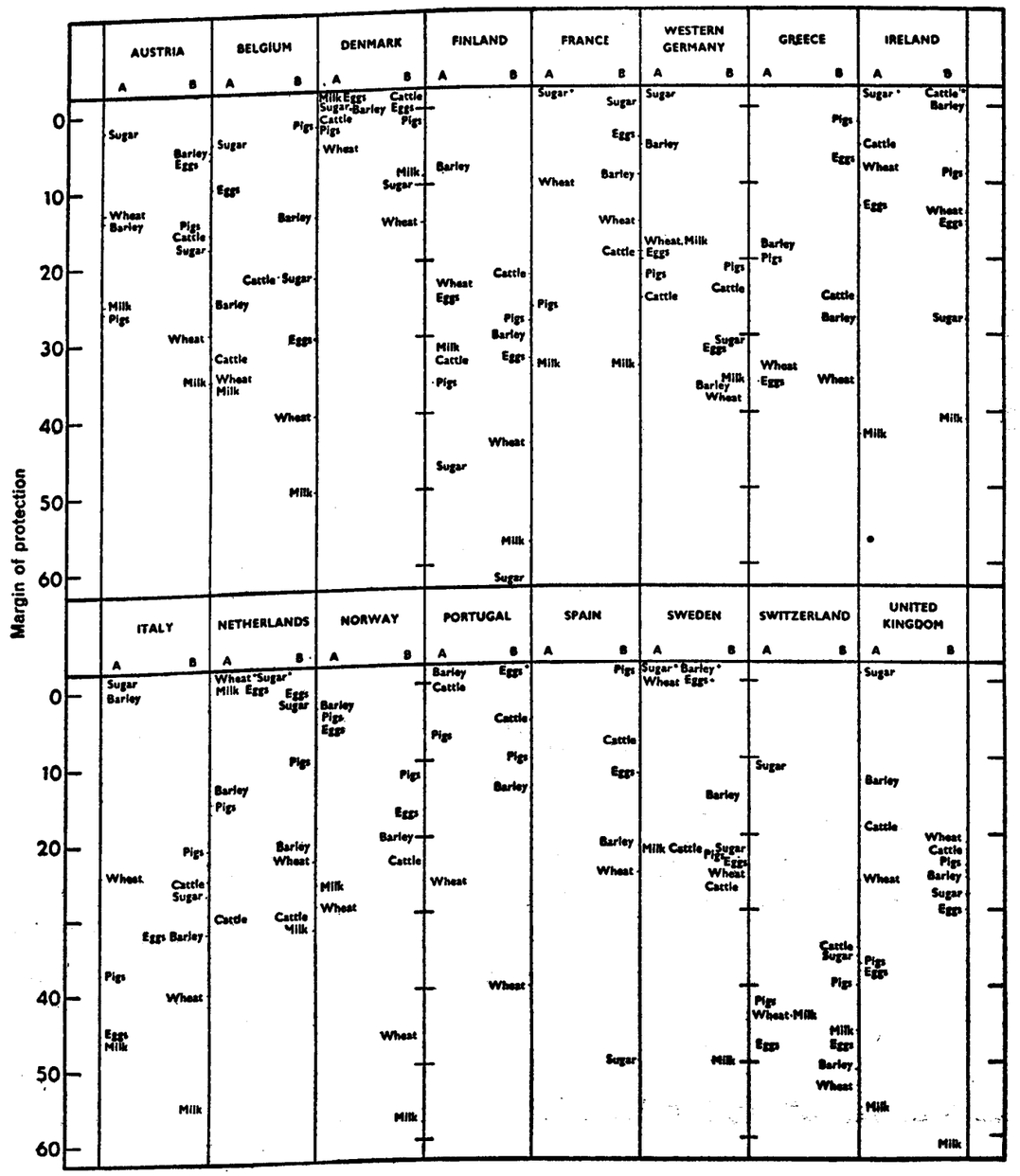
In some countries of Western Europe, there also prevails a system of provision of income subsidies unrelated to inputs and outputs. This is the case with countries where farm incomes are particularly low as compared to returns from industry.

While the incomes of farmers have, thus, been sought to be raised, concerted efforts have been made to bring down their production costs as well. This has been done in almost all the West European countries by providing farming requisites—fertilizers, pesticides, herbicides, seeds, machinery, petroleum etc.—at concessional rates. In North-Western Europe and the United Kingdom the stress has been on provision of subsidies on purchases of farm machinery, while in the Southern European countries emphasis is on provision of high-quality seeds and fertilizers at subsidized rates. Government in practically all the West European Countries have also taken steps to provide cheap credit to the agriculturist, free information and education particularly useful to farmers and assistance in marketing.

All this has been done to arrest the increase in production costs which have shown an upward trend during the fifties as is evident from Table AGR—10. Intensive cultivation invariably pushes up operating costs. This should be more so in the case of West European countries where labour inputs are declining and non-labour inputs going up.

Rough estimates of the degree of protection for selected agricultural commodities in western Europe 1950/51-1952/53 (A) and 1956/57-1958/59 (B) : country by commodity

Percentages



Sources and methods : See Appendix B.

—NOTE: The margin of protection is measured by the percentage difference between the import or export unit values and adjusted domestic farm prices.* Domestic prices are well below import or export unit values

SPECIALISATION

Increases in farm yields in Western Europe have also been made possible by improved transportation facilities. Since the turn of the century subsistence farming has been relegated to a minor position. With the springing up of commercial markets and food processing centres, there has come about, despite the practice of protecting local agriculture in various countries during the past decade, greater specialisation in raising of selected farm products.

Growth of urbanisation too has helped this trend towards specialisation to not an inconsiderable extent. There has also been witnessed a virtual revolution in food processing and storage in Western Europe which has pushed up farmers' incomes. Farmers in the Netherlands, Denmark and Sweden have even set up their own food processing units, either severally or in co-operation with others.

LIVESTOCK YIELDS

Increases in yields and productivity in Western Europe have not been confined to only farm crops. The story of increases in livestock output is a parallel one. In some countries, livestock yields have gone up even more impressively than yields of farm crops. The way milk, meat and eggs production has increased in some West European countries during the past two decades is reflected in Table AGR—12. The increase in the number of cattle —in some countries there has been actually some decrease—has been comparatively less than the increase in output. Productivity in the livestock sector, thus, has gone up in all the West European countries.

The 1950's have witnessed a steady increase in milk yields in Western Europe, as is evident from Table AGR—11.

TABLE AGR—11.

MILK YIELDS IN WESTERN EUROPE: 1956-59
(Kilogrammes per cow and index numbers. Base 1949-52=100)

Country	Kilogrammes per cow	Index numbers
Belgium-Luxembourg ...	3,785	111
France ..	2,252	116
West Germany ...	3,167	121
Italy ...	2,062	119
Netherlands ...	4,060	108
Austria ...	2,392	125
Denmark ..	3,606	107
Finland ...	2,785	124
Ireland ...	2,281*	117*
Norway ...	2,754*	122*
Sweden ...	2,850	101
Switzerland ...	3,191	109
United Kingdom ...	2,941	106
Portugal ...	1,456	104
Spain ...	1,390	...
Yugoslavia ...	1,097	119

* 1956-1958

TABLE AGR—13.

USE OF MILKING MACHINES IN WESTERN EUROPE IN 1959

(Per '000 cows)

Country	Numbers	Index Numbers 1950=100
Belgium-Luxembourg	32.2	255
France	16.4	200
Western Germany	35.3*	360*
Netherlands	25.0)	...
	14.9*)	591*
Austria	19.4**	936**
Denmark	96.6*	184*
Finland	27.3	728
Ireland	...	...
Norway	64.3	657
Sweden	98.1	146
Switzerland	6.3†	770†
United Kingdom	65.5	354
Yugoslavia	0.17	...

* Number of milking machine installations per thousand cows; Netherlands 1958.
** 1958. † 1957.

The most important factor which has helped in raising livestock yields in West European countries has been the application of scientific and technical knowledge in improving cattle breeds. Some contribution has been made to improvement in milk yields by use of milking machines. The use of milking machines (Table AGR—13) has increased during the fifties in all West European countries except in Portugal and Spain and three Southern European countries—Greece, Turkey and Yugoslavia.

FUTURE PROSPECTS

If the present policies of increasing farm and livestock outputs are kept more or less unchanged in Western and Southern Europe, it is estimated (Table AGR —14) that production of various food items will rise at a much faster rate than growth in demand, both at the medium rate of increase in per capita income (38 per cent rise upto 1970 over the current per capita income) and at a high rate of increase (62 per cent rise up to 1970) which brings down the proportion of cereals and potatoes in diet and pushes up that of higher quality food. Many West European countries may by 1970 face surpluses in some items of food, while the deficits in others may appreciably dwindle. In the first category fall cereals, potatoes and eggs; all the three regions of Western Europe will be having surpluses in these commodities. European Economic Community region may have surpluses in milk as well. There will continue to be deficits in meat and sugar, though the margin may be narrowed, in most of the countries. The three regions as such will be in deficit.

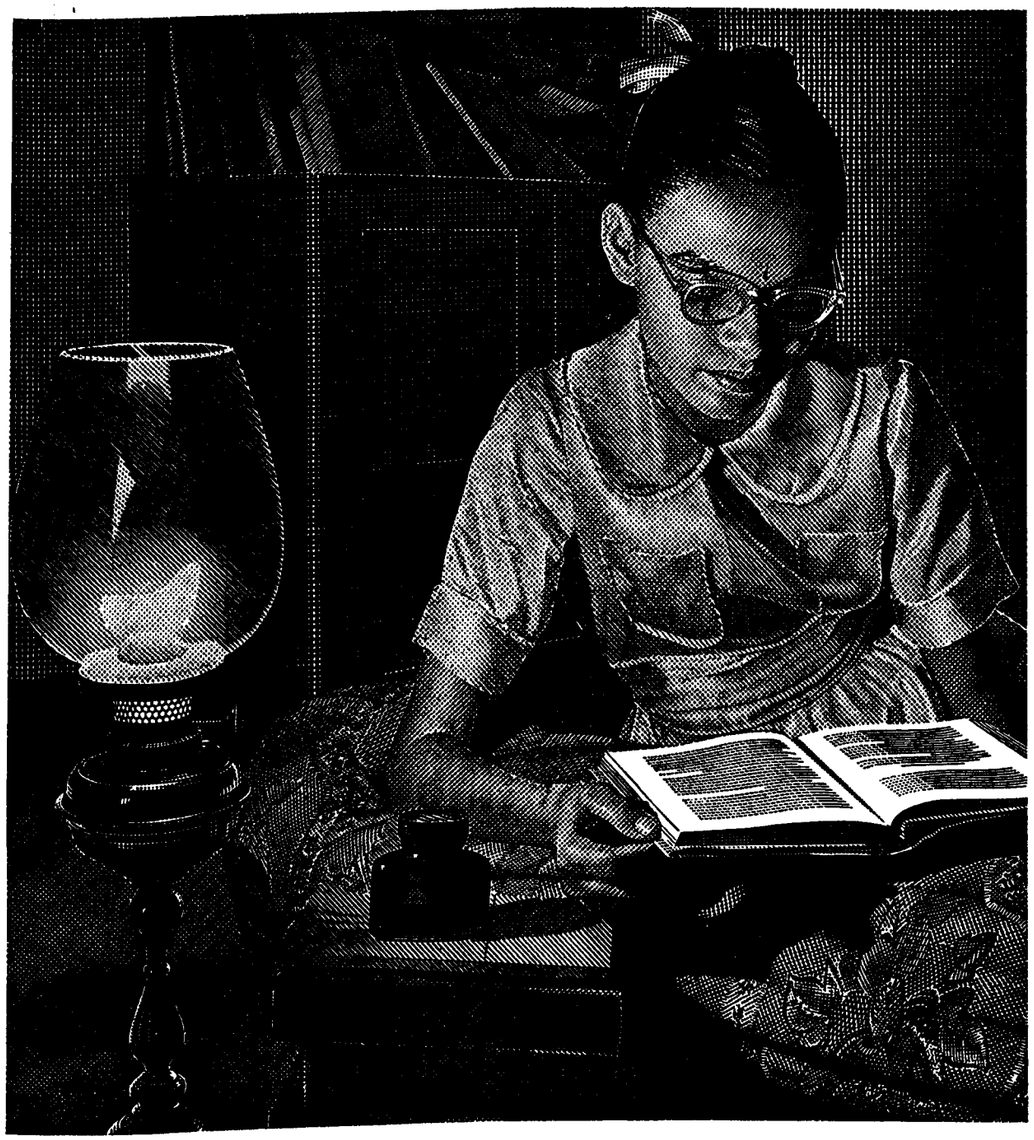
TABLE AGR—12.

CHANGES IN MILK, MEAT AND EGGS PRODUCTION AND IN NUMBER OF LIVESTOCK IN SELECTED WEST EUROPEAN COUNTRIES: PRE-WAR TO MID-1950s

(Prewar=100)

Country	Production			Number of Livestock				
				Cattle				
	Milk	Meat	Eggs	Total	Milk Cows	Pigs	Sheep & Goats	Poultry
Western Europe	120	121	131	106	104	105	85	107
Belgium-Luxembourg	120	123	125	138	100	132	92	87
Denmark	100	144	117	101	92	155	21	86
France	127	134	109	111	114	109	85	116
Germany, West	112	121	129	97	95	114	61	107
Italy	140	108	108	115	127	97	97	98
Netherlands	114	149	171	113	102	145	67	112
Sweden	89	116	150	84	77	113	49	104
United Kingdom	136	128	157	124	115	125	90	117

The comforts of life are spreading



Rising standards of living are finding their way into the remotest village and are coming within the reach of people with quite modest means. Consider Kerosine, for instance, which by bringing illumination to the humblest home is playing a part in this welcome development. By the end of the Third Plan, Burmah-Shell estimates that demand for Kerosine will increase by 41.6%. There can be no question that the first priority should be the exploration and production of indigenous crude oil; the second priority must be to expand refining capacity in India. Oil is essential to economic growth and Burmah-Shell believes that

for tomorrow's needs we must act today

TABLE AGR—14.

FOODSTUFFS: PROJECTIONS OF PRODUCTION AND DEMAND IN WESTERN EUROPE IN 1970, (by areas)

(Index numbers of volume, 1959 = 100)

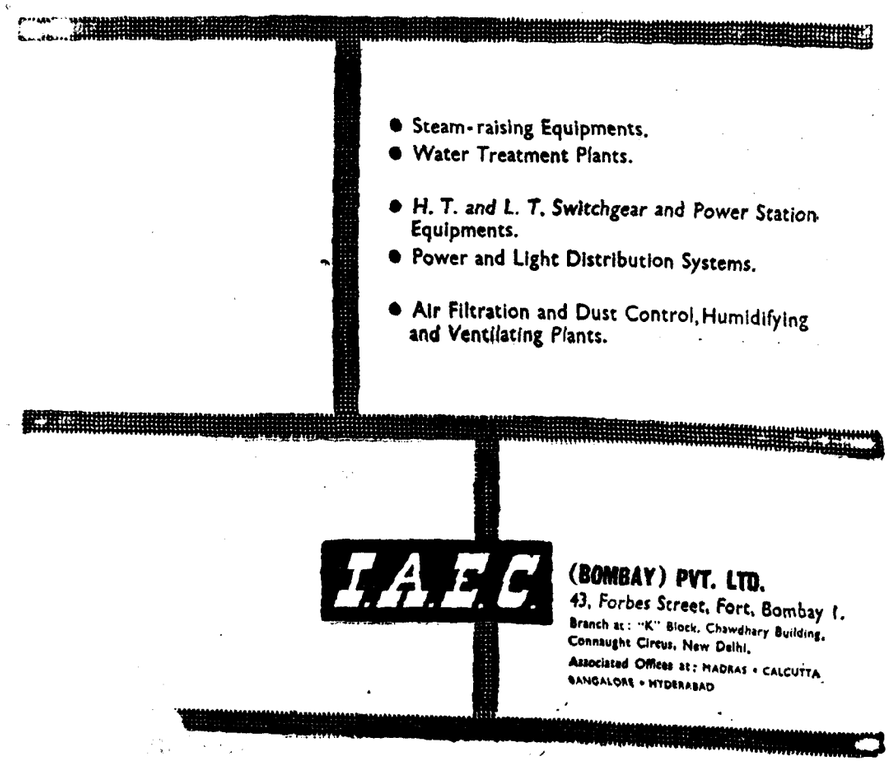
Commodity	Southern Europe			European Economic Community			Other North-Western Europe		
	Production	Demand		Production	Demand		Production	Demand	
		Medium	High		Medium	High		Medium	High
Cereals	122a	116	116	119a	93	88	110a	95	90
Potatoes	123	114	112	103	93	88	95	96	92
Sugar	159b	154	177	134b	129	137	112b	109	111
Milk (incl. milk products)	140	131	140	131	117	121	114	111	114
All meat	(137)	149	168	(129)	129	137	(121)	118	124
of which Beef & veal	131	139	153	134	133	142	114	119	125
Pig-meat	141	(159)	(183)	124	(126)	(134)	127	(117)	(123)
Eggs	204	149	169	149	127	134	131	115	120

a. Wheat only. b. Sugar-beet production.

NOTE: The increase in population envisaged is 17 per cent over the 1959 figure in case of Southern Europe, 6 per cent in case of E.E.C. and 5 per cent in case of North-Western European countries.

.. Source: Economic Survey of Europe in 1960.

FROM
DESIGN TO
STARTING UP



East European Agriculture: A Halting Growth

COMPARED TO Western Europe, the growth of agriculture in Eastern Europe during 1950's appears to have been rather slower. While most of the West European countries had regained their pre-Second World War level of farm production by the close of 1940's, this was achieved in East European countries only by about 1953. The pre-occupation of East European countries, which came under the influence of the Soviet Union after World War II, with building up of an industrial base for their economies and the drastic upsets created by resort to collectivisation after the Communist fashion probably explains that.

The increases in gross agricultural output in the centrally planned countries of Eastern Europe upto 1959 are given in Table AGR—15. Since there have been sharp fluctuations in output from year to year, due mainly to wide fluctuations in harvests, the average for some years should be a safer index of rate of growth.

RATE OF GROWTH

Average gross agricultural output in late 1950's, thus, has been about 20 per cent higher than the average production in 1950-53 in Bulgaria, Hungary, Poland and Rumania, nearly 30 per cent greater in Albania, only 13 per cent higher in Czechoslovakia and as much as 51 per cent more in the Soviet Union. Per annum rates of growth came to 2 per cent in Bulgaria, Hungary, Poland and Rumania, 3 per cent in Albania, 1.3 per cent in Czechoslovakia and 5.1 per cent in U.S.S.R.

The year 1960 witnessed some sizeable increase in gross agricultural output in Czechoslovakia, Albania and Poland. In Czechoslovakia the increase was about 7 per cent over the 1959 level. In Poland it was of the order of 5.4 per cent and in Albania to the tune of 9 per cent. Bulgaria, Hungary, Rumania and the Soviet Union recorded only small increases ranging from 1.5 to 2.5 per cent. In all the East European countries, except Poland and Czecoslovakia, the increases were far below those actually planned. (In the Soviet Union the planned increase was 7.9 per cent over the 1959 level. The actual increase amounted to slightly over 2 per cent). The increase in Czechoslovakia's output was slightly less than the planned increase. Poland was the solitary country which could achieve—and even slightly exceed—the planned growth.

The high rate of growth in Albania and more particularly in the Soviet Union has been due more to increase in area under cultivation than in productivity per unit-area. In the case of U.S.S.R. net addition to sown area between 1953 and 1959 has been to the tune of 25 per cent. Another important factor that has inflated the index of gross agricultural output in these countries has been the shift towards higher-valued technical crops like sugar-beet and oilseeds.

A pertinent fact that is revealed by Table AGR—15 is that there has come about more or less stagnation in Soviet agriculture since 1958. This has accentuated the imbalance between the requirements of agricultural products in the Soviet Union and indigenous output. The requirements have tended to increase progressively not only owing to increase in population and growth of industry, but also due to improvement in living standards.

IMPROVEMENT IN YIELDS PER HECTARE

The contributions of increases in yields per hectare to the growth of crop production in East European countries in the fifties are indicated in Table AGR—16. Wheat, barley, oats and sugar-beet yields per hectare have gone up in all the countries though in varying degrees; over 25 per cent in wheat in the Soviet Union Bulgaria and Poland; over 20 per cent in barley in East Germany, Hungary and Poland; nearly 15 per cent in oats in U.S.S.R., Bulgaria and Hungary and 22 to 27 per cent in sugar-beet in Bulgaria and Hungary, as against much less in the remaining countries. Generally, yields per unit-area in East European countries have increased to a lesser extent than in West European countries.

Data not included in the table for crops of major importance to only a few countries do not greatly change the general picture. In Bulgaria, yields of cotton, tobacco and sunflower seeds have all increased, though for the first two crops they were no higher in late fifties than immediately before World War II. In Albania, yields of both cotton and tobacco have gone up appreciably.

A greater portion of the increase in productivity in East European agriculture appears to have come after 1953; till then output per hectare in these countries had shown not much improvement due to various reasons, the most important of them being the upsets created by resort to collectivisation of the hitherto privately-owned farms and low investments.

Expert opinion in the Soviet Union has in the recent past asserted that upto 1953 the work of improvement of collective and State farms had not been properly organised in some branches of agriculture, particularly livestock breeding and vegetable and paddy growing. No concerted attempt had been made to provide collective and State farms with material incentives to improve productivity. Nor were the communal and personal interests of collective farmers adequately co-ordinated. The machinery given to the Machine-Tractor Stations by the State was insufficiently employed and hand-labour predominated in many fields. "Side by side with the economically sound and advanced collective and State farms contributing their full share to the supply of the country with food and raw materials were a good many backward and neglected farms."

Since 1953, a number of steps have been taken in the Soviet Union, and in the other East European countries following her lead, which have helped in raising

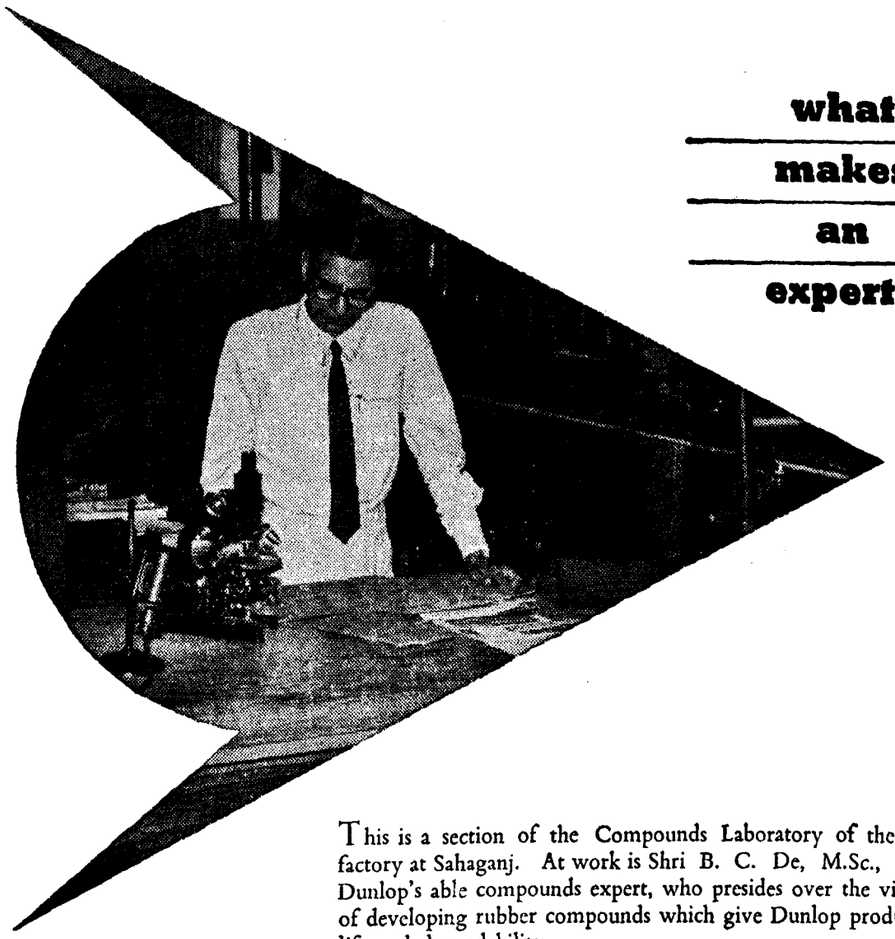
TABLE AGR—15

INDICES OF AGRICULTURAL PRODUCTION IN EASTERN EUROPEAN COUNTRIES FROM 1956 TO 1959

(Base: 1950-53=100)

Country	1956-1959	1956	1957	1958	1959	1960
U.S.S.R.†	151	141	144	159	159	163§
Albania	139**	126	140	128	160	..
Bulgaria	120	102	119	118	140	..
Czechoslovakia	113	112	111	114	113	..
Hungary	119	103	117	124	131	..
Poland	123	118	122	126	125	..
Rumania*	120	104	130	111	134	..

† 1950-1952=100. * 1951-1953=100. § Provisional estimate. **1956-57 — 1958-59 and agricultural years for subsequent figures also.



what makes an expert?

This is a section of the Compounds Laboratory of the Dunlop factory at Sahaganj. At work is Shri B. C. De, M.Sc., A.I.R.I., Dunlop's able compounds expert, who presides over the vital work of developing rubber compounds which give Dunlop products long life and dependability.

The Sahaganj factory no longer depends wholly on the U.K for know-how although this is always available when required. Today, there is, in fact, a regular exchange of experience and information on technical developments. Dunlop in Birmingham now accept from Sahaganj proposals for new compounds based on the experience of conditions in India. In the rubber industry, it is experience of how products behave in service which is the keynote to success.

Over the years a strong technical team has grown up at Sahaganj—men who have literally devoted a whole life-time to rubber technology and have become acknowledged experts in the different branches of the rubber industry.

DUNLOP SAHAGANJ

DC-566

25 years of progress : 1936-1961

TABLE AGR—16.

YIELDS OF SIX CROPS IN EAST EUROPEAN COUNTRIES 1948-52 AND 1956-1959

(Quintals/hectare)

Commodity	Years	USSR	Bulgaria	Czechoslo-vakia	Germany, Eastern	Hungary	Poland
Wheat	1948-52	8.4*	12.4	19.0	26.2	13.8	12.5
	1956-59	10.5	15.6	20.8	30.3	13.9	15.9
	1959-60	11.0	17.4	22.9	31.5	17.1	17.3
Rye	1948-52	7.6+	10.6	17.5	19.5	12.3	12.6
	1956-59	8.9*	9.9	19.5	20.8	11.3	14.4
	1959-60	9.9	11.8	20.3	20.7	12.5	15.6
Barley	1948-52	7.4**	14.1	17.3	22.9	14.4	12.7
	1956-59	8.3*	16.1	20.0	27.7	17.4	15.7
	1959-60	10.5	15.2	21.8	29.4	20.2	16.2
Oats	1948-52	8.1**	9.3	15.8	21.8	12.0	13.1
	1956-59	9.2*	10.8	17.9	24.3	14.1	14.8
	1959-60	9.4	13.5	18.3	23.6	15.1	14.7
Potatoes	1948-52	104**	86	116	161	68	115
	1956-59	94	85	127	166	104	130
	1959-60	91	103	108	161	103	128
Sugar-beet	1948-52	16.0*	13.2	23.4*	25.4	16.5*	18.9
	1956-59	..	16.8	25.2	27.5	20.1	19.9
	1959-60	160	115	205	313	220	159

* Average of three years. ** 1950-1951. +1950.

productivity in agriculture. The most important of these measures are: (1) institutional changes introduced to decentralise decisions on crop patterns; (2) provision of incentives to collective farmers in the shape of higher prices and reduced compulsory-delivery quotas for their products; and (3) making available to collective farms machinery, fertilizers and other aids to agricultural production at subsidised rates.

INSTITUTIONAL CHANGES

The institutional changes that have been effected in the Soviet Union (and to some varying degrees in the other East European countries) since 1953 to foster agricultural development are aimed at giving more weight to the economic criteria in determining location of output and increasing investment in the agarian sector. A new planning system has been evolved giving greater freedom to the "men-on-the-spot" to take decisions about crop patterns; formerly these decisions were made at the central level and foisted on State and collective farms. Increases in investments have been brought about not only by greater allocations of funds from the State exchequer, but also by encouraging the collective farmers to plough back greater part of the returns accruing to them from their collectivised farms as well as private plots. To enable them to have sizeable surplus, there have been effected drastic upward revisions in prices fixed for compulsory deliveries to the State and heavy reductions in the sizes of these quotas. These are discussed below at some length under the heading "Incentives to Collective Farmers".

Long-term State investments in collectivised farms in the Soviet Union have risen by some 60-80 per cent over the 1951-53 level. Besides, there have been deployed huge sums for reclamation of land which has led to increase in area under cultivation by about 25 per cent between 1953 and 1959; in 1959 the total area sown in the Soviet Union was about 39 million hectares.

Another important institutional change that has been effected in the Soviet Union in late 1950's has been the transfer of MTS machinery to collective farms. Collective farms have now come to be treated more or less at par with State farms. Before this was done, there were exerted, however, great efforts to strengthen the collective farms by amalgamation of weaker units either with the State farms or amongst themselves to make more viable units. The average size of collective farms, thus, has risen from 453 hectares of sown land in 1948 to 2,316 hectares in 1959. The optimum size is considered to be 2,500-3,000 hectares of arable land. The average size of State farms similarly has been raised from 2,600 hectares in 1948 to about 8,500

Encouragement has also been given, though in varying degrees in the years following 1953, to raise output on private plots of farmers and urban workers. Private farming was particularly encouraged between 1953 and 1956 by lowering the agricultural income-tax to less than half and other measures. In 1958, private holdings were released from obligatory deliveries. To curb expansion in private farming, a decree was, however; passed in March, 1956, which provided for the size of the private holding to be related to the labour contribution of the household to communal task. A more serious reverse for private farming came in 1959 when urban workers were forbidden in some Soviet Republics to keep any productive or working livestock.

The pattern of institutional changes effected in the other countries of Eastern Europe in the latter half of 1950's is almost the same as in the Soviet Union. There have been, however, two exceptions to this and they have been in Poland and Hungary. In Poland, about 80 per cent of co-operative farms were dissolved in 1956 and "agricultural circles" were set up to perform the functions of MTS and to render advisory services to farmers. A similar step was taken in Hungary also in late 1956 and nearly 50 per cent co-operatives were dissolved there. This trend, however, has been reversed in Hungary, but no such reversal has yet come in Poland.

Although the final goal in Poland still remains to set up a socialistic system of production in agriculture, the agricultural policy since 1957 has been oriented towards more efficient farming both in the private and the "still remaining" socialist sector. The size of private holdings of land has been increased in the last four years to some 15 to 20 hectares of arable land, especially in the new settlement areas. To achieve the ends of socialism, the stress is not so much on collectivisation of farms, but on voluntary co-operative farming. State support for producer co-operatives, voluntarily established on sound foundations, thus, continues.

INCENTIVES TO COLLECTIVE FARMERS

The incentives to collective farmers provided in the Soviet Union since 1953 with a view to raise farm output, have taken the shape of reduction in, even abolition of in the case of some agricultural commodities, compulsory deliveries to the State, increase in prices fixed for such quotas and replacement of payments in kind for MTS services by payments in cash.

The system of marketing and pricing of agricultural

unchanged for nearly 20 years since it was first introduced in 1932-33. It envisaged compulsory delivery of part of the produce to the State at a fixed price (which, of course, provided for some regional differences in production costs), sale of the surplus produce to State procurement agencies at a higher price and in peasant markets where prices realised were still higher, and obligation to pay for MTS services in kind. Generally, the hectare principle was followed in fixing compulsory-delivery quotas, which implied surrender of a certain percentage of the yield per hectare, estimated by the State, to the Government at a stipulated price.

This system suffered from two main defects. Firstly, the compulsory-delivery quotas for majority of farm products were fixed at levels so high that only very small surpluses were left for sale in the high-priced above-quota markets. Secondly, the prices fixed for compulsory deliveries were sometimes even below production costs. Since the crop pattern was also planned and decided centrally, collective farm managements were left with no choice to use their own initiative in selecting crops to be grown on their fields.

The marketing and pricing system of 1932-33 was fairly drastically reformed in 1953. Though multiple prices and compulsory delivery elements were retained in their essentiality, compulsory-delivery quotas were considerably reduced so as to leave fair surpluses for sale in peasant markets. The prices for compulsory-delivery quotas too were revised upwards by about 2½ times over the levels prevailing in 1952.

This system was further reformed in 1958. In a way, the 1958 reforms were even more revolutionary than the 1953 reforms — they substituted the multiple price system relating to deliveries to the State into a single-type of delivery at a single price for each product. In these reforms, the obligation of the collective farms to pay for the MTS services in kind was also abolished; they were now required to pay for these services in cash. Another improvement that was effected in the marketing system by the 1958 reforms was that flexibility was introduced in the fulfilment of compulsory-delivery quotas by the collective farms by virtue of which they could substitute one crop for another. Deliveries to the State under the procurement schemes were also liberalised. Procurement quotas were fixed for more than one year. The shortfall in one year could be made up in the succeeding years.

The 1958 reforms, however, raised prices for compulsory-delivery quotas by only a small margin — at the most by 18 per cent over the 1956 levels. In the case of some commodities, prices were even brought down slightly. Changs in prices in 1959 were done very marginally; the new prices were only about 20 per cent higher than the 1956 levels (Table AGR—17).

Changes in the marketing and pricing policies in respect of products of private plots of collective farmers have been on the same lines as detailed above with reference to collective farms. The 1958 reforms abolished compulsory deliveries from the private holdings of collective farmers.

An important fact that is to be taken note of in respect of compulsory-delivery quota prices is that prices fixed since 1953 have been more in tune with production costs than had been the case before that year. Regional differentiation has also been given better appreciation.

The new marketing and pricing system has considerable advantages, going beyond the value of administrative simplification and the improvement of incentives implied by the increase in the average price level. Under the old system, average price had tended to vary inversely with unit costs from year to year. Since compulsory-delivery quotas were fixed, in principle, for fairly long periods and were affected by harvest fluctuations, above-quota surpluses for sale at premium prices were largest in the years of good harvests; and in poor years lower average prices intensified the contraction of incomes resulting from lower output. The system introduced in 1958 not only eliminated this tendency, but introduced a provision for counterveiling price adjustments; in years of high yields (and thus lower unit costs) prices were lowered by 10 to 15 per cent. In bad years they were raised by about the same margin. Thus, the interrelation of output and prices is now similar to that which would normally exist in a market economy.

The revised system of fixation of compulsory-delivery quotas has also led to great specialisation in agri-

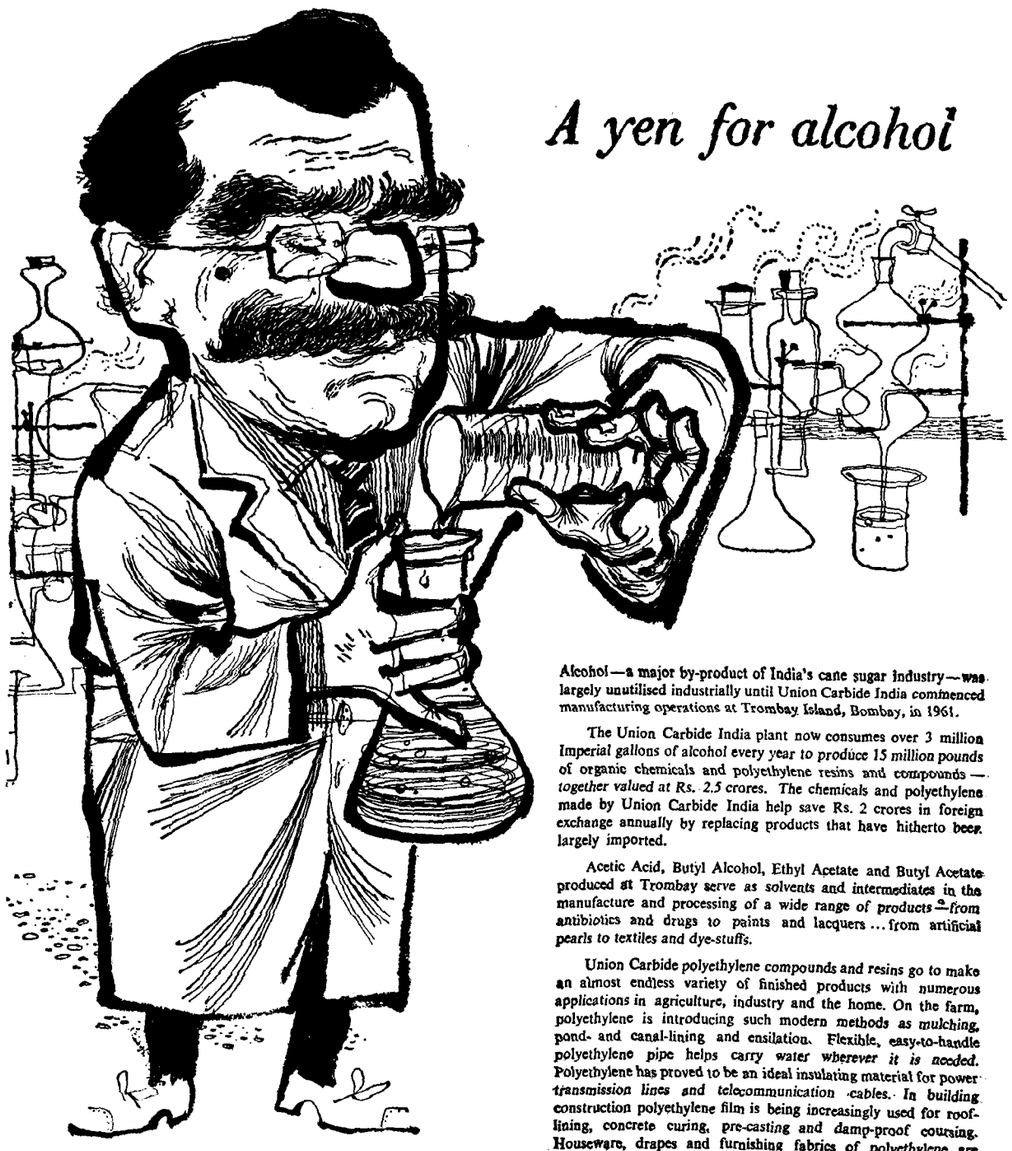
TABLE AGR-17

AVERAGE PRICES PAID FOR DELIVERIES TO THE STATE IN THE SOVIET UNION

Commodity	Prices: Index Numbers 1952=100				
	1953	1954	1956	1958	1959
All products delivered to the State against payment*	154	207	251	296	302
Crops Products	132	171	207	203	286
Grains	236	739	634	695	743
Technical Crops	122	125	163	155	154
Cotton	105	102	114	106	107
Sugar-beet	144	111	229	219	217
Sunflower Seed	528	626	928	774	881
Flax**	139	166	213	239	218
Potatoes	316	369	814	789	834
Other Vegetables	..	..	..	..	..
Fruit (including grapes)	119	135	192	179	169
Animal Products	214	307	371	546	561
Animals for Slaughter	385	579	665	1175	1239
Cattle	338	476	507	1147	1126
Pigs	453	786	976	1158	1181
Milk	202	289	334	404	404
Eggs	126	135	155	297	310
Wool	107	146	246	352	353

* Excluding deliveries to consumers' co-operatives.

** Prices only of flax fibre; cash receipts of flax fibre and flax seeds.



Alcohol—a major by-product of India's cane sugar industry—was largely unutilised industrially until Union Carbide India commenced manufacturing operations at Trombay Island, Bombay, in 1961.

The Union Carbide India plant now consumes over 3 million Imperial gallons of alcohol every year to produce 15 million pounds of organic chemicals and polyethylene resins and compounds — together valued at Rs. 2.5 crores. The chemicals and polyethylene made by Union Carbide India help save Rs. 2 crores in foreign exchange annually by replacing products that have hitherto been largely imported.

Acetic Acid, Butyl Alcohol, Ethyl Acetate and Butyl Acetate produced at Trombay serve as solvents and intermediates in the manufacture and processing of a wide range of products—from antibiotics and drugs to paints and lacquers ... from artificial pearls to textiles and dye-stuffs.

Union Carbide polyethylene compounds and resins go to make an almost endless variety of finished products with numerous applications in agriculture, industry and the home. On the farm, polyethylene is introducing such modern methods as mulching, pond- and canal-lining and ensilation. Flexible, easy-to-handle polyethylene pipe helps carry water wherever it is needed. Polyethylene has proved to be an ideal insulating material for power transmission lines and telecommunication cables. In building construction polyethylene film is being increasingly used for roof-lining, concrete curing, pre-casting and damp-proof coursing. Houseware, drapes and furnishing fabrics of polyethylene are helping make homes brighter, household chores easier.

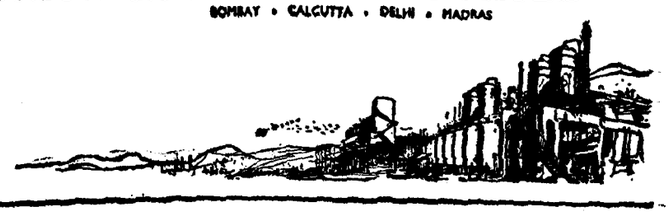
Yes, you might say, for once a yen for alcohol is justified.

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culture as between various regions of the Soviet Union. Under the old system there were very limited possibilities for only a small minority of farms to escape the obligation to produce grains, potatoes etc., specially for compulsory deliveries. The 1958 reforms introduced greater regional differentiations in procurement quotas, freeing some areas from deliveries of products for which they were particularly badly suited.

The net result of the above reforms in marketing and pricing system of the products of collective farms and the private plots of collective farmers has been appreciable increase in their income. Gross money income of collective farms is estimated to have gone up from 42.8 billion roubles in 1953 to as much as 136.9 billion roubles in 1959. This increased income has enabled the collective farms to push up investments out of their own funds from 7.4 billion roubles in 1952 to nearly 33.3 billion roubles in 1959.

In the other countries of the Eastern Europe, the post-1953 farm-price and procurement policies have varied in their details and phasing. But everywhere they have involved progressive reductions in compulsory-delivery quotas — and in most countries their eventual elimination — and increases in prices for all State purchases. The reforms, thus, have been essentially on the same pattern as those in the Soviet Union.

SUBSIDIES ON FARMING AIDS

Alongwith raising of incomes of the collective farms and the collective farmers from their private plots through wholesome changes in marketing and pricing system, thus making available some surpluses to be ploughed back for investment in land, the Governments in East European countries, including U.S.S.R., started in late fifties extending the benefits of provision of various aids to production at subsidised rates, hitherto enjoyed by only State farms, to collective farms as well as private plots. The latest instance for this is the reduced prices of various non-labour inputs in agriculture which came into effect in the Soviet Union from February 1, 1961. The reductions have been of the order of 17 per cent in the prices of lorries, 9 per cent in the prices of tractors and as much as 40 per cent on an average in the prices of spare parts and gasoline.

The financial resources of collective farms in the Soviet Union have also been sought to be improved in other ways. These include: (i) Abolition up to the end of the Current Seven-Year Plan of income-tax on 80 per cent of the cash incomes of collective farms resulting from sales of meat, milk and eggs; (ii) reduction of the rate of interest on short and long-term credits to collective farms; (iii) deferment for five years of repayment of Gosbank loans and for 5-10 years of payments still due for ex-MTS machinery.

The way investment in agriculture has gone up in the Soviet Union and the other East European countries in 1950's is indicated in Table AGR-18. The effect of the changes in agricultural policies of these countries since 1953 is adequately reflected in this table. Everywhere investment in agriculture has risen markedly since 1954 — not only in absolute terms, but also as percentage of total investment in the economies of all these countries.

The increased investment in agriculture in all the East European countries has helped not only in fostering strain technology and research, but also in mechanisation of farming and greater use of chemical fertilizers. The increase in non-labour inputs in the fifties has been one of the primary reasons of increase in the productivity of land in Eastern Europe.

MECHANISATION

The growth of mechanisation in agriculture in the Soviet Union and the other East European countries in 1950's is reflected from Table AGR—19. The tractor

TABLE AGR—18.

VOLUME OF INVESTMENT IN AGRICULTURE IN EASTERN EUROPE AND THE SOVIET UNION

(Millions of national currency at constant prices, index numbers and percentages of all investment)

	Millions of National Currency	Index Numbers: 1950 = 100							
	1950	1951	1953	1954	1955	1956	1957	1958	1959
Bulgaria									
Investment in Agriculture and Forestry ..	413	170	188	255	307	358	336	..	..
Percentage of total investment ..	12.4	17.8	15.2	19.0	21.5	25.3	21.4	..	..
Czechoslovakia									
Investment in Agriculture and Forestry ..	1,142	158	208	205	279	354	377	457	560
Percentage of total investment ..	8.0	10.4	11.1	11.2	14.1	15.8	15.3	16.3	16.8
Eastern Germany									
Investment in Agriculture and Forestry* ..	903**	..	..	..	..	100**	82**	97**	130**
Percentage of total investment ..	..	..	..	..	..	10.9	8.5	8.9	10.4
Poland									
Investment in Agriculture† ..	3,284	64	101	125	177	183	191	209	225
Percentage of total investment ..	11.5	6.5	7.5	8.8	12.0	11.9	11.6	11.5	10.6
Hungary									
State and Co-operative Investment in Agriculture and Forestry†† ..	951	148	234	281	280	189	132	181	378
Percentage of total investment ..	9.8	10.6	13.2	22.7	23.8	15.5	11.3	12.6	18.3
Rumania									
State Investment in Agriculture‡	549	108	168	239	311	268	303	435	570
Percentage of total investment in Socialist Sector ..	9.7	7.5	6.9	11.1	12.9	9.8	11.9	15.7	17.6
Soviet Union									
Investment in Agriculture‡‡ ..	19,300	..	106	154	212	226	234	264	284
Percentage of total investment ..	..	16	15	18	22	20	19	19	18

* At Current Prices. ** 1956 and index number, 1956 = 100.
† Excluding residential building. †† At Current Prices, in 1959 at 1958 prices.
‡ Including State Credits to collective farms for investment purposes.
‡‡ 1951 and Index Numbers, 1951 = 100.

park in every East European country has expanded by two to three times since 1950. Resort to tractorisation has been greater in Czechoslovakia and East Germany—the two countries of labour shortages in the East European bloc.

In late fifties, there was one tractor in use on every 290 hectares of agricultural land in Poland, on every 102 hectares in Czechoslovakia, on every 150 hectares in East Germany, on every 220 hectares in Hungary, on every 262 hectares in Bulgaria, on every 413 hectares in Rumania and on every 250 hectares in the Soviet Union. In late forties, the position was that there were about 710 hectares of agricultural land per tractor in Poland, 230 hectares in Hungary, about 688 hectares in Bulgaria and slightly over 1,000 hectares in Rumania (the figures for the Soviet Union and East Germany are not available).

The use of other farm machinery has gone up appreciably in the U.S.S.R. during the past decade, but it has grown only slowly in the other East European countries. Sowing of grain, cotton and sugar-beet and harvesting of grain, in the Soviet collective farms had been mechanised to the extent of 90 per cent or more by 1959. Harvesting of maize, potatoes and hay-mowing, however, had been mechanised only to the tune of 32, 20 and 53 per cent respectively. Mechanical water supply was available for about one-third of collective farm livestock.

USE OF FERTILIZERS

Use of chemical fertilizers too has gone up quite appreciably in the East European countries during the past decade. This is indicated in Table AGR—20.

Use of artificial fertilizers per hectare in the East European countries, as revealed by Table AGR—21, is however, much lower than in the countries of Western Europe. But fertilizers in East European countries are mostly used to boost yields of technical crops. In the Soviet Union, for instance, application of nitrogenous fertilizers (pure content) per hectare in 1957 was 108 kilogrammes for cotton, 43 kilograms for sugar-beet, 21 kilograms for flax, but only 0.4 kilograms for grains (excluding maize). The average application per hectare of agricultural land in that year was 3.1 kilograms.

The smaller use of artificial fertilizers in some countries of Eastern Europe is probably due to the fact that quite good use is made in these countries of natural manures. In Hungary, for instance, on an average 274,000 tons of natural manures were used annually between 1957 and 1959, as against 118,000 tons of chemical fertilizers. Total annual supply of soil nutrients in Hungary — both natural and artificial — increased from 313,000 tons in 1950--52 to 340,000 tons in 1954-56 and 392,000 tons in 1957-59.

TABLE AGR—19.

USE OF HORSES, COMBINE HARVESTERS AND TRACTORS IN EASTERN EUROPEAN COUNTRIES AND THE SOVIET UNION

Country/year	No. of Horses (thousands)	No. of Tractors (thousands) 15 hp units	Combine Harvesters (thousands)
Albania			
1938 ..	54	—	—
1950-51 ..	50	0.4	0.1d
1957-58 ..	49	2.5	0.2e
Bulgaria			
1939 ..	614	—	—
1950-51 ..	486	10.0	0.6f
1958-59 ..	358	31.1	5.6g
Czechoslovakia			
1936 ..	663	—	—
1951-52 ..	566	27.3b	1.1h
1958-59 ..	423	68.1b	5.7g
Eastern Germany*			
1938 ..	816	—	—
1950-51 ..	734	—	0.1f
1958-59 ..	584	60.3a	4.8g
Hungary			
1935 ..	886	7.0c	—
1950-51 ..	705	12.8	2.3i
1958-59 ..	721	32.0	2.3e
Poland			
1938 ..	3,916	—	—
1950-51 ..	2,835	29.0	3.1i !
1958-59 ..	2,786	72.2	3.3g
Rumania			
1938 ..	1,581	4.9	—
1950-51 ..	1,000	16.7	0.6h
1958-59 ..	1,162	48.4	12.4g
Soviet Union			
1940 ..	21,000	684	—
1950 ..	13,800	933	292 f
1958-59 ..	11,300	825	491.6g

* On Machine Stations only. a. Number of tractors in MTS and State Farms. b. Number of tractors in Socialistic Sector. c. Number in thousands. d. 1955. e. 1958. f. 1951. g. 1959. h. 1953. i. 1956.

INVESTMENT TRENDS SINCE 1960

Investments in agriculture in the East European countries have been stepped up further in 1960. This has taken the form of increased supplies of farm machinery and other aids to production. The position in the individual countries is as follows:

Soviet Union: At the beginning of 1961, the collective and State farms owned nearly two million trac-

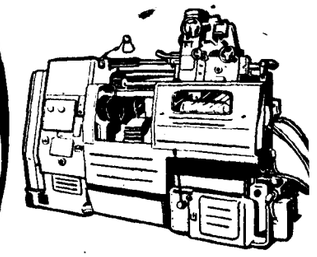
TABLE AGR—20.

PATTERN AND INDICES OF CONSUMPTION OF FERTILIZERS IN EASTERN EUROPEAN COUNTRIES

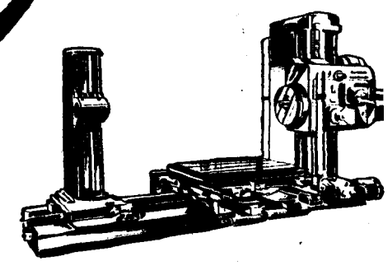
('000 metric tons)

Country	1948-49—1952-53 Nitrogenous Fertilizers	Phosphate Fertilizers	Potash Fertilizers	Total	1959-60 Nitrogenous Fertilizers	Phosphate Fertilizers	Potash Fertilizers	Total	Index of Fertilizers Consumption base=(1948-49—1952-53 =100)
U.S.S.R. ..	..	..	..	..	709.0	840.0	787.0	2336.0	..
Czechoslovakia ..	48.1	62.9	77.7	188.7	..	..	..	..	..
Bulgaria ..	37.0	..	..	37.0	..	..	..	..	..
East Germany ..	194.1	84.4	385.4	663.9	..	..	..	..	..
Hungary ..	15.0	26.0	8.0	49.0	87.1	82.8	20.6	190.5	390
Poland ..	93.7	102.7	174.6	371.0	269.0	295.0	290.0	854.0	230

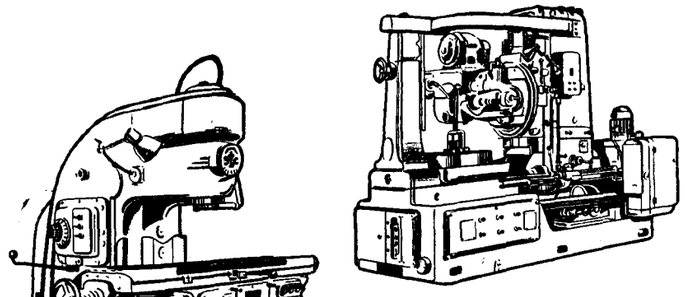
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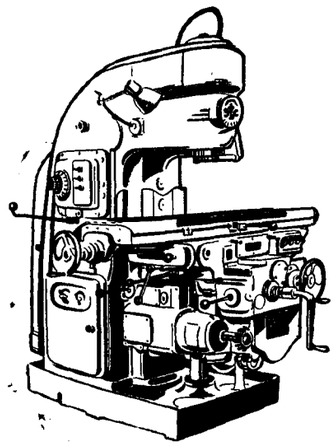
Copying Automatic Lathe, Model 1722



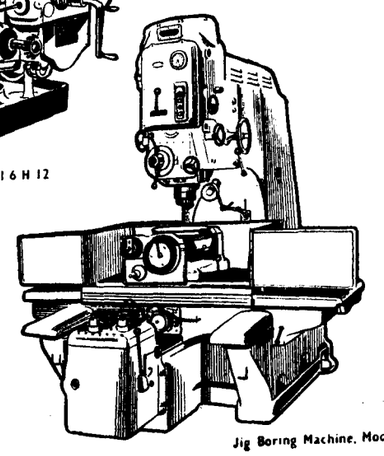
Horizontal Boring, Drilling and Milling Machine, Model 2621



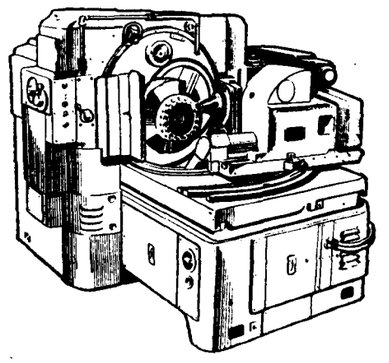
Gear Hobbing Machine, Model 5327



Vertical Milling Machine, Model 6 H 12



Jig Boring Machine, Model 2A 450



Automatic Spiral Bevel Gear & Hypoid Generator, Model 52

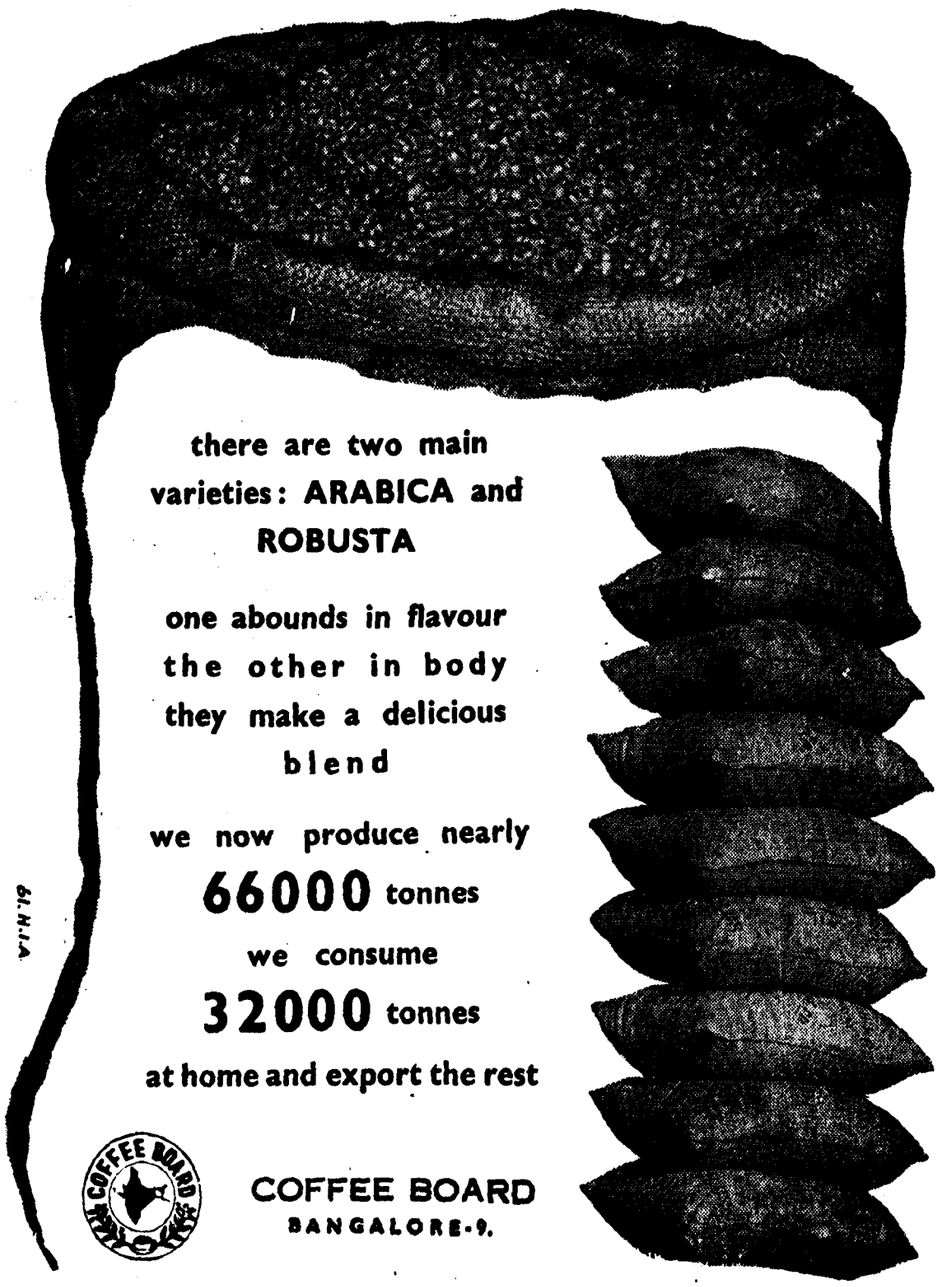
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TABLE AGR—21.

SUPPLIES OF CHEMICAL FERTILIZERS IN EAST EUROPEAN COUNTRIES

Country	Year	Index Numbers	Kg. per ha in 1959
Albania	1938	..	..
	1950-51	..	..
	1957-58	..	..
Bulgaria	1939	..	..
	1950-51	100a	..
	1958-59	706	50
Czechoslovakia	1936	48	..
	1951-52	100	..
	1958-59	224	100
Eastern Germany	1938	116	..
	1950-51	100	..
	1958-59	146	197
Hungary	1935	22b	..
	1950-51	100	..
	1958-59	331	32
Poland	1938	40	..
	1950-51	100c	..
	1958-59	226	42
Rumania(d)	1938	229	..
	1950-51	100	..
	1958-59	4,230	5
Soviet Union	1940	59	..
	1950	100	..
	1958-59	203	13

a. 1952.
b. 1931-1950 average.
c. 1948-49 = 100.
d. Production of chemical fertilizers.

tors (15 H.P. units), about 750,000 lorries, almost half a million combine harvesters and millions of other farm machinery. Increased expenditure was incurred on improving the supplies of other farming aids. No clear picture of investment that is envisaged to go into the Soviet agriculture upto 1965 is yet available. (The estimates are constantly under revision). But the announced aim is that the investment would be commensurate to creating conditions which would permit agriculture to become independent of the caprices of nature and would lead to attainment of targets as shown in Table AGR—25. Large sums are envisaged to be spent on provision of irrigational facilities in Central Asia, South of RSFSR and the Ukraine and in Transcaucasia.

Czechoslovakia: The supply of farm machinery in 1960 was increased by 21 per cent, while application of artificial fertilizers rose by 5 per cent. In 1961, investment was to be further increased to attain a level of more than 25 per cent in mechanisation over the 1959 level. Investment in agriculture and forestry during the current Plan period (1961-65) is to be stepped by 60 per cent above the volume in the five years to 1960.

East Germany: Supplies of farm machinery to the socialist sector in this country increased enormously in 1960. The tractor stock rose by 50 per cent and the stocks of several other important machines by 20 to 25 per cent. It was planned to deliver another 14,000 tractors — 20 per cent of the existing stock in the socialist sector — to State and co-operative farms and MTS in 1961.

Hungary: State and co-operative farm investments in 1960 rose by 32 per cent over the 1959 level. The tractor park increased by more than 50 per cent and stock of grain-combines by two-thirds. In 1961, investments were envisaged to be made more for increasing the supplies of fertilizers and improved seeds than farm machinery. Fertilizer supplies, for instance, were planned to be raised by 30 per cent over the 1960 level which was approximately the same as in 1959.

Poland: Investment in agriculture in 1960 rose by 14 per cent over the 1959 level and absorbed 12.4 per cent of the total investment in the Polish economy. Supplies of machinery to agricultural circles and individual and co-operative farms rose by 24 per cent (in the case of tractors they doubled). Application of fertilizers increased by 15 per cent and of insecticides by 72 per cent. In 1961, investment was envisaged to be stepped up by 15 per cent over the 1960 level. Over the whole of the current Plan period (1961-65) direct investment in agriculture is to be 86.6 billion zlotys.

Rumania: Investment in agriculture in 1960 in this country rose rather by a smaller margin as compared to the previous two years — by 10 per cent as against 31 per cent and 43 per cent in 1959 and 1958. Output of tractors is rising pretty fast and supplies in 1960 were supposed to have increased by 17,000 units, representing an increase of 55 per cent over the 1959 level. Fertilizer production was supposed to have gone up by 36 per cent over the 1959 level.

FARM MANAGEMENT

Apart from trying to increase yields by effecting greater investments, concerted efforts have been made in the Soviet Union at least to improve management of State and collective farms by release of specialists from administrative work and effecting of transfers of technicians from industry to agriculture. This happened particularly in mid-fifties when new stress came to be placed on agricultural development. The process has continued in late fifties though at a slower pace. It is likely to gather momentum again to enable the attainment of the current Seven-Year Plan (ending in 1965), target of total agricultural output, which, if it is to be achieved, implies an increase of about 10.5 per cent per annum over the 1960 production level.

TABLE AGR—22.

OUTPUT OF MEAT AND MILK IN THE EASTERN EUROPEAN COUNTRIES AND THE SOVIET UNION, 1956 - 1959

Compared with 1950-53 and Pre-War

Product & Country	1956-59 Average	Pre-War	1956-59 Average
		Index 1950-53* =100	
MEAT (LIVE WEIGHT)			('000 Tons)
Bulgaria	442	100	138
Czechoslovakia	888	88	122
Eastern Germany ..	1251	123	134**
Hungary	800**	97**	134
Poland	2048	80	136
Rumania	844	112	124
Total Eastern Europe	6426	98	132
Soviet Union	12191	94	152
MILK†			(Million litres)
Bulgaria	904	106	143
Czechoslovakia	3634	143	110
Eastern Germany ..	5439	132	145
Hungary	1773	110	128
Poland	11040	117	129
Rumania	1872	99	127
Total Eastern Europe	24662	122	129
Soviet Union	56069	94	157

* For Soviet Union, 1949-1953=100.
** Provisional.
† Except Eastern Germany and Soviet Union where the unit is taken in thousand tons. Data in all six countries include milk fed to calves.

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TABLE AGR—23.

YIELD OF MILK IN EASTERN EUROPEAN COUNTRIES AND THE SOVIET UNION

Country	Year	Litres per Cow*
Bulgaria	1950-51	413
	1960	1,435
Czechoslovakia	1950-51	1,636
	1960	1,807
Eastern Germany	1949-50	1,891†
	1959	2,728†
Hungary	1949-50	1,424
	1960	2,148
Poland	1949-50	1,600
	1960	2,017
Soviet Union	1949-53	1,389
	1959	1,878‡

* Years for Bulgaria, Eastern Germany and Poland, 1950, for Czechoslovakia 1951; for Hungary 1950, for Soviet Union 1953.
† Kilograms; milk of 3.5 per cent fat content.
‡ Estimated.

LIVESTOCK YIELDS

Livestock output and yields in Eastern Europe during 1950's have gone up at a fast rate than crop yields. This is clear from Tables AGR-22 and 23. The increases in livestock yields have been brought about by consistent efforts to improve fodder supplies and breeds of cattle. The faster growth in livestock output has been necessitated by the changing food consumption pattern in Eastern Europe.

FUTURE PROSPECTS

All the East European countries have drawn up ambitious plans for agricultural development upto 1965. These are indicated in Table AGR—25, which also gives actual output of various farm products in 1960. To achieve these targets sharp increase in yields per unit-area and per head livestock are envisaged. These are indicated in Table AGR—25 (see page 105).

No doubt, some wholesome results should follow from the heavy investments that have gone into the agrarian economies of all these countries in late fifties in the form of greater mechanisation and higher non-labour inputs — application of fertilizers, use of improved seeds and spread of agricultural education and training — but much will depend on how far investments progressively increase in the years to come and what further incentives are provided to collective and co-operative farmers to put in their best. The average rate of growth during the fifties in the agricultural economies of these countries hardly evokes optimism about the fulfilment of these targets, except in Poland. The Polish targets of total agricultural production, crop production and animal output appear to be more realistic. Table AGR—24 gives the linear and cumulative increases that can be expected in the agricultural outputs of the Soviet Union and four other East European countries during the five years to 1965, in the light of the past experience, alongwith the increases that are required to accomplish the 1965 planned targets. The planned targets obviously are far above even the cumulative increases that can be expected especially in the Soviet Union, Czechoslovakia, Hungary and Rumania.

TABLE AGR—24.

EASTERN EUROPE: 1965 Plan Targets of Crop and Animal output and increases which can be expected in the light of Past experience.

(Index Numbers: 1954-58=100)

Country	1965 Plan	1965 Projection of past trend	
		Linear	Cumulative
CZECHOSLOVAKIA			
Total	129	116	119
of which: Crop output ..	136	115	117
Animal output	121	121	125
HUNGARY			
Total	141	124	129
of which: Crop output ..	139	121	124
Animal output	146	128	135
POLAND			
Total	138	126	133
of which: Crop output ..	139	121	125
Animal output ..	147	135	148
RUMANIA			
Total	195-206	126	132
SOVIET UNION			
Total	199	145*	167
of which: Crop output ..	189	141	160
Animal output	215	154	190

* Includes the effect of the extension of the sown area.



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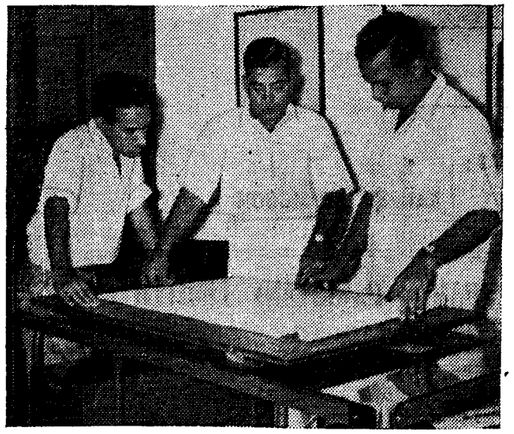
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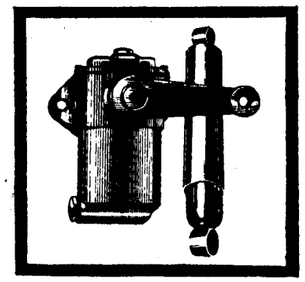
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TABLE AGR—25.

PRODUCTION OF MAIN AGRICULTURAL COMMODITIES IN SIX EASTERN EUROPEAN COUNTRIES AND THE SOVIET UNION, 1960 AND 1965 PLAN

Country & Commodity	1960	1965 Plan
Soviet Union		
Grains (million tons)	132.7	167-180
Potatoes (million tons)	84.0	147
Sugar-beet (million tons	56.9	76-84
Sunflower seed (million tons)	3.8	..
Meat (carcase weight) (million tons)	8.7	16e
Milk (million tons)	61.5	100-105
Wool (thousand tons)	355	ca 348
Eggs (billions)	26.4	37
Bulgaria		
Bread grains (million tons)	2.46	..
Fodder grains (million tons)	2.33	..
Sugar-beet (million tons)	1.62	..
Tobacco (thousand tons)	65	..
Tomatoes (million tons)	0.62	..
Grapes (million tons)	0.59	..
Meat (Liveweight) (million tons)	0.43	..
Milk (billion litres)	1.07	..
Wool (greasy) (thousand tons)	20.35	..
Czechoslovakia		
Bread grains (million tons)	2.39	)
Fodder grains (million tons)	3.37	) 7.04
Potatoes (million tons)	5.25	9.38
Sugar-beet (million tons)	8.40	7.97
Meat (live weight) (million tons)	0.93	1.28
Milk (billion litres)	3.72	5.37
Eggs (billions)	2.23	3.0
Eastern Germany		
Wheat (miln. mec. tons)	1.4**	..
Sugar beets (miln. mec. tons)	5.6**	..
Potatoes (miln. mec. tons)	12.4**	..
Tobacco ('000 mec. tons)	5.3**	..
Milk (miln. mec. tons)	6.0**	..
Eggs (billions)	30.3**	..
Wool (thousand tons)	8.5**	..
Hungary (a)		
Bread grains (million tons)	2.12	2.60
Barley (million tons)	0.99	..
Maize (million tons)	..	4.40b
Sugar beet (million tons)	3.50*	3.50
Sunflower seed (million tons)	..	0.12
Potatoes (million tons)	..	..
Slaughter pigs (c) (million tons)	0.63	0.74
Slaughter cattle (million tons)	0.23*	0.26
Milk (billion litres)	1.89	2.70
Eggs (billions)	1.87	2.32
Wool (thousand tons)	8.6	10.0
Poland (d)		
Four main grains (million tons)	14.24	15.75
Potatoes (million tons)	37.77	41.85
Sugar-beet (million tons)	10.22	11.0
Meat (live weight) (million tons)	2.05	2.87
Milk (billion litres)	11.9	15.25
Eggs (billion units)	5.5	5.9
Rumania		
Grains (million tons)	9.8	14-16
Sugar-beet (million tons)	3.4	..
Sunflower seed (million tons)	0.52	..
Meat (live weight) (million tons)	0.96	1.70-1.80
Milk (billion litres)	2.83	5.0
Wool (greasy) (thousand tons)	22	37

a. 1965 Plan figures are from the directives of October 1959. b. May include maize for silage. c. In 1958-1960 excluding piglets, which are included in 1965 target. d. Plan figures for 1965 based on the June directives, except, possibly, for sugar-beet and eggs, for which the targets are those quoted in the Czechoslovak source mentioned above. e. Target stated as "not less than 16" f. Beef, veal and pig meat only.
** 1959-60.
* 1958.

TABLE AGR—26.

YIELDS OF SOME MAIN CROPS AND OF MILK IN SIX EASTERN EUROPEAN COUNTRIES AND THE SOVIET UNION

(Quintals per hectare and for milk litres per cow)

	1959-60	1965 Plan
SOVIET UNION		
Wheat	11.0	..
Rye	9.9	..
Barley	10.5	..
Oats	9.4	..
Maize	13.8	..
Potatoes	91.0	..
Tobacco	12.4	..
BULGARIA		
Wheat	17.4	..
Maize	20.5	..
Cotton	8.2†	..
Sugar-beet	115.0	..
Tobacco	8.3	..
Tomatoes	259.0	..
Grapes	42.0†	..
Milk	1435.0†	..
CZECHOSLOVAKIA		
Wheat	22.9	27.0
Rye	20.3	25.0
Oats	18.3	..
Barley	21.8	26.5
Maize	26.9	36.0
Sugar-beet	205.0	327.4
Potatoes	108.0	180.0
Root-fodder	348.0†	..
Green Maize for silage	291.2†	..
Milk	1807.0†	2350.0
EASTERN GERMANY		
All grains	27.5†	30.5
Winter Rye	22.6†	..
Oilseeds	14.4†	18.5
Sugar-beet	313.0	385.0
Potatoes	161.0	245.0
Green maize for silage	384.4†	666.0
Milk	2728.0**	2942.0
HUNGARY		
Bread grains	15.7†	18.8
Barley	20.2	..
Maize	15.1	29.2
Sunflower seed	11.8	13.0
Sugar-beet	220.0	243.0
Potatoes	103.0	130.4
Grapes	30.8**	40-42
Milk	2148.0†	2700.0
POLAND		
Four grains	61.1†	17.6
Sugar-beet	159	260.0
Potatoes	128	155.0
Milk	2017 †	2260.0
RUMANIA		
Wheat	13.4	15.0
Maize	16.0	25-28
Sugar-beet	122.0*	250.0
Sunflower seed	10.3	15.0
Potatoes	93.0	150.0

* Refers to 1958-59.
** " " 1959.
† " " 1960.

Indian Agriculture: A Decade of Fairly Rapid Growth

HAVING considered the growth in the agrarian economies of East and West European countries during the fifties, we now turn to India which completed ten years of planning in March, 1961. A decade of planning has accelerated the growth of Indian economy as a whole, but here in this section we are concerned only with the development of agriculture.

Indian agriculture, despite serious setbacks in 1957-58 and 1959-60 due to vagaries of weather, has made some rapid strides during the whole of the past decade. This is evident from Table AGR—27. The index number (base 1949-50=100) for total agricultural output (excluding livestock production) went up from 95.6 in 1950-51 to 139.1 in 1960-61. This shows that total agricultural production in India in the last year of the Second Plan increased by as much as 45.5 per cent over the 1950-51 level—giving 4.6 per cent linear rate of growth per annum. But 1960-61, despite its fair share of annual floods and drought in various parts of the country, was a slightly more favourable year for agriculture. Taking the average for the past three years, total agricultural output in India went up by 40 per cent compared to the 1950-51 level and by 35 per cent compared to the average annual output from 1949-50 to 1952-53. Foodgrains output in 1960-61 was higher by 52 per cent than the 1950-51 output. The average annual production during the three years 1958-59 to 1960-61 was up by 47 per cent over the 1950-51 output and by 39 per cent over the average annual production from 1949-50 to 1952-53. These three types of averages have been calculated to make the comparison with the European countries more appropriate. The comparison has been attempted in the succeeding section.

Slightly over 50 per cent increase in total agricultural output during the past decade appears to have resulted from increase in area under cultivation which went up from 131.9 million hectares in 1950-51 to 150.7 million hectares in 1958-59 (Table AGR—28). There must have been some further additions to the gross area cultivated during the last two years of the Second Plan, but no reliable statistics of this are available. Total addition to the net sown area upto 1958-59 had been of the order of 12.2 million hectares; the rest of the increase is accounted for by expansion in multiple cropping.

YIELDS PER HECTARE

The role that increased productivity of land has played in boosting total agricultural output in India during the fifties should be apparent from Table AGR—29. Although yields of some crops like linseeds, sesame seeds and tobacco have gone down slightly, significant increases have been recorded in yields per hectare of various crops, particularly rice, jowar, gram, maize, tur and ragi. The increases in unit-area yields in the case of wheat, bajra, cotton and sugarcane, though less impressive, have been fairly large. The increase in productivity has been faster in the latter half of the fifties as greater portion of the increases in yields has been achieved during this period.

The increase in productivity of land in India has been achieved, as in any other advanced country of the West, mainly through concerted application of science and technology. The various means that have been adopted in India to raise farm yields per unit-area during the past decade are:

Increased Irrigation: The net irrigated area (Table AGR—30) is estimated to have gone up from 20.9 million hectares (51.5 million acres) in 1950-51 to about 28.3 million hectares (70 million acres) in 1960-61. The total new irrigation potential created under the first two Plans through major and medium projects is 5.3 million hectares (13 million acres). Of this, only about 76 per cent (10 million acres) had been made use of upto the end of 1960-61 agricultural year. The rest of the 7.5 million hectares (18.5 million acres) have benefitted from minor irrigation works.

Use of Improved Seeds: Sporadic attempts had been made in this country to evolve improved strains of seeds since the turn of the present century and more particularly after 1928 following the recommendations of the Royal Commission on Agriculture. But concerted efforts were made only under the Second Five-Year Plan when long-term programmes were drawn up for saturating the entire agricultural area with improved seeds. The progress achieved under the Second Plan has been appreciable though the target has not been accomplished. Out of 4,328 Seed Multiplication Farms of about 10.1 hectares (25 acres) each, which were to be set up by March, 1961, in various States, in all about 4,000 farms had been established. It is estimated that as a result of the efforts made under the Second Plan, nearly 22.3 million hectares (55 million acres) of agricultural land have been brought under improved seeds. A special programme has been drawn up to evolve and propagate maize and jowar hybrids. The plans in respect of maize hybrids have already been executed in some areas. Production of hybrid jowar seeds is intended to be taken up soon.

Use of Improved Implements and Mechanisation: Concerted efforts have been made in 1950's, particularly during the Second Plan period, to make available to the agriculturist improved farm implements. But the progress in this regard has not been very encouraging because of foreign exchange shortage hampering import of steel. Mechanical cultivation had been extended to about 0.21 million hectares (0.5 million acres) by the end of 1960-61 agricultural year.

TABLE AGR—28.

GROSS AND NET AREA SOWN DURING THE LAST DECADE IN THE INDIAN UNION

(Million Hectares)

	Net Area Sown	Area Sown more than once	Gross Area Sown
1950-51 ..	118.8	13.1	131.9
1951-52 ..	119.4	13.8	133.2
1952-53 ..	123.4	14.2	137.6
1953-54 ..	126.8	15.7	142.5
1954-55 ..	127.8	16.2	144.0
1955-56 ..	128.8	18.0	146.8
1956-57 ..	130.5	18.6	149.1
1957-58 ..	128.6	16.7	145.3
1958-59 ..	131.0	19.7	150.7
1959-60 ..	N.A.	N.A.	N.A.
1960-61* ..	N.A.	N.A.	N.A.

* Gross area under cultivation of principal agricultural crops only in 1960-61 is put around 137.5 million hectares (339.8 million acres).

TABLE AGR—27.

INDIA'S AGRICULTURAL OUTPUT FROM 1949-50 TO 1960-61

Commodity/Unit	1949-50	1950-51	1955-56	1956-57	1957-58	1958-59a	1959-60b	1960-61b
Rice (Million tons)	23.7	20.9	27.1	28.6	24.9	30.4	31.0	33.7
Wheat (Million tons)	6.6	6.6	8.6	9.3	7.7	9.8	10.1	10.6
All cereals (Million tons)	48.4	43.7	54.9	57.4	53.0	62.6	63.2	66.8
Pulses (Million tons)	9.2	8.5	10.9	11.4	9.5	12.9	11.5	12.5
Foodgrains (cereals & pulses) (Million tons)	57.6	52.2	65.8	68.8	62.5	75.5	74.7	79.3 (80.5)*
Oilseeds (Million tons)	5.1	5.1	5.6	6.3	6.1	6.9	5.9	6.5 (7.5)*
Sugarcane (gur) (Million tons) ..	4.9	5.6	6.0	6.8	6.9	7.1	7.7	8.7 (7.8)*
Cotton (Million bales)	2.6	2.9	4.0	4.7	4.7	4.7	3.7	5.4 (6.5)*
Jute (Million bales)	3.1	3.3	4.2	4.3	4.1	5.2	4.6	4.0 (5.5)*
All commodities (index numbers) ..	100	95.6	116.8	124.0	114.6	132.3	128.7	139.1 (146)*

a. Partially revised estimates. (b) Final estimates. * Second Plan target.

TABLE AGR—29.

AVERAGE YIELDS OF MAJOR CROPS IN INDIA

(Quintals per hectare)

Commodity	1948-49—1952-53 (Average)	1951-52—1955-56 (Average)	1956-57—1960-61 (Average)
1. Rice	7.2	8.1	9.0
2. Wheat	6.6	7.3	7.4
3. Jowar	3.7	4.4	4.9
4. Bajra	2.8	3.1	3.1
5. Barely	7.6	8.4	8.1
6. Maize	6.5	7.4	8.4
7. Ragi	6.3	7.0	7.5
8. Millets	3.7	4.1	3.9
9. Gram	5.0	5.7	6.2
10. Tur	6.3	7.8	7.6
11. Other pulses ..	3.3	3.2	3.3
12. Potatoes	69.0	71.1	69.2
13. Groundnut (in shells)	7.3	7.2	7.5
14. Sesamum seed ..	2.0	2.1	1.8
15. Rape & mustard seeds	4.0	3.9	4.2
16. Linseeds	2.7	2.7	2.4
17. Sugarcane (gur) ..	32.2	32.4	35.9
18. Cotton (lint) ..	0.9	0.9	1.0
19. Jute	11.1	11.0	11.5
20. Tobacco	7.5	7.2	7.3

TABLE AGR—30.

GROSS AND NET AREA IRRIGATED DURING THE FIFTIES IN THE INDIAN UNION

(Million hectares)

Year	Net Area Irrigated	Area Irrigated more than once	Gross Area Irrigated
1950-51 ..	20.9	1.7	22.6
1951-52 ..	21.0	2.1	23.1
1952-53 ..	21.1	2.2	23.3
1953-54 ..	21.9	2.5	24.4
1954-55 ..	22.1	2.9	25.0
1955-56 ..	22.8	2.9	25.7
1956-57 ..	22.5	3.2	25.7
1957-58 ..	23.2	..	..
1958-59 ..	23.4	..	..
1959-60 ..	..	..	..
1960-61* ..	28.3*	..	..

* As estimated in Third Five-Year Plan.

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Use of Fertilizers: Chemical fertilizers were scarcely used by the Indian cultivator right upto the end of 1940's. Their rapid application during the fifties is reflected from Table AGR—31. In the past three years, there has been phenomenal increase in demand for fertilizers, but due to inadequacy of domestic production and lack of compensatory imports from abroad owing to foreign exchange shortage, supplies have fallen short of demand by a very big margin. In 1960-61, for instance, availability of nitrogenous fertilizers—most commonly used by the Indian peasant—amounted to only about 45 per cent of the total demand. Between 1950-51 and 1960-61 consumption of nitrogenous fertilizers (in terms of N) increased from 55,000 tons to 230,000 tons, of phosphatic fertilizers (in terms P2O5) from 7,000 tons to 70,000 tons and of potash fertilizers from 7,700 tons (in 1951-52) to 25,000 tons.

Organic Manures: Along with fostering the use of chemical fertilizers, attention has been paid in the last decade to the development of urban compost and local manuring resources. It is estimated that about 3 million tons of urban compost and 83 million tons of rural compost were produced during 1960-61. Green manuring practices have also been resorted to in a greater measure. By the end of the Second Plan 4.8 million hectares (11.8 million acres) were estimated to have been brought under green manuring.

TABLE AGR—31.

CONSUMPTION OF CHEMICAL FERTILIZERS IN INDIA

Period	Nitrogenous Fertilizers (In terms of N)	Phosphatic Fertilizers (In terms of P205)	Potash Fertilizers (In terms of K20)
1951-52 ..	57.9	6.9	7.7
1952-53 ..	56.7	4.6	3.1
1953-54 ..	67.2	8.1	8.5
1954-55 ..	94.7	14.8	14.2
1955-56 ..	105.6	12.8	10.8
1956-57 ..	131.3	15.6	10.9
1958-59 ..	164.0	27.2	16.5
1959-60 ..	231.0	38.9	N.A.
1960-61 ..	230.0	70.0	25.0

Improvement in Agricultural Practices: Considerable contribution has been made towards increasing farm yields by adoption of improved agricultural practices such as crop rotation, line sowing, proper spacing eradication of weeds, protection of crops and Japanese method of paddy cultivation. The last practice has been of particular help in stepping up rice yields. It is estimated that 2.9 million hectares (7.2 million acres) of land under rice cultivation had been brought under the Japanese method upto 1959-60. The target of extension of this method to 3.2 million hectares (8 million acres) during the Second Plan period was probably attained in 1960-61. Increased use has also been made of pesticides, insecticides and herbicides, especially during the late fifties. The plant protection programme covered about 6.5 million hectares (16 million acres) of land at the end of the Second Plan.

Extension Services: No small part has also been played in increasing the productivity of soil, particularly in the latter half of the fifties, by extension services provided under the Community Development Programme. It is estimated that yields in many an intensive development block have gone up by nearly 25 per cent. By the end of 1960-61 about 3,70,000 villages, containing well over half the country's rural population, had been brought under the Community Development Programme. This programme is envisaged to be extended to cover the entire country by 1963.

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Apart from substantial economic gains in terms of increased food production, the pooled resources of all these units under the Corporation will greatly benefit the country by advancing technical knowledge and technical skill.

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Land Development and Soil Conservation: Some concerted efforts have been made in land development and soil conservation in late fifties. By the end of 1960-61, about 1.1 million hectares (2.7 million acres) were covered by soil conservation measures.

Credit and Marketing: To help the agriculturist to effect technological improvements on his land, credit has been made available to him at cheap rates. Measures have also been taken to help him in getting a fair return for his produce by marketing it through co-operative societies. At the end of the Second Plan period there were 2,10,000 primary agricultural societies —almost double the number in 1950-51—to provide credit facilities and about 1,870 co-operative societies primarily engaged in marketing of agricultural produce. The tempo of construction of Central and State warehouses has also been stepped up to foster the growth of co-operative marketing societies.

LIVESTOCK YIELDS

Although attempts have been made for over two decades to improve livestock yields in India through improvement of cattle breeds, the falling percentage of protective food in an average Indian diet suggests that no material changes have, as a general rule, come about in livestock yields. The total milk production is estimated to have gone up from 17 million tons in 1950-51 to about 22 million tons in 1960-61. How much of this increase has been due to increase in the number of milch cattle and how much owing to improvement in yields per head it is difficult to say. Meat production too has increased only marginally.

The total outlay that has gone into agriculture over the past decade has been of the order of about Rs. 1,200 crores.

TABLE AGR—32.

TARGETS FIXED FOR VARIOUS AGRICULTURAL PRODUCTS IN THE THIRD PLAN

Commodity/Unit	Base level Production 1960-61	Target of additional production 1961-66	Estimated Production in 1965-66	Percentage increase
Foodgrains (Million tons)	76.0	24.0	100.0**	31.6
Oilseeds (Million tons)	7.1	2.7	9.8	38.0
Sugarcane (gur) (Mil. tons)	8.0	2.0	10.0	25.0
Cotton (Million bales)	5.1	1.9	7.0	37.2
Jute (Million bales)	4.0	2.2	6.2*	55.0
Coconut (Million nuts)	4500	775	5275	17.2
Arecanut (Thousand tons)	93	7	100	7.5
Cashewnut (Thousand tons)	73	77	150	105.5
Pepper (Thousand tons)	26	1	27	3.9
Cardamom (Thousand tons)	2.26	0.36	2.62	15.9
Lac (Thousand tons)	50	12	62	24.0
Tobacco (Thousand tons)	300	25	325	8.3
Tea (Million lbs.)	725	175	900	24.1
Coffee (Thousand tons)	48	32	80	67.7
Rubber (Thousand tons)	26.4	18.6	45	70.5

* Excludes mesta which may provide an additional 1.3 million bales in the Third Plan.

** It is estimated that the production of rice in 1965-66 may be about 45 million tons, of wheat about 15 million tons, of other cereals about 23 million tons and of pulses about 17 million tons.

FUTURE PROSPECTS

India has planned for a big rise in total agricultural output during the Third Plan period which extends to March, 1966. The targets fixed for various crops along with the percentage increases envisaged over the 1960-61 production levels are indicated in Table AGR—32. The index number of total agricultural output (base 1949-50=100) is envisaged to rise from 139 in 1960-61 to 176 in 1965-66. The Third Plan, thus, assumes substantially stepping up of the annual rate of growth in Indian agriculture.

The higher rate of growth is to be brought about by increased application of technology (Table AGR—33). Gross area under irrigation is proposed to be increased by 10.4 million hectares (25.6 million acres). Soil conservation measures would be extended to 4.5

TABLE AGR—33.

TARGETS OF AGRICULTURAL PROGRAMMES— THIRD PLAN

Programme/Unit	Target
I. Irrigation	
1. Major and medium irrigation (gross) (Million acres)	12.8
2. Minor irrigation (gross) (million acres)	12.8
(a) Agriculture (Million acres) ..	19.5
(b) Community development (million acres)	3.3
Total (million acres)	25.6
II. Soil Conservation, Land Reclamation etc.	
(a) Soil conservation on agricultural lands (Million acres)	11.0
(b) Dry farming (Million acres) ..	22.0
(c) Land reclamation (Million acres) ..	3.6
(d) Reclamation of saline and alkaline lands (Million acres)	0.2
III. Additional area under improved seeds — Foograins	148.0
IV. Comsumption of Chemical Fertilisers	
(a) Nitrogenous (N) (Thousand tons) ..	1000
(b) Phosphatic (P2O5) (Thousand tons)	400
(c) Potassic (K20) (Thousand tons) ..	200
V. Organic & Green Manuring	
(a) Urban compost (Million tons) ..	5.0
(b) Rural compost (Million tons) ..	150.0
(c) Green manuring (Million acres) ..	41.0
VI. Plant protection (Million acres)	50.00

million hectares (11 million acres) and dry farming to 8.9 million hectares (22 million acres). Nearly 1.5 million hectares (3.8 million acres) of waste, saline and alkaline lands are intended to be reclaimed. Total consumption of fertilizers is envisaged to be increased nearly five-fold. Supply of urban compost is proposed to be stepped up to 5 million tons per annum and of rural compost to 150 million tons. Green manuring is envisaged to be extended to 16.6 million hectares (41 million acres). Area under improved seeds is proposed to be expanded by 59.9 million hectares (148 million acres). Plant protection is to be extended to 20.2 million hectares (50 million acres).

Increased application of technology to Indian agriculture during the Third Plan period is envisaged to step up average yields per unit-area by 16.5 per cent over the average for the Second Plan period in the case of foodgrains (rice 27.5 per cent and wheat 20.1

per cent), by 10.9 per cent in the case of oilseeds, by 18.2 per cent in the case of sugarcane, by 13.7 per cent in the case of cotton and by 15.9 per cent in the case of jute. Major portion of the increases in unit-area yields are expected from **selected districts** where all the aids to farm production are proposed to be provided in adequate measures through what is styled as the **"package programme".** Extension services to argiculturists in general, to enable them to raise yields per unit-area, are proposed to be provided by extension of the Community Development Programme to the entire country by 1963.

To enable the farmers to have a better return for their produce, the co-operative marketing system and storage facilities are not only envisaged to be strengthened but also extended substantially. Further facilities are to be provided in respect of both short and long-term credits to enable them to effect structural improvements on their lands and to encourage them to make use of technology in a greater measure than hitherto.

The total outlay on production programmes in agriculture, including large and small irrigation schemes, soil conservation and co-operation, to be incurred during the Third Plan period is envisaged to be of the order of Rs. 1,281 crores, as against Rs. 666.65 crores under the Second Plan.

How far the Third Plan agricultural targets would be actually fulfilled—the actual output in 1960-61 (see Table AGR—27) falls short of the planned targets by only a small margin in the case of foodgrains, exceeded the stipulated target in the case of sugarcane, but was substantially lower in the case of commercial crops (oilseeds, cotton and jute)—only time will show. But they are not beyond reach if concerted efforts are made and the administrative machinery is tightened up. Any shortfalls in the expected increases in yields per unit-area can easily be made up through expansion in gross area under cultivation through greater resort to multiple cropping which can be extended appreciably in the areas having assured rainfall and irrigational facilities.

Growth in Indian Agriculture Not Less Impressive

THE FOREGOING analysis should suggest that the rate of growth in Indian agriculture during 1950's, if only the increase in total agricultural production is taken note of, has not been in any way less impressive than the rates of growth accomplished in European countries over the same period. It may not have been as high as in Yugoslavia, Greece or the Soviet Union, but it has been substantially above the rates of growth in most of the countries on either side of the Iron Curtain.

It may be alleged by some that the rate of growth in Indian agriculture has been inflated to some extent by improvements in yield assessment and reporting practices (yield assessments are now being increasingly made by crop-cutting experiments instead of the arbitrary method of assessment by village patwaris and the annawari system of reporting is being replaced by the more modern system of communicating actual yields) and that most of the European countries suffer from the statistical disadvantage of starting from comparatively much higher initial levels. But that does not alter the picture much. If the rate of growth in Indian agriculture is brought down slightly and those of European countries adjusted slightly upwards to allow for the above two factors, some allowance should also be made for the fact that whereas production of food is the primary concern of the farmers on the whole of the European Continent, except in a few East European countries, in India they have to produce all sorts of agricultural raw materials as well. The yields per unit-area of such agricultural products as cotton and oilseeds are much lower in physical terms compared to the yields of food crops. The rate of growth in Indian agriculture, if food production is only taken into account, has been much faster than in all the European countries, except Yugoslavia.

Taking Eastern and Western Europe as two regions to approximate them to the Indian sub-continent in respect of area (in India, States like Punjab have recorded a much higher rate of growth than the all-India figure suggests the progress achieved in such States during the past decade can compare quite favourably even with that of Greece and the Soviet Union and is only slightly less than the progress made by Yugoslavia) the average output of food crops in the last three years of the past decade works out to about 40 per cent above the average output in early fifties in the case of Eastern Europe, about 17 per cent in the case of Western Europe and nearly 39 per cent in the case of India. This way also the rate of growth in Indian agriculture has not been less impressive than in the Eastern and Western Europe. It may, however, be noted that the comparison between Eastern and Wes-

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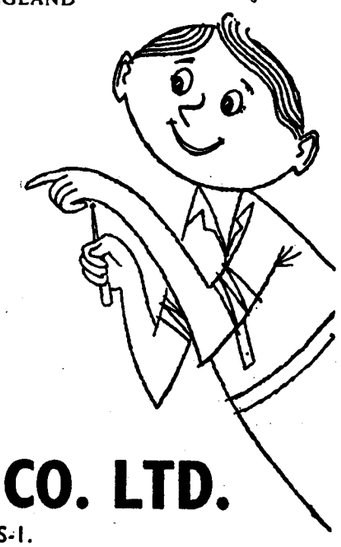
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tern Europe themselves on this basis is not a proper one. In the case of Eastern Europe the percentage is inflated by the large size of the Soviet Union, while in the case of Western Europe it is deflated not to any small extent by the backward agrarian economies of Spain and Portugal.

In terms of increase in yields per hectare, however, the rate of growth in Indian agriculture over the past decade has been much lower than in most of the countries of Europe. India's rate of growth (linear) has been of the order of approximately 1.7 per cent per annum, compared to 2 to 2.5 per cent in majority of the European countries.

Though we may take legitimate pride in our performance on the agricultural front during the past decade, we cannot afford to sit back and relent in our efforts to raise our total agricultural output as well as yields per unit-area in the years to come. Both these rates of growth, especially the latter, have to be stepped up appreciably if our agricultural economy is to be enabled to shoulder the burdens of a rapidly expanding population whose standard of living has also to be raised progressively. It is needless to emphasize that unit-area yields of farm products in India are amongst the lowest in the world and bear no comparison with the yields in the advanced countries.

Lessons for India

How can the rate of growth in Indian agriculture be accelerated? The experience of the European countries during the past decade is of invaluable assistance in framing a correct approach to this problem. India can learn a lot from the countries of Europe in matters pertaining to agricultural growth.

The foregoing survey of development of agriculture in Western and Eastern Europe and in India makes one thing clear, that is, that economic systems do not matter. Yugoslavia has been able to attain a strident increase in farm production, both in terms of absolute output and in terms of increase in yields per hectare, by following a system peculiar to it alone. The system is modelled more or less on the socialistic pattern, but contains some essential elements of a free market economy. The growth of agriculture in Western Europe as a whole has not been slow during the past decade. The strides made in the East European countries since 1953 have been primarily due to the institutional and other changes brought about in their agricultural policies and not owing to any superiority of the socialistic system over the free market economy.

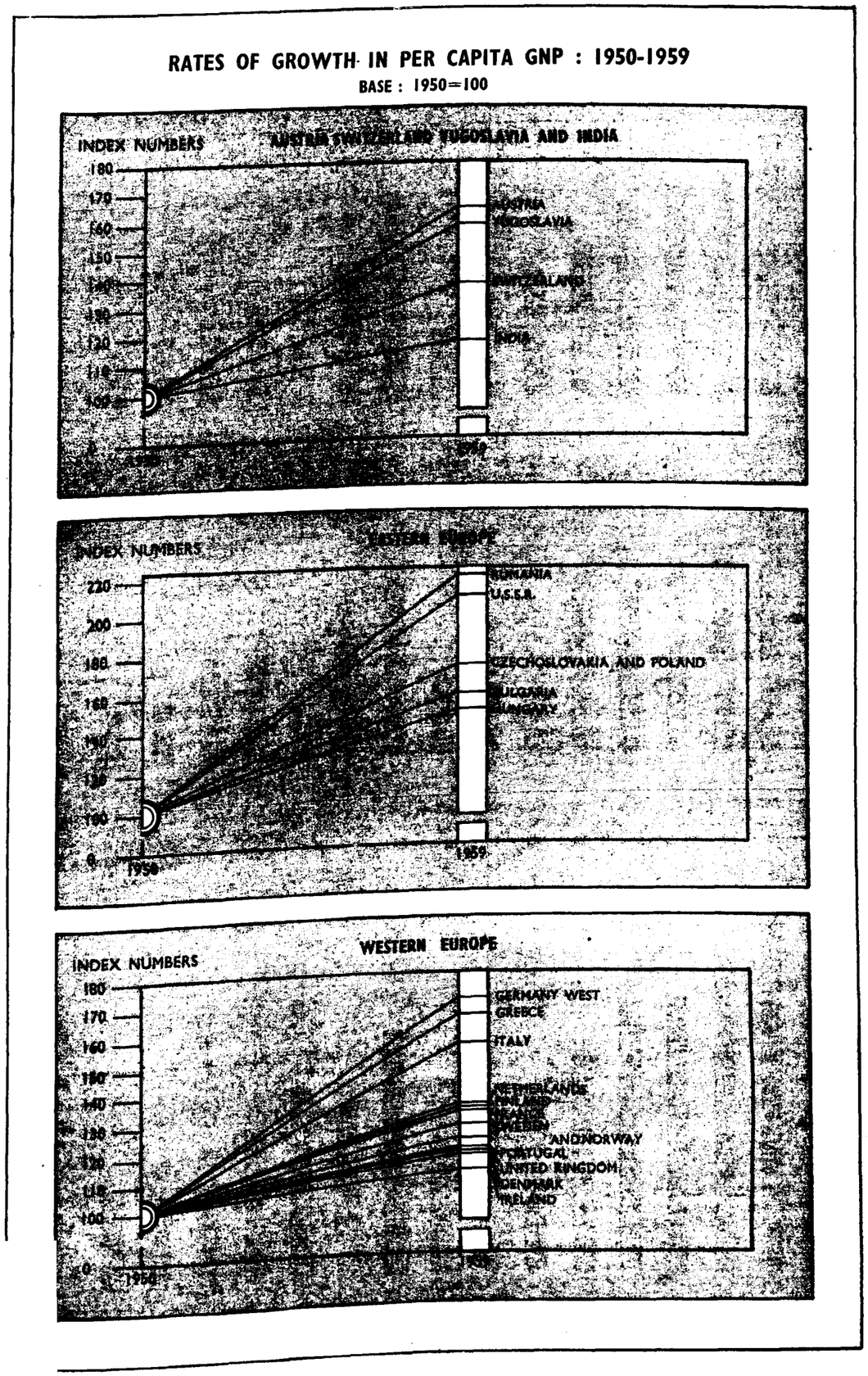
The four most important factors which foster the rate of development in an agricultural economy, as the foregoing study reveals, are expanding markets, increased use of technology, efficient farm management and provision of adequate incentives to the farmer in the shape of assured minimum returns for his labour. The first factor is already there for fostering the growth in Indian agriculture. The stridently rising population of the country, the rapidly expanding industrial sector and the need to improve the standard of living of the masses provide tremendous scope for raising agricultural output.

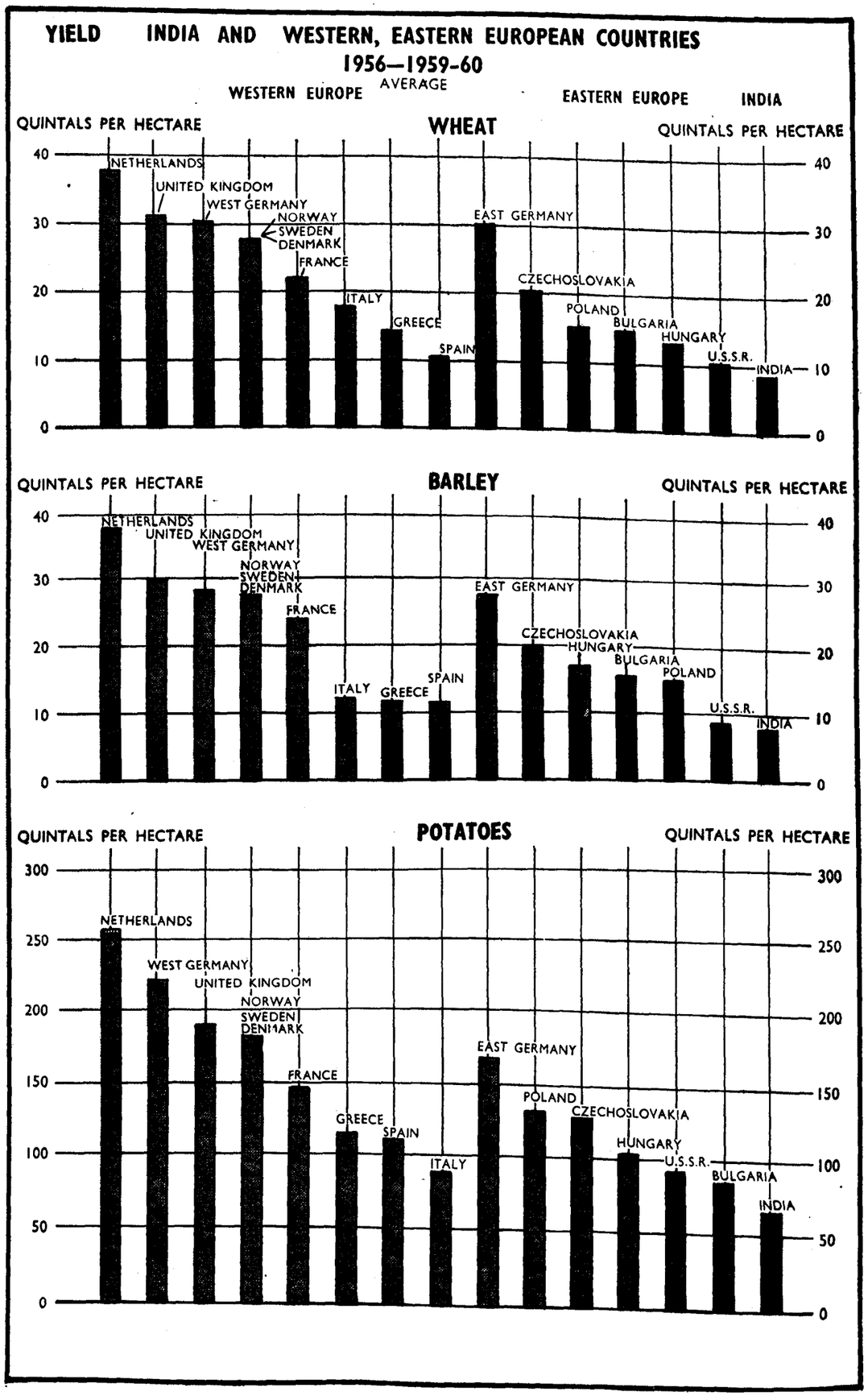
The increased application of scientific knowledge and technology to remedy the ills of Indian agriculture can hardly be over-emphasized. The progress made in this regard so far, as has been repeated ad nauseam in these columns, has been only slow because of three reasons: (1) low level of literacy in the countryside; (2) poor economic position of the farmer; and (3) large surplus and under-employed labour in rural areas. Whereas the last factor hampers resort to mechanisation of farming, the first two factors have produced conservatism in the mental outlook of the peasantry and inertia in its efforts. This conservatism and inertia have, of course, come to be shed in the recent past, but still they hamper use of technology in Indian agriculture to a very great extent. This malaise has to be broken through by means of spreading education and improving the economic position of the farmer.

Among the new aids to farm production which have been perfected by modern technology, the foremost stress obviously has to be placed on the use of chemical fertilizers and pesticides. It is, indeed, a pity that while, on the one hand, decision has been taken to increase the installed capacity in the country for the manufacture of chemical fertilizers even beyond the level that was contemplated when the Third Five-Year Plan was drawn up, some apprehensions have grown recently in the minds of the experts of the Planning Commission on going whole-hog in fostering the use of fertilizers. Of course, the pre-condition for application of chemical fertilizers is the availability of moisture in the soil and efforts have to be made to provide irrigational facilities and in the direction of soil conservation to enable moisture to be retained in the soil for longer periods than is possible at present due to tropical and sub-tropical climatic conditions of the country, but there are vast areas (nearly 180 million acres) which have assured rainfall and irrigation facilities. When it is suggested that use of chemical fertilizers should be fostered at a rapid rate, one has only these lands in mind. To relegate increasing the use of fertilizers to a low priority after the provision of irrigational facilities to the maximum extent in the country is, thus, not a judicious approach. The current use of chemical fertilizers even on agricultural lands which have proper irrigational facilities or assured rainfall stands no comparison with their application in the advanced countries of the world. It obviously has to be increased. Efforts as well need to be redoubled to foster application of all the three types of soil nutrients—nitrogenous, phosphatic and potash fertilizers. If need be, to overcome the prejudice of the peasantry against the use of inorganic manures in certain areas, crop insurance schemes may be taken resort to. The second priority in regard to application of modern technological methods apparently belongs to provision of irrigational facilities and improved seeds and farm implements.

Farm management in India, of course, can be made more efficient only gradually with the spread of education in the countryside. In view of the slow progress that can be expected in this regard, one wonders if the increased stress being placed on fostering co-operative farming in the country is not misplaced. Co-operative farming, no doubt, has some advantages such as increasing the size of the holdings, which makes possible application of technology in a greater measure. But all these advantages can be thwarted by not-so-efficient management as has been the experience in countries like Poland. Efficient management is the prerequisite for the success of any co-operative venture. In view of the shortage of efficient managers, with imagination, in the country today, it is hazardous to go in for co-operative farming on any large scale.

The most important change in the agricultural policy of India that is warranted at the present juncture, however, is the provision of adequate incentives to the farmer in the form of minimum assured prices for his produce. The one commonly heard argument against introduction of price support schemes for various agricultural commodities is that the rapid rise that has been witnessed in the general price level of the country





has provided enough incentives to the farmers. The situation, however, appears to have changed radically during the past two years. In these years there have been instances when the prices realised by the agriculturists for some of their products have been lower than warranted. An obvious example of this was the slump in jute prices in 1958-59 which led to curtailment of area under jute cultivation in the subsequent year. Rice prices at the harvest time also were reported to have gone down appreciably in some surplus areas.

That assured minimum prices for agricultural products have a vital role to play in increasing output has been demonstrated not only on the European Continent, but in India itself. Sugarcane output during the past two years has gone up appreciably primarily due to the increase in the minimum prices guaranteed for it in U.P. and Bihar. Unhappily, there has been some diversion of land from under other agricultural products to sugarcane cultivation. But that is all the more reason why reasonable prices should be fixed for all the crops. It is usually argued that introduction of price support schemes for various farm products would entail heavy expenditure on the part of the State if prices go down below the statutorily fixed levels. But "The Eastern Economist" does not share this view. The State will have to go in for purchases of some farm products if their prices fall below the fixed minima, but these purchases cannot be expected to be of great magnitudes since the prices of most of the agricultural commodities are not likely to fall appreciably and in many areas. The introduction of price support schemes itself will be a deterrent to the fall of the prices of farm products below the statutorily fixed minima. The agriculturist will have the much-needed incentive to produce more because he would not have any fears about undue decline in the returns for his labour in case prices go down below his expectations.

The agricultural policy in this country also needs re-examination with a view to encouraging specialisation in agriculture amongst the various States. The unit-area yields of various crops in different States (Table AGR—34) show wide disparities all of which cannot be explained by the relative backwardness of some States. It is only an indication of the fact that some crops are grown — may be for personal consumption only — very often on lands which could be better utilized for growing some other crops. The lever of price supports can be effectively made use of in this regard.

Livestock yields, particularly milk, can be increased only if the quality of our milch cattle is improved. The biggest hurdle in the way of improving the quality of livestock in India is the disproportionately larger number of cattle that we have. Religious sentiments of the majority of Indians do not allow slaughter of even the unnecessary and useless cattle, especially of cows. Their number can only be decreased, and that too gradually, by such measures as compulsory confinement of studs kept for natural service, mandatory castration of young ones not required for breeding and compulsory sterilisation of surplus cows and heifers.

TABLE AGR—34.

ANNUAL AVERAGE YIELD PER ACRE IN LBS. FOR THE PERIOD 1958-59 TO 1960-61

	Rice	Wheat	Maize	Barley	Gram	Sugarcane	Cotton	Tobacco	Oilseeds
Andhra	1130	224	671	269	269	—	57	692	518
Assam	850	538	403	—	560	—	—	—	336*
Bihar	747	408	680	440	402	3344	—	—	272
Maharashtra & Gujarat	850	413	840	493	299	6534	86	554	509
Kerala	1187	—	—	—	—	—	—	—	538*
Madhya Pradesh ..	731	395	824	742	543	—	71	—	318
Madras	1323	560	986	—	470	—	136	—	955
Mysore	1187	202	784	202	269	—	67	499	484
Orissa	627	560	358	—	246	—	—	—	274
Punjab	874	854	1024	755	716	3295	217	—	493*
Rajasthan	874	506	830	1020	550	—	—	—	210
U.P.	616	707	629	741	574	2541	—	698	44
West Bengal	1925	627	627	381	493	—	—	—	292
All-India	850	716	771	737	515	3330	94	645	476

* Average of two years.

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India and Europe: Industry

A DUAL IMAGE

INDIAN industry today presents a dual image. While there is ample evidence of the dynamism in Indian industry, the country has still to make up a leeway to evolve a real industrial society. On the one hand there are half a dozen steel plants utilising the latest techniques, jute and textile mills with a history of over a century and gigantic power projects newly completed all over the country that give the impression that India is fast progressing towards industrialisation. This image is supplemented by the annual rate of growth in industry of the order of 9 per cent during the last decade. But on the other hand, it is significant to observe that even after the successful completion of two Five-Year Plans the contribution to the country's national income from the organized sector of industry is still below 15 per cent. Moreover, even after the completion of the targets laid down in the Third Five-Year Plan (1961-66) as many as 70 per cent of the Indian people would be dependent upon the agricultural sector for their living. This dual image leads us to the conclusion that during the next two decades the foundations are to be laid for a broad-based industrial society. It is of considerable importance, therefore, to give sufficient thought to the manner in which the industrial advancement takes shape in India. In the context of the theme of this Annual Number it is quite interesting to visualise the limits to which India can gain from the experience of industrial growth in the European countries.

INDUSTRY IN WESTERN EUROPE

The idea of industrialisation is associated with the European countries for the last one hundred years. Ever since the wave of industrial revolution rising from Great Britain spread over the European continent, the European economic history has been the history of a continuous application of advanced technlogy to more and more industries. Although there is not one explanation for this sustained evolution of higher technical progress and the application of new innovations to the means of production, broadly it is the expanding market, at home and abroad, for more and more goods, that explains this industrial progress. Even today the industrial picture of Europe presents what may be called a highly technical system involving the application of accumulated skill and high investment rate along with what may be called "high consumption market", the result of constantly rising income levels.

It is not very intriguing to observe that it was not high investment that initiated industrialisation. The real dynamism was provided by the rising propensity for consumer goods which encouraged improved methods of output and technical progress which, in turn, made higher investment necessary. Thus, the motive force of high industrial rate of progress in Europe was an extended demand for goods from the side of the consumers and the desire for higher profits from the side of the producers. This also necessitated the application of low cost techniques and it was advanced mechanisation that ultimately led to lower costs. The process of rapid industrialisation, therefore, made higher rate of investment a necessary ingredient. For instance, it was the need for large-scale production of cloth which in the early periods of industrial revolution was the major motive force. But this had to be accompanied by a revolution in power. A large-scale mining of coal and later increased generation of hydro-electric power gave Europe its added spurs towards industrialisation.

INDUSTRY IN EASTERN EUROPE

There is another picture, too, and that is of Eastern Europe—a convenient expression for European Communist countries like Poland, Hungary and Czechoslovakia and also the Soviet Union. It was the Soviet planning technique which within a period of 40 years converted an agrarian economy into a first class industrially advaced system. Starting in 1928 with the First Five-Year Plan and later on the seven year plans, the Soviet Union was able to evolve by 1959 an industrial system which is claimed to be as advanced in many ways as that of any other European country. This system did not allow the economic forces to gain their own momentum. On the other hand everything was directed by the State planning authority. It is claimed by the Soviet planners that industrial advancement was achieved by the maintenance of a balance between production and consumption as between heavy industry and consumer goods. But it is a question of common knowledge that high rate of industrialisation by the Soviet planning techniques presupposes a certain degrec of consumption sacrifices. The Soviet planners, however, believe that "the higher the level of country's industrial development, the greater is the demand for machine tools, machinery and equipment. But to make machinery, you must have metals, electrical power, chemical products, building materials and so on. Thus, priority development of heavy industry is the basis of technical progress and of development of all other branches of economy."

This, therefore, is the crux of the Communistic industrial progress. Unlike the West European industrial advancement the Communist industrial progress claims to have attained similar results but the initiative came from the machines and not from the consumer demand. It is ungenerous to deny the evident fact that within the Soviet orbit of influence, the industrial progress achieved was quite comparable to that achieved in Western countries. But it is also interesting to study the cost at which all this was done. A society in which it is not the consumer demand, but an abstract planning authority that determines the invesment priorities in industry, can certainly achieve desired results, but not without neglecting some essential human values. It definitely tells upon the human minds and values.

LESSONS FOR INDIA

Thus there are two pictures presented by Europe. One is the State-directed investment in industries in the Soviet orbit and the other is tne consumer-demand-directed-investment in industries in the Western Europe. Both led to a rapid rise in industrial progress in the Divided Europe. An overwhelming investment in the basic industries was only a means in Western Europe; in the Soviet orbit it was an end. If the planners in India have to learn from the experience of these two systems—as they should—they definitely present a choice. Although the history of industrial growth in these countries may not have that validity for Indian industry that their experiences could be transplanted. But there is always a possibility of not copying blindly but keeping the broad image of industrial growth in both the regions in view while we forge ahead.

Stress on Heavy Industry

WHILE it is clearly understood that sustained growth in industry has become a basic necessity in India it is still within the choice of our economy to follow a specific pattern of investment in various sections of industry. Perhaps the most important section about which a choice has to be made is heavy industry. While doing this enough can be drawn from the experience of the European countries. In fact heavy industry in Western Europe and Eastern Europe has developed in fairly peculiar circumstances providing a variety of experiences.

In the years immediately after the second World war in Western Europe considerable momentum was gained by investments in heavy industries which become an automatic process on account of special considerations of reconstruction and rehabilitation of the war-torn economies. These investments were financed to some extent by loans received under the Marshall Aid from the United States. The object, however, was not only to moderate scarcities, especially of raw materials, but also to channel investment to those industries which called for priority. As a result of this initial momenttum, most of the West European countries reached their pre-war level of industrial base by 1950.

During the post-war years fixed investment in the key sectors of industries like mining, manufacturing, and construction, varied widely from country to country in Western Europe and from year to year. The total investment in United Kingdom, for instance, was quite stable. Investment in coal mining expanded rapidly and in the engineering industry it was maintained at its original level. In most other countries the pattern of investment changed considerably. In Norway it was concentrated mostly in the state-owned steel works. In Germany, Denmark and in the Netherlands, there was a rapid expansion of investment in the coal and the engineering industries. In Belgium, France and Sweden, investment in these industries remained fairly constant. The table below gives the gross investment in metal and engineering industry as percentage of total manufacturing between 1950 and 1954 in these countries which shows a heavy bias in favour of heavy industry. This, in a way, is an indicator of the priority that heavy industry section assumed during these years of rapid growth. In fact it is clearly stated by keen observers of European growth that the boom of the 1950's in Western Europe was due to a sustained expansion of fixed capital investment in heavy industry:

GROSS INVESTMENT IN METAL AND ENGINEERING INDUSTRIES AS PERCENTAGE OF TOTAL INVESTMENT IN MANUFACTURING

(Estimates based on Value in Current Prices)

Country	1950	1953	1954
Belgium	44	44	—
Denmark	24	33	31
France	—	62	62
West Germany	32	50	56
Netherlands	26	39	30
Norway	32	43	40
Sweden	47	46	42
United Kingdom	37	40	42

It has, however, to be remembered that investment in heavy industry in all the European countries was not very steady. One explanation for its being erratic was that the industrial application of innovations is always so and investments follow innovations.

CO-ORDINATED GROWTH

In the view of the Communist States heavy industry is connected with the task of creating a "material and technical basis for the construction of communism" and is of great importance for consolidating and expanding the U.S.S.R. military potential. The importance attached to heavy industry in the centrally planned economies is, therefore, even more than that in the free economies of Europe. The process of rehabilitation in the Eastern European countries was completed nearly as rapidly as in the case of Western Europe. This process was, however, accompanied by tight economic planning and severe restraints on the consumption levels. The bias in favour of heavy industry is evident from the table below where even during 1959 the output in Eastern European countries was very much in favour of producer goods.

PERCENTAGE RISE IN INDUSTRIAL OUTPUT DURING 1959 OVER 1958

Country	Producer Goods	Consumer Goods
Bulgaria ..	31	20
Czechoslovakia ..	13	8
East Germany ..	14	9.4
Hungary ...	16	7
Poland ..	11	6
Rumania ..	14.6	7
Soviet Union ..	12.0	10.3

The Soviet Union's strength in respect of heavy industry is revealed by the machine tool output. As many as 153,700 machine tools of various sizes and types were produced in 1960 and this rate seems to be growing. The stress has been on heavy types of special purpose machines.

The communist countries have, however, gone a step further. They have evolved a sort of co-ordinated plan for the growth of heavy industry in the East European countries. This Plan is significantly different from the Common Market which is being evolved in Western Europe. The degree of collaboration is much larger because in the centrally planned economies, ruled more or less by the same ideology, it is a matter of decision at the top. The plan includes more or less a scheme for specialisation in certain countries of specific items which can then be obtained by other countries, which in turn specialise in certain other items.

It is believed that in most of the countries in Eastern Europe mass production of heavy industry items is yet relatively less developed. To rectify this drawback the Soviet Union has laid down this plan. The range of products included in the plan are medium and heavy equipment for the manufacture of fuel and building material and also several types of complex machinery for various manufactures, the chemical industry, power production, steel construction and atomic energy development. Poland, for instance, desired to be relieved of the obligation to manufacture heavy presses which will now be produced primarily in Czechoslovakia. Production of a varied types of cement equipment was also concentrated in Czechoslovakia and East Germany. At present the chief burden in realising this plan is borne by Czechoslovakia and East Germany while the U.S.S.R. figures primarily as a supplier of raw

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(ii) Granting of loans in foreign currency under arrangement with the Development Loan Fund of the U.S.A. to the aforesaid categories of industrial concerns excepting textiles including manufacture of wearing apparel and madeup textile goods, ship building, tobacco, beverages, petroleum refineries and hotels.

(b) Guaranteeing of loans raised by aforesaid industrial concerns (i) which are floated in the public market and are repayable within a period not exceeding twenty-five years and (ii) from scheduled banks or state co-operative banks.

(c) Guaranteeing loans raised from or credit arrangements made with any bank or financial institution in any country outside India by aforesaid industrial concerns in foreign currency.

(d) Underwriting the issue of stock, shares, bonds or debentures by aforesaid industrial concerns;

(e) Subscribing to the stock or shares of aforesaid industrial concerns;

(f) Guaranteeing of deferred payments in respect of import of capital goods from abroad or their purchase in India by aforesaid industrial concerns;

PURPOSES FOR WHICH LOANS ARE SANCTIONED:

Purchase of new or second hand machinery, renovation or modernisation or replacement of worn-out or obsolete machinery, purchase of land for factory site, and construction of factory buildings.

IMPORTANT TERMS AND CONDITIONS OF LOANS:

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(ii) **MARGIN**: Generally 50% of the value of total assets including those to be acquired with the loan. This margin may be reduced to 40% in case of industrial concerns importing plant and machinery under the U.S. Export-Import Bank Loans or other foreign currency loans (tied credits) taken by Government from foreign governments or financial institutions abroad where the cost of imported plant and machinery is 60% or above of the total capital cost of the project. The margin may be further reduced to 35% in special cases.

(iii) **INTEREST**: The current rate of interest for rupee loans is 7% per annum subject to a rebate of ½% for punctual repayment of instalments of principal and payment of interest. D.L.F. loans carry interest at 8½% p.a. less a rebate of ½% for prompt payment (net 7¾%) plus an extra ¼% p.a. to provide for incidental expenditure.

(iv) **REPAYMENT**: Rupee loans are repayable within a period not exceeding 25 years to suit borrower's convenience. D.L.F. loans are repayable within a period not less than 5 years and not more than 15 years from the date of the disbursement of the final instalment of the loan. Repayments shall not however, commence earlier than one year from the date of the final disbursement of the loan.

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DA 61|460

materials. In East Germany specialisation of rolling equipment is fairly advanced and Soviet Union has also urged East Germany to elaborate electronic programmes, which would become standard for the entire Eastern Bloc. Engineers from the U.S.S.R. and Czechoslovakia are working on this project. There are many similar instances which go to prove that Soviet Union is evolving a specialisation plan in all these countries. But many planning experts in Eastern Europe are afraid that Soviet planners, who believe in special emphasis on heavy industry even at the cost of agriculture and consumer goods, will in the end lead these countries to serious social and political unrest. Strangely enough Soviet thesis that every state should have a well-developed heavy industry of its own is noted to have been departed from in certain cases and is not being applied so thoroughly. But this plan does indicate the overwhelming significance attached to heavy industry in the Soviet orbit.

AVOIDING THE PITFALLS

In the light of the importance attained by heavy industry in both Eastern and Western Europe, certain conclusions can be drawn which have considerable relevance to Indian industrial growth. In the first instance, it emerges from the experience of all the European countries that there has been a high rate of investment in heavy industry during the years of initial industrial expansion. This fact has, however, to be qualified because there is a major difference between the investment in heavy industry in Eastern and Western Europe. In Western Europe it was a spontaneous process which was initiated by high consumer goods market. In the Eastern Europe, on the other hand, it was the result of the decisions of the planners. In view of a free market economy existing in India, one lesson that our planers can learn is that they should not limit the efforts on the part of the private sector to go forward in the field of heavy industry. If they, apply any curbs they definitely ruin the chances of spontaneous investments which were possible in Western Europe. It is not implied that, at the moment, the hurdles are too many. But there are certain instances like the coal industry where the private sector is definitely debarred from contributing its full might. There can be other instances too. In the light of this experience the Indian Industrial Policy which reserves certain sections of industry for the public sector, appears less imaginative. It may, however, be added, as has been indicated by the U.S. experts in the case of Europe, that the public investment in heavy industry becomes necessary only in the fields where private sector finds itself less capable. To controvert this argument it can be stated that similar results were attained in Eastern European countries by heavy investment in the public sector. But it has to be remembered that in a closed economy such experiments are possible.

HEAVY INDUSTRY IN INDIA

The experience of the last decade in respect of Indian industrial expansion reveals that already there has been a considerable bias in favour of heavy industry. For instance, during the decade 1950-51 to 1960-61 the general index of Industrial Production went up by nearly 94 per cent. Against this the index for Iron and Steel went up by 138 per cent, for machinery by 403 per cent and for chemicals by 188 per cent. This is a clear indication that the bias was definitely in favour of heavy industry. Even the Third Five-Year Plans lays down considerable emphasis on heavy industry. This is quite clear from the fact that after the successful execution of the Third Plan the general Index of Industrial Production is expected to go up by 70 per cent. Against this, that for iron and steel may go up by 168 per cent, for machinery by 143 per cent and for chemicals by 150 per cent. This bias has been detailed in the following pages where the picture of energy involving coal, hydro-electricity as well as iron and steel has been discussed in details in the light of European experience.

The Energy Picture: Europe and India

WESTERN EUROPE

FROM THE early years of industrial revolution Europe was fortunate in respect of coal reserves because industry was secured of its energy supply. With the rising tempo of industrial expansion, coal output also increased and, till 1925, there was no shortage. In a way it was the secure coal supply position that gave Europe its initiative in industrial revolution. By 1925, nevertheless, the situation remained unaltered. Imports, in that year, of about 9 million tons of energy materials indicated that a deficit had begun. In 1950, the imports of energy materials of the region were nearly 130 million tons equivalent of coal and at present they are nearly double the 1950 figure. Even now, however, net imports represent 30 per cent of apparent primary energy consumption of Western Europe.

Coal production dominates the energy supply position in Western Europe and even after radical changes in the availability of other energy sources like hydro-electric power and oil, the pattern of energy consumption is heavily in favour of coal.

The table below indicates the sources of energy materials in 1955, in Western Europe. It is apparent that coal held a dominant position.

	Million Tons of Coal Equivalent
Hard Coal	486
Lignite	31
Crude Oil	13
Natural Gass	7
Hydro-electricity	19
Peat	3
Wood	23
TOTAL	582

In Austria coal constituted 30 per cent of the total energy output. In Spain, the Netherlands and France coal and lignite continued throughout the last three decades to constitute more than 80 per cent of the total energy output. And in the United Kingdom and Belgium virtually all of it. Even during the last 30 years there has been only a modest shift and today coal constitutes a major source of European energy. Six countries—United Kingdom, W Germany, France, Belgium, Spain and the Netherlands—in Europe produce at present nearly all Europe's coal. The United Kingdom produced 43 per cent of the total, Germany 31 per cent, France 11 per cent, Belgium 6 per cent, Spain and Netherlands 5 per cent, nearly evenly divided between them. The total output of these countries is 99 per cent of all the coal produced and 83 per cent of energy material of all kinds.

A look at the Table on page 132 would make it clear that during the last decade coal output has remained almost stationary. The problem before West Europe has been to adjust the supply of coal to flagging demand. To this end the producing countries have tried to adjust their output by concentrating production in new or reconstructed mines and by closing marginal pits. In 1960 these efforts were continued and it seems the most severe crisis faced by the Industry since the depression of inter-war period has come to a turning point. The sharp decline in consumption of solid fuels in Western Europe in 1958 and 1959 came to a halt by the beginning of 1960. By the summer of 1960 apparent consumption of solid fuels was some five per cent higher than the year before. The recovery in demand stemmed principally from the steel and electricity generating industry.

One effect of the rising oil consumption in Western Europe has been that its dependence on imports ha

increased. It is outlined that Europe's ability to produce its major energy source—coal—at competitive prices has declined. A shift in technology leading to a shift in demand and the aging coal industry have combined to lessen one of the great advantages Europe enjoyed in the early period of industrial development. A serious question is posed today: should Europe attempt, by heavy investment to maintain its level of coal output for the next few years with the prospect that much of such investment might have to be written off quite suddenly with more technological improvements in the field of nuclear energy? Should Europe go on progressively throwing itself more at the mercy of outside suppliers for its primary energy material over a period of the next 30 years even if it can be certain that by 1980 or 1990 it will have reversed the trend and begun to recover the balance between its energy needs and resources?

It is not only the decreasing consumption of coal that poses a problem to Europe today but the fact that oil on which dependence is increasing has mostly to be imported. Extremely limited oil fields have been known to exist in France and Germany and more recently some additional deposits have been located in these countries and in Austria, Italy and the Netherlands. But these form only a fraction of the total needs. In a way, perhaps, the European involvement in Middle East is explained by its dependence on oil.

MORE HYDRO-ELECTRICITY

In this general depressing picture of rising costs of mining coal and dependence of Europe for oil on imports, one rather satisfactory picture that emerges is in respect of hydro-electricity, though it is not evenly distributed all over Europe. By and large most of the countries do get the benefit and in the Alpine region except in Austria, 40 to 60 per cent of the potential hydro-electric power was being used in 1955. Bulk of Europe's hydro-electricity potential estimated at 500 million kwh. is in the Alpine region and Northern Scandinavia—strangely enough, the region where mineral and fuel resources are extremely scarce.

Italy and France are among the larger hydro-electricity producers in Western Europe with output in 1956 at 36 billion and 32 billion kwh. respectively. These countries, along with Norway, Sweden, Finland and Switzerland, accounted in 1955, for more than two-thirds of total output of electricity and produced nearly the same amount of hydro-electricity as in the United States and four times as much as in the Soviet Union. By 1959 output of these nations had risen to 130 billion kwh. Apart from the countries noted above only Germany and Spain with output in 1959 of 11 billion and nearly 14 billion kwh. are other major producers of hydro-electricity. Thus under the stress of demand growth of European hydro-electrical output has been quite rapid. From 22 billion kwh. by 1929, in 1959 it had reached nearly 200 billion kwh. This rise has caused a marked shift in the pattern of primary energy consumption raising new problems for governments and the industries in the Western Europe.

THE COAL COMMUNITY

The energy picture in Western Europe would not be complete unless the role of an important institution like the European Steel and Coal Community was not described. This institution was set up in 1952 as a pilot project for a united Europe. It tried to solve the problem that faced the coal industry on account of flagging demand of coal because of an increasing dependence of European producers on oil. Total coal cosumption in the area declined from 252 million metric tonnes in 1957 to 225 in 1958 and 212 in 1959. It is significant, and perhaps, goes to the credit of this Community, that the output was not affected to that extent. The production declined only by 5 per cent, though the stocks at pitheads increased from about 7 million tons at the end of 1957 to about 25 million tons in a year latter and to over 31 million tons at the end of 1959. Productivity remained considerably high. Despite the reduction of working hours the number of miners employed in the coal industry decreased by 32,000 in 1958 and 29,000 in 1959. France and Germany refused to implement the proposals for the reduction of coal output as well as regrouping and reorganising of the industry, on the ground that their individual governments must deal with the situation. After this rejection of its proposals the high authority of European Coal and Steel Community concentrated its attention on the situation in Belgian coal industry. The measures taken jointly with the Belgian Government facilitated the industry to a large extent. A number of unprofitable mines were closed down and some others were to be closed by the end of 1963. The Community, therefore, is contributing its best to regain the lost balance of coal industry.

EASTERN EUROPE

The pattern of energy output and consumption in Eastern Europe has closely followed that of Western Europe. In East Europe and Soviet Union there is a marked shift in reliance from coal to oil. In the Soviet Union a radical re-orientation in regard to the consumption of energy occurred during the last few years and the share of coal from 65 per cent in 1955 shrank to below 60 per cent in 1958. This shift is progressing still and by 1965 it may be nearly 43 per cent. This will naturally mean a consequently increased reliance on oil. The table below shows percentage change of reliance on each energy material in East Europe, the Soviet Union as well as the OECD area.

PERCENTAGE OF DEPENDENCE FOR ENERGY

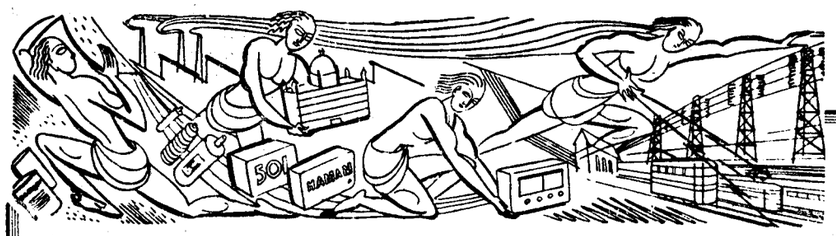
	1958		1965 Plan	
	Coal	Oil & Gas	Coal	Oil & Gas
Eastern Europe	85	12	83	14
Soviet Union	58	30	42	49
Total	66	25	53	39
TOTAL OECD AREA	69	21	53	34

The overall shift between 1958 and 1965 in the combined Eastern Europe and Soviet Union region may be nearly the same as the OECD Area. But these figures conceal a sinister fact. In the Soviet Union there will be increased consumption of oil which will not be the case in Eastern Europe. Eastern Europe's degree of choice in making this shift is in fact reduced by the possibility of the oil imports for which it depends upon the Soviet Union. It is only Czechoslovakia and Hungary where oil resources exist. The table below shows the relative position of coal as against the other sources of energy in the Eastern European countries.

PRODUCTION OF PRIMARY ENERGY
(Million Tons of Standard Energy)

	1951	1958	1965 (Plan)
East Europe			
Coal	177.2	237.3	316.1
Petroleum	10.2	18.6	27.3
Natural Gas	5.6	12.4	25.0
Hydro-electricity ..	1.26	2.49	6.31
Total*	202.0	277.6	381.7
Soviet Union			
Coal	221.9	375.4	451.1
Petroleum	60.4	161.9	343.2
Natural Gas	7.9	33.9	177.9
Hydro-electricity ..	4.9	18.2	29.5
Total*	342.8	647.9	1071.0

*Includes other sources.



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In East Germany, Poland and Czechoslovakia and Hungary to some extent, sufficient quantity of coal is produced. On the other hand, Albania, Bulgaria and Romania do not share this prosperity. The planned increase outputs by 1965 are due to substantial increases for Czechoslovakia, East Germany and Poland.

If Lenin described coal "as the bread of industry" he was definitely using this expression in the broader sense of energy. Soviet Union, in its urge to keep pace with the American industrialisation, has made substantial efforts to increase oil output. This is evident, as has been pointed out above, from the fact that the share of coal in the total energy picture would be as low as 43 per cent in 1965 against the present 60 per cent. The planners believe, however, that this would not mean the slowing down of coal output. In fact they claim that over the next 25 years the Soviet Union coal output may reach a 900 million ton mark.

Oil, nevertheless, is considered, as a source of energy, more efficient than coal. Soviet Union today is a major producer of oil in the Communist world. In Eastern Europe, Romania and Hungary are the only two producers on recognisable scale. In fact, the Soviet Union plans to construct a 3,200 miles long trans-European trunk pipeline to Czechoslovakia, Bulgaria, Hungary, Poland and East Germany. This is likely to orientate the energy consumption pattern by raising oil export to these countries.

There has been a shift in the location of Soviet oil wells. Baku and Grozny in the Caucasian region produced as much as 96 per cent of the total Soviet Union's oil in 1920 and at present some new areas between Volga and Ural mountains have started producing more oil and in fact account for 70 per cent of the total. This area is now called the "Second Baku". By 1965 as much as 232 to 240 million tons of oil is likely to be produced in the Soviet Union.

INDIA

From the experience of the Western as well as the Eastern European countries, it can be gathered that choice between various sources of energy would not pose any problem in India. Apparently it is a problem for the advanced countries where sufficient energy resources have developed and it is a question of costs. At the present stage of industrialisation in India, what is important is the meeting of demand. It appears that all the sources of energy have to be developed simultaneously because the shortage is definitely going to be magnified in the years to come, when on account of rising tempo of industrial output, demand for energy will be multiplied several folds. Every effort is, therefore, being made to raise output of all energy resources.

Coal output, for instance, increased during the last decade by over 50 per cent, from 32 million tons in 1951 to 54 million tons in 1960. This output could have been higher. The Government of India's restrictive policy with regard to the mining in the private sector has been one of the major sources of frustration. During the Third Plan, when coal mines are expected to yield nearly 97 million tons, it may prove equally frustrating if the Government does not yield to the private sector's legitimate demands of mining rights in the new regions.

As far as hydro-electric power is concerned, the public sector investment has been considerable and the construction of Damodar Valley, Bhakra Nangal, Tungbadra and Hirakud have definitely created higher capacity for hydro-electric power. With more additions during the Second Plan, the installed capacity of hydro-electric power increased from the 2.3 million kW. in 1951 to 5.7 million kW. in 1961. Even if the figures look impressive, India has a long way to go to produce sufficient power resources. After the Third Plan it is estimated that the installed generating capacity would be around 13.4 million kW, which would mean a 123 per cent increase over the Second Plan. With the execution of this programme per capita generation of electricity would have risen from 18 kWh in 1951, 28 kWh in 1956, 45 kWm in 1961 to about 95 kWh in 1966. This though much lower than the Western Europe countries would be of some significance.

Considerable efforts have been made to locate fresh oil resources and fortunately efforts have been rewarded with a fair degree of success. Both the public and the private sectors have shown resourcefulness in exploration. Foreign firms have been invited by the Government of India to join the search for oil. Though the present output at Digboi in Assam is not very substantial, Oil India, a joint venture of the Assam Oil Company and the Government of India, is expecting an annual output of 2.75 million tons in the Nahorkatiya area in Assam. The Standard Vacuum Oil Company, too, has been trying to locate oil in West Bengal and the Government did pay a part of the cost of these explorations. The Oil and Natural Gas Commission too is to operate in Ankleshwar in Gujarat and may have the capacity to produce, by the end of the Third Plan, as much as 2 to 2.5 million tons of crude oil. Thus there is likelihood of India's producing nearly 6.5 million tons of oil by 1966. It will take, however, another decade to reach a level of near self-sufficiency.

Steel: The Measure of Economic Strength

TODAY, RIGHTLY or wrongly, steel represents the economic strength of a country. A high level of steel utilisation implies access to energy resources at reasonable costs, a high degree of industrialisation and consequently a high standard of personal consumption. This apparently seems true because the countries where the levels of living are higher have considerably strengthened their steel output. Steel is also a measure of military strength. It is not the armies but the armaments that count today. While studying the picture that steel industry has evolved in Western Europe, Eastern Europe and India, it is to be remembered that the three economies present a sharp contrast to one another. While in Western European steel production increased spontaneously just in line with industrialisation and rising steel requirements, in Eastern Europe it was a sense of competition with Western Europe that lead to an accelerated growth. In India it is a peculiar picture of an under-developed country trying to break through the poverty-line through industrialisation.

WESTERN EUROPE

A century ago, Western Europe completely dominated world's production of iron, consuming much of it at home, particularly in the United Kingdom and supplying the whole world with industrial products. This dominant position was the result of early industrialisation in the region. Towards the end of 19th century certain technological changes occurred in the steel industry. The open hearth furnace developed in England by Siemens and in France by Martin Brothers carried the industry forward. In 1870, therefore, West Europe produced some ten million tons of pig iron, 83 per cent of the estimated world total of 12 millions. By 1910, however, other countries had come in and West Europe's share had been reduced to less than half of the world's iron and steel output; since World War II it has been less than one-third.

West Europe's position in world production of iron and steel had to come down because United States provided a steel making potential with lower material costs than those prevailing in Europe. Moreover, the two World Wars provided impetus for expansion in the markets elsewhere. Recently, the rapid growth of steel making capacity in the Soviet Union further reduced Western Europe's predominant position.

The growing rate of iron and steel industry in Western Europe in 1950's was again phenomenal and was sufficient to increase Europe's share in world production. By 1950 crude steel production regained its pre-war level of over 50 million tons. Between 1950 and 1959 steel making capacity increased at an annual average rate of about 4.5 million tons. Today the capacity is over 100 million tons. There was, during these years, virtually no slack in production. Coke ovens were fully employed, iron ore output was at a record level and was supplemented by imports.

United Kingdom, East Germany and France constitute the three major producers of steel in the region. In 1959, United Kingdom produced 20.5 million tons of steel, Germany 30.6 million tons, France 15.2 million tons, other member countries of EEC 17.3 million tons and the remaining Western European countries beyond the EEC 8.2 million tons. Thus Western Europe's output in 1959 of 91.8 million tons was more than the U.S. output of 84.8 million tons and Soviet output of 60 million tons.

Western Europe today holds the position of one of the major producers of steel; it will continue to hold that position, but its chief problem would be that it would become progressively less able to depend on the region's depleting primary materials for the industry. Several studies during the recent years have shown that there may be increasing shortage of domestically produced ore, scrap and coke. Naturally these will have to be imported at higher costs. Nevertheless, the industry is facing the future with considerable courage. The British Iron and Steel Board, for instance, viewed the output of 29 million tons of crude steel in Great Britain by 1962 as a minimum forecast for that country. Similarly European Coal and Steel Community forecasts that the needs for crude steel for domestic consumption and net exports of its six member countries would rise from 67 million tons in 1960 to 78.5 million tons in 1965. Further it is projected that Western Europe's crude steel output will rise by 1970 to 140 million tons. Thus Europe is preparing itself for a larger availability of steel for its future industrial expansion.

EASTERN EUROPE

The East European countries as far as steel output is concerned have been far behind the Western European countries. Czechoslovakia, East Germany and Poland are the three major producers of steel in the region. In 1958 for instance, Eastern Europe's total output was 16.98 million tons of crude steel. This output was achieved during the last 10 years at a fairly rapid rate and the region showed an increase of 75 per cent between 1951 and 1958. This rising steel production greatly strengthened the productive capacity of basic industries in the region which in turn gave a significant fillip to general industrial expansion.

While these East European countries are trying their best to increase their steel output, it seems that their dependence on Soviet Union is going to stay. Nevertheless, as indicated in the following table, by 1965 these countries plan to produce nearly over 30 million tons of steel which will nearly be 80 per cent higher than 1958 output. In Czechoslovakia original investment allocation in steel industry has been raised to 20 per cent of the total and new capacities are scheduled for early completion. In East Germany too, the emphasis is on qualitative improvement in steel output with an overall growth of nearly 50 per cent. They have planned a ten-fold increase in production of stainless and heat-resisting steels and five-fold rise in output of certain special steel alloys.

In 1960 Soviet Union produced 46.8 million tons of pig iron and 65.3 million tons of steel which is now over nearly 20 per cent of world output. One advantage to Soviet Union is that it has sufficient iron ore with output at 107 million tons in 1960. The Soviet Union is the world's leading producer of iron ore and will, therefore, have no problem of raw materials. According to the current seven-year plan, by 1965 Soviet Union output of steel may be between 86 million tons and 91 million tons.

PLANNED PRODUCTION OF CRUDE STEEL IN EASTERN EUROPE

(Million tons)

	1958	1965 (Plan)
Bulgaria	0.21	0.90
Czechoslovakia	5.51	10.52
East Germany	3.04	4.63
Hungary	1.63	2.40
Poland	5.66	9.00
Rumania	0.93	3.00
Total six countries ..	16.98	30.45
Soviet Union	54.87	36.00 to 91.00

It is intriguing to observe that this rising rate of steel output in the Soviet Union as well as Eastern Europe if not translated into rising level of consumer goods markets, would clearly reveal that it is the defence armaments which consume considerable portion of steel output. In Western Europe, however, the steel output matches the higher consumer goods markets. This in a way leads us to an important conclusion that the private sector's steel output in Western European countries is being financed by profitable utilisation of steel for the manufacture of consumer goods. On the other hand, in the Eastern European countries and the Soviet region, steel output goes to strengthen the armament structure of their countries and is being financed by the State revenues. So the people of Eastern Europe and the Soviet Union are taxed to sustain and expand their steel industries. In Western Europe it is the consumer who buys the goods and pays to sustain and expand steel output.

INDIA

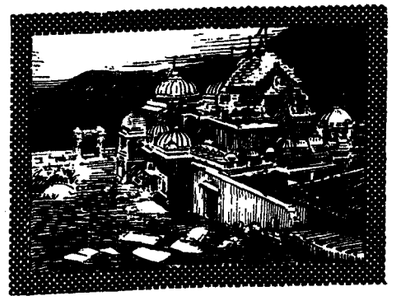
So far as India's steel industry is considered, its present output of nearly 3 million tons though appears very meagre when compared to the Eastern and Western European economies gives the satisfaction that this installed capacity was raised three-fold within a period of five years. India's steel producing capacity of over a million tons though was there for the last two decades or so. It is only the post-Independence overall expansion of the industrial potential that provided necessary initiative for the higher steel output.

Today the public sector dominates the steel industry in India. While there were two steel plants in the private sector—the Tatas and the Indian Iron—public sector at the moment runs three steel plants at Rourkela, Bhilai and Durgapur. From the experience of Eastern and Western European countries it can be gathered that steel output, whether produced in the private seector or the public sector, has to be matched to the consumer demand. If the steel capacity is raised only to strengthen the country's defence armaments it ultimately will be financed by the State Exchequer. This may be political necessity but will be an economic folly.

During the Third Five-Year Plan, the steel plants in the private sector are likely to raise their capacity to three million tons and the public sector plants—Bhilai, Rourkela and Durgapur—are likely to produce nearly six million tons. Bokaro steel plant would produce an additional one million tons though it would be planned for a capacity of two million tons. Expansion programme of Mysore Iron Works also is under consideration. On the completion of these pants the total added private and public sector capacity would reach 10.2 million tons of ingots. While this rate of expansion of our steel industry is higher than that in Europe or even in the Soviet Union in terms of actual quantity the output would still be very low. It goes, however, to India's credit that latest techniques are applied in the steel plants.

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In a few fleeting years Walchandnagar Industries Limited made industrial history by completing the manufacture of India's first two sugar factories in quick succession. These two factories were installed at Karad in Maharashtra, and at Sankeshwar in the State of Mysore.

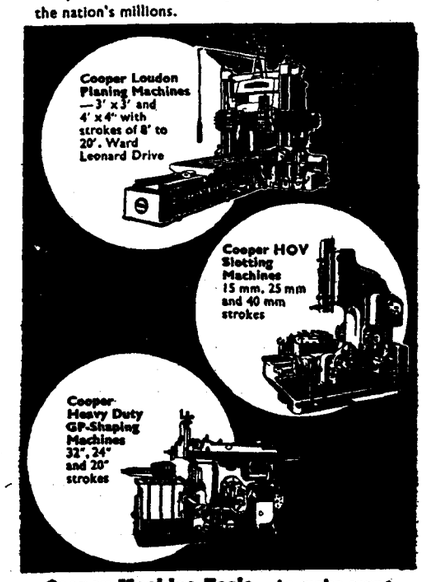
As time marches on, Walchandnagar Industries continue to serve the nation's sugar industries. More and more sugar factories will roll of their assembly lines, while special machinery and essential parts are being supplied throughout the country.

WALCHANDNAGAR INDUSTRIES LTD.,
Walchandnagar, Poona Dist., Maharashtra
A "Walchand Group" Industry



COOPER Machine Tools
to build more Indian industries

Today, with their big, new Machine Tool Division at Chinchwad, Cooper Engineering Limited are producing more Machine Tools of exacting standards to build more Indian industries, which, in terms of employment and production, mean a higher standard of living for the nation's millions.



Cooper Machine Tools — to make more machines for India's industries

COOPER ENGINEERING LTD.
Machine Tool Division, Chinchwad, Maharashtra

PRODUCTION TRENDS IN EAST EUROPEAN COUNTRIES

COAL OF ALL TYPES

(Thousands of Metric Tons)

	1950	1953	1955	1956	1957	1958	1959	1960
Albania	41	105	195	224	236	256	288	..
Bulgaria	5,928	8,345	10,051	10,817	11,889	12,730	15,360	17,135
Czechoslovakia	45,965	54,691	62,887	69,710	75,197	82,650	80,208	86,029
East Germany	139,855	175,390	203,294	207,509	215,348	217,873	217,624	228,120
Hungary	13,268	21,009	22,316	20,590	21,202	24,249	25,357	26,523
Poland	82,837	94,352	100,521	101,332	100,050.	102,522	108,400	113,765
Romania	3,893	5,497	6,104	6,472	7,055	7,388	7,977	8,163
East Europe TOTAL	291,787	359,389	405,368	416,654	430,977	447,668	455,214	479,735
USSR	261,089	320,422	391,259	429,174	463,470	496,112	506,557	513,000
TOTAL	552,876	679,811	796,627	845,828	894,447	943,780	961,771	992,735

CRUDE PETROLEUM

(Thousands of Metric Tons)

Albania	132	149	208	266	490	403	479	..
Bulgaria	..	..	150	247	285	222	192	200
Czechoslovakia	63	122	107	108	108	106	123	137
East Germany	..	..	..	..	..	..	..	..
Hungary	512	846	1,601	1,202	675	830	1,036	1,215
Poland	162	189	180	184	181	175	175	194
Romania	5,047	9,058	10,555	10,920	11,180	11,336	11,438	11,500
East Europe TOTAL	5,916	10,364	12,801	12,927	12,919	13,072	13,443	13,246
USSR	37,878	52,777	70,793	83,806	98,346	113,216	129,557	148,000
TOTAL	43,794	63,141	83,594	96,733	111,265	126,288	143,000	161,246

All data are believed to represent extraction of crude petroleum, including oil shale and excluding natural gasoline.

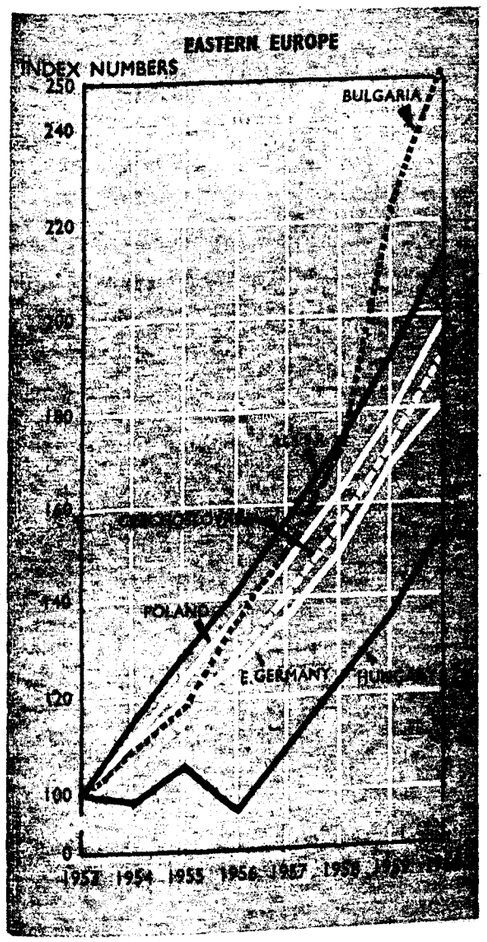
ELECTRIC POWER

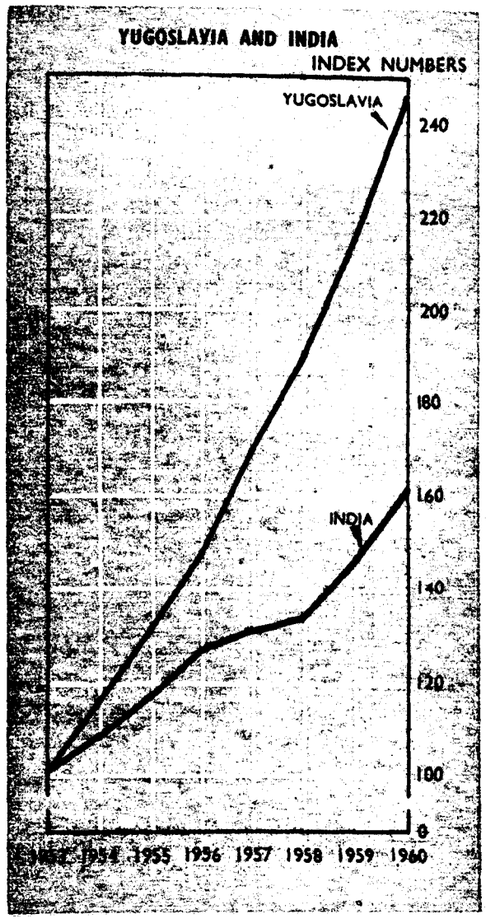
(Millions of Kilowatt Hours)

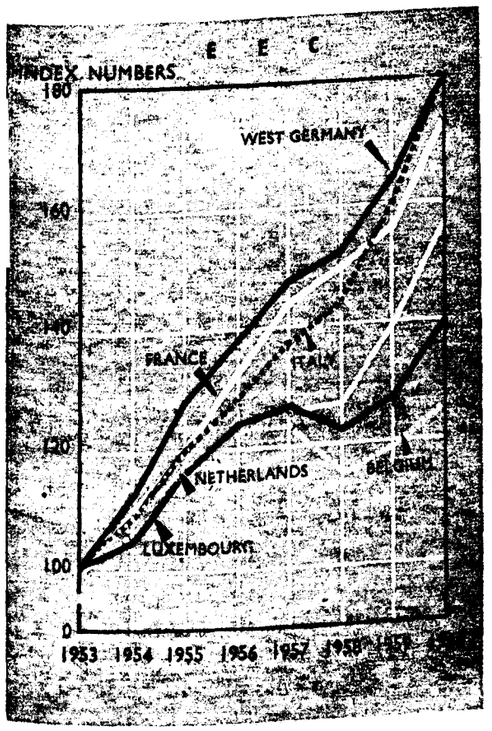
	1950	1953	1955	1956	1957	1958	1959	1960
Albania	21	50	85	104	125	150	177	..
Bulgaria	797	1,557	2.073	2,393	2,656	3,024	3.869	4,657
Czechoslovakia	9,280	12,363	15,013	16,591	17,720	19,620	21.884	24,450
East Germany	19,466	24.247	28.695	31.182	32,735	34,874	37,236	40,300
Hungary	3,001	4.615	5,428	5,201	5,447	6.479	7.093	7 615
Poland	9,421	13,679	17.751	19,495	21.157	23.962	26.380	29,285
Romania	2.113	3.411	4,340	4,930	5,440	6,184	6.802	7,626
East Europe TOTAL	44,099	59.922	73.385	79.896	85,289	94.293	103.441	113.933
USSR	91,226	134,325	170,225	191,653	209,688	233,371	264,000	292,000
TOTAL	135,325	194,247	243,610	271,549	294,968	327,664	367,441	405,993

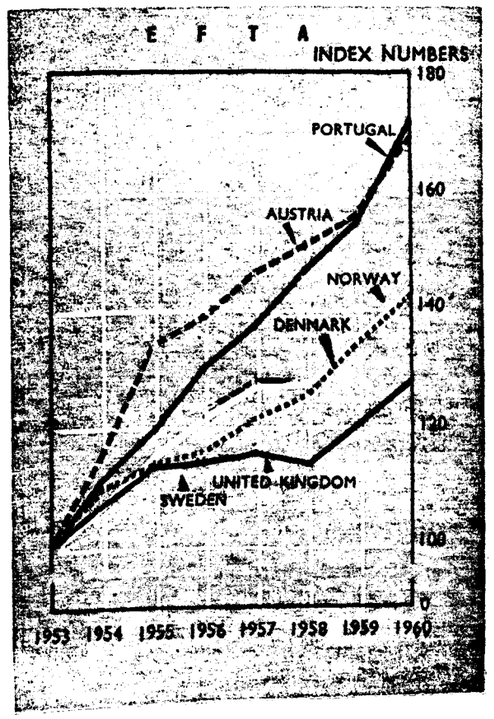
Includes power produced by both central plants and plants installed in industrial enterprises. Most countries data cover all installations, but Czechoslovakia excludes plants with an installed capacity under 100 kilo-watts and Poland excludes enterprise plants of under 500 kilo-watts capacity.

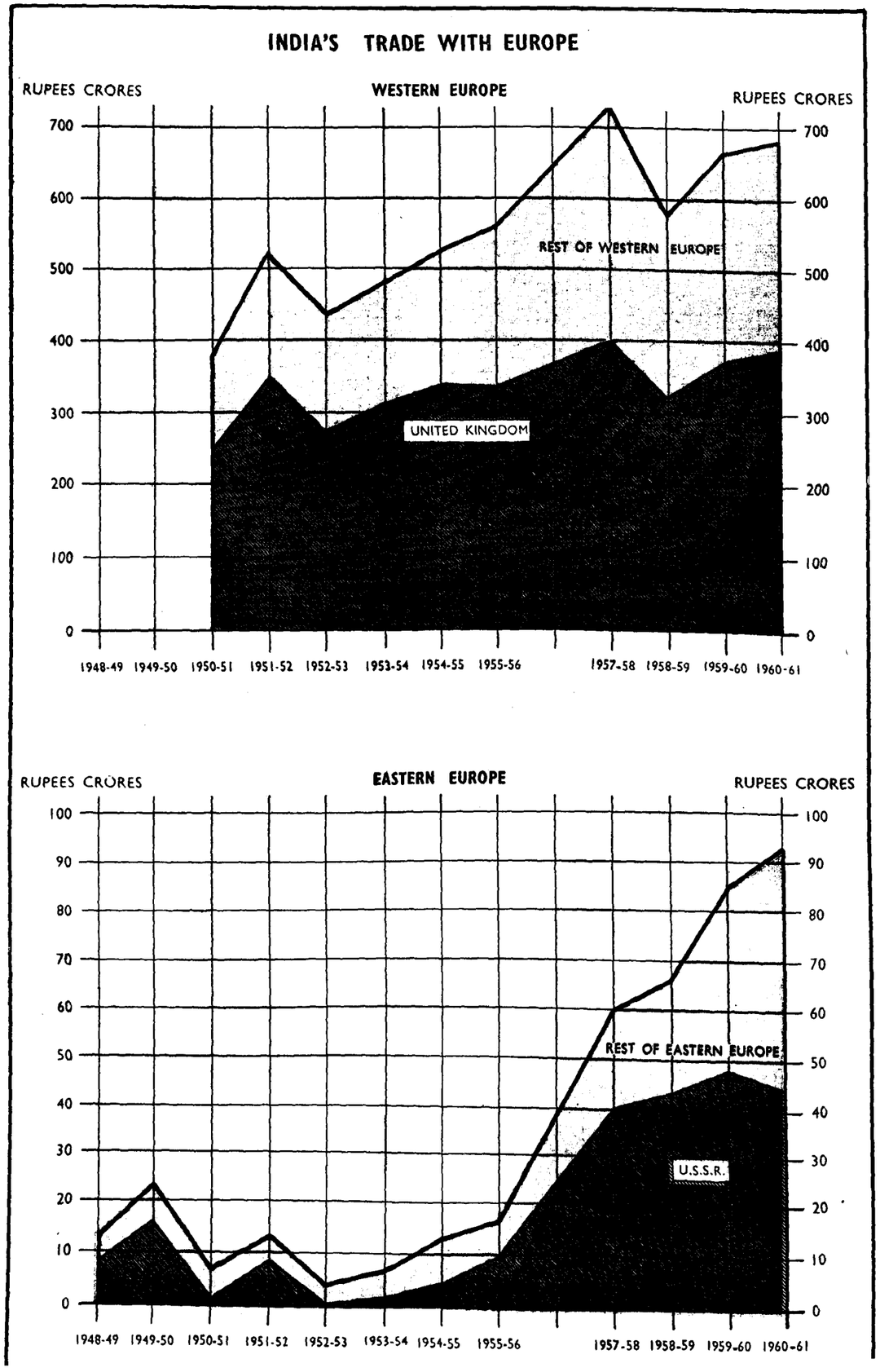
TRENDS IN INDUSTRIAL PRODUCTION











PRODUCTION OF CEMENT IN WESTERN, EASTERN EUROPEAN COUNTRIES & INDIA FROM 1951 TO 1959

('000 Metric Tons)

Country	1951	1953	1954	1955	1956	1957	1958	1959
Western Europe								
Austria ..	1,475	1,394	1,622	1,856	1,936	2,129	2,154	2,416
Belgium ..	4,395	4,626	4,375	4,689	4,664	4,705	4,057	4,439
Denmark ..	985	1,260	1,222	1,259	1,187	1,164	1,068	1,390
Finland ..	829	937	1,101	1,041	960	945	925	1,170
France ..	8,355	9,227	9,557	10,770	11,388	12,710	13,629	14,184
Germany, Western	11,744	14,783	15,618	18,183	18,873	18,808	19,390	22,852
Ireland ..	426	472	529	672	712	525	521	529
Italy ..	5,766	7,832	8,776	10,661	11,339	11,951	12,597	14,074
Luxembourg ..	132	147	151	157	163	190	196	192
Netherlands ..	702	861	972	1,101	1,256	1,320	1,366	1,600
Norway ..	702	755	770	800	895	1,017	1,031	1,106
Portugal ..	642	769	783	779	1,024	979	1,024	1,031
Spain ..	2,323	2,773	3,323	3,752	3,999	4,489	4,817	5,218
Sweden ..	2,035	2,352	2,465	2,550	2,495	2,450	2,510	2,853
Switzerland ..	1,320	1,581	1,817	2,117	2,379	2,511	2,185	2,682
Yugoslavia ..	1,159	1,281	1,393	1,577	1,555	1,983	1,967	2,220
Eastern Europe								
U.S.S.R. ..	12,070	15,961	18,992	22,484	24,858	28,896	33,308	38,781
Czechoslovakia	2,064	2,320	2,562	2,892	3,148	3,672	4,110	4,744
Germany, Eastern	1,656	2,448	2,635	2,971	3,269	3,460	3,558	4,205
Hungary ..	948	1,060	947	1,175	995	989	1,302	1,433
Poland ..	2,692	3,294	3,403	3,813	4,035	4,496	5,058	5,317
Bulgaria ..	627	701	780	812	859	880	934	1,433
India ..	3,247	3,841	4,468	4,559	5008	5,691	6,187	6,936

PRODUCTION OF CRUDE STEEL IN WESTERN, EASTERN EUROPEAN COUNTRIES & INDIA FROM 1951 TO 1959

('000 Metric Tons)

Country	1951	1952	1953	1954	1955	1956	1958	1959
Western Europe								
Austria	1,028	1,058	1,283	1,653	1,823	2,078	2,393	2,512
Belgium	5,054	5,067	4,497	4,973	5,852	6,311	6,006	6,433
Denmark ..	161	176	180	199	237	240	255	292
Finland	127	147	147	175	177	194	186	232
France	9,835	10,867	9,997	10,627	12,592	13,398	14,616	15,219
Germany, Western	13,506	15,806	17,434	17,434	21,336	23,189	22,785	25,822
Italy	3,063	3,535	3,500	4,207	5,395	5,908	6,271	6,762
Luxembourg ..	3,077	3,002	2,659	2,828	3,225	3,456	3,379	3,663
Netherlands ..	554	685	867	934	980	1,050	1,438	1,670
Norway	88	98	111	121	171	290	371	416
Spain	818	904	897	1,100	1,213	1,243	1,560	1,904
Sweden	1,525	1,688	1,782	1,861	2,150	2,425	2,431	2,814
Switzerland ..	144	156	157	150	166	171	244	250
Yugoslavia ..	434	442	514	616	805	887	1,119	1,299
Eastern Europe								
U.S.S.R.	31,350	34,492	38,128	41,434	45,271	48,698	54,920	59,900
Bulgaria ..	..	..	13	62	74	130	211	230
Czechoslovakia	3,455	3,754	4,366	4,270	4,474	4,882	5,509	6,136
Germany, Eastern	1,552	1,886	2,163	2,330	2,508	2,740	3,043	3,207
Hungary ..	1,290	1,459	1,543	1,491	1,629	1,415	1,627	1,759
Poland ..	2,787	3,179	3,604	3,949	4,426	5,014	5,663	6,160
India	1,524	1,603	1,531	1,712	1,732	1,766	1,842	2,473

PRODUCTION OF HARD COAL

('000 Tons)

	1939	1947	1950	1956	1957	1958	1959
Western Europe	490,026	375,512	449,940	490,396	492,308	483,045	460,615
United Kingdom	235,039	200,605	219,773	225,568	227,217	219,285	209,465
European Economic Community	246,840)	162,833	217,667	250,456	249,578	247,793	236,136
Germany*	(139,740)	71,174	111,137	135,616	134,384	133,582	126,451
Saar	13,258	10,541	15,091	17,090	16,455	16,423	16,228
France	49,147	45,216	50,843	55,129	56,796	57,721	57,606
Belgium	29,844	24,436	27,321	29,555	29,201	27,065	22,756
Netherlands	12,861	10,104	12,247	11,987	11,717	12,279	12,357
Italy	1,990	1,362	1,028	1,079	1,025	723	738
Norway†	312	342	374	393	391	291	272
Sweden	444	420	303	294	304	317	311
Ireland	120	221	178	223	245	220	(210)
Austria	217	178	183	167	151	149	134
Spain	6,755	10,536	11,043	12,880	13,924	14,433	13,559
Portugal	299	377	419	415	498	566	528
World	1,293,800	1,370,000	1,424,500	1,683,270	1,772,610	1,797,750	1,864,270**

* Within present boundaries.
**Rounded to nearest thousand; includes some lignite.
† Norwegian mines on Svalbard.

PRODUCTION OF CRUDE PETROLEUM IN WESTERN, EASTERN EUROPEAN COUNTRIES FROM 1951 TO 1959

('000 metric tons)

Country	1951	1953	1954	1955	1956	1957	1958	1959
Western Europe								
Austria ..	2,283	3,221	3,432	3,665	3,428	3,186	2,836	2,459
France ..	313	388	526	885	1,264	1,410	1,387	1,621
Germany, Western	1,367	2,189	2,666	3,147	3,506	3,960	4,432	5,103
Italy ..	18	85	72	204	569	1,202	1,534	1,696
Netherlands ..	714	820	939	1,024	1,097	1,523	1,621	1,773
Spain ..	1	..	..	35	59	72	72	62
Yugoslavia ..	148	172	216	257	294	396	462	592
India ..	265	272	307	347	380	429	425	451

PRODUCTION OF HYDRO-ELECTRICITY IN WESTERN EUROPE BY COUNTRY,

(Millions of K.W.H.)

Country	1939	1947	1955	1957	1958	1959
Western Europe	70,850	83,580	155,607	169,304	189,466	194,779
European Economic Community (a)	36,230	38,530	68,340	69,028	81,493	82,018
Italy	17,006	18,904	30,800	31,848	35,953	38,370
France	11,959	12,477	25,570	24,855	32,325	32,613
Germany (inc. Saar) ..	7,200	7,120	11,838	12,150	13,015	10,931
Norway	10,088	11,164	22,454	25,680	27,280	28,375
Sweden	8,125	11,859	21,650	27,112	28,574	28,622
Finland	2,435	1,910	6,190	6,620	6,840	5,420
Austria	2,600	3,191	7,905	9,320	10,617	10,975
Switzerland	7,089	9,666	15,381	15,704	16,703	18,078
Spain	2,844	5,197	9,029	9,741	11,185	14,050
Other(a)	1,500	2,090	4,790	6,274	6,974	7,241

a) Production by members of the EEC not shown separately is included with 'Other'.

STEEL CONSUMPTION IN 1957 AND ESTIMATED TREND VALUE FOR 1972-1975

(Thousands of tons crude-steel equivalent)

COUNTRY	1957		Trend-Value 1972-1975		Percentage Increase	
	1,000 Tons	Kg Per Capita	1,000 Tons	Kg Per Capita	Absolute	Per Capita
Austria	1,444	206	3,000	420	109	104
Belgium-Luxembourg ..	2,929	315	5,200	505	78	60
Denmark	912	203	1,900	385	108	90
Finland	923	213	2,100	420	128	97
France	12,770	290	25,000	545	96	88
Saar	800	800	1,000	900	25	13
Greece	271	33	800	84	195	155
Ireland	155	53	300	105	94	98
Italy	6,733	139	16,000	320	138	130
Netherlands	2,876	261	6,500	524	126	101
Norway	907	260	1,800	474	98	82
Portugal	392	44	1,200	114	206	159
Spain	1,614	55	5,200	167	222	204
Sweden	3,096	420	5,000	625	61	49
Switzerland	1,360	266	2,700	463	99	74
Turkey	298	12	1,500	45	403	275
United Kinkdom	19,1116	372	32,000	611	67	64
West Germany	21,097	393	36,000	653	71	66
Yugoslavia	1,124	62	4,200	208	274	235
Total Western Europe ..	78,798	229	151,500	411	92	79
India	3,619	9	28,000	60	674	567
Bulgaria	496	65	1,700	194	243	199
Czechoslovakia	4,814	361	10,700	649	122	80
East Germany	4,476	256	7,300	405	63	58
Hungary	1,514	154	2,500	236	60	53
Poland	4,932	174	11,500	390	133	124
Rumania	1,442	82	4,100	216	184	163
U.S.S.R.	49,337	243	113,000	465	129	91
Total Eastern Europe ..	67,011	223	150,800	444	124	99

CONSUMPTION* OF PETROLEUM PRODUCTS 1950-59

('000 tons)

	1950	1954	1957	1958	1959
I. WESTERN EUROPE	12,973	16,810	20,148	25,872	30,138
United Kingdom	8,353	12,867	16,079	18,150	19,013
France	2,458	6,810	12,754	16,583	20,563
Germany, West (excluding Saar) ..	3,915	7,735	11,043	12,314	14,103
Italy	2,341	3,282	5,224	6,074	6,975
Netherlands	1,291	1,838	2,240	2,682	2 872
Norway	3,520	6,124	8,362	9,276	10,089
Sweden	1,897	3,124	4,551	5.256	5,582
Belgium	1.297	2,034	3.348	3,834	4,125
Denmark	548	1.182	1.734	1,914	2 208
Austria	2,819	3,685	5,259	5,438	6,977**
II. India	500	..	1,430	1,410	..
III. EASTERN EUROPE	200	..	600	630	..
Hungary	540	..	1.200	1,560	..
Bulgaria	..	..	500	500	..
Czechoslovakia	550	..	1,650	1.750	..
Germany, East	2,100	..	4,180	4,170	..
Poland	..	..	31,170	92,850	..
Rumania					
U.S.S.R.					

* For Western European countries, internal consumption (excluding bunkers) outside the refineries of all energy products (excluding lubricants, bitumen and similar products) and for Eastern European countries, the consumption of all Oil fuels (excluding Bunkers).

**Relates to 1960.

Consumer Goods Industries

ECONOMIC GROWTH

IN the context of the Indian industrial set-up in which consumer goods predominated in the past and still form a sizeable sector of our developing economy with an increasing accent on basic industries, the importance of this component of industry can hardly be over-emphasized in the process of the economic growth of the country. Apart from the fact that the consumer goods, durable or semi-durable satisfy direct human wants, their greater importance lies in being earners of the much-needed foreign exchange so vital for our overall economic development. An analysis of our foreign trade figures will reveal that out of total Indian exports of the value of Rs. 635.2 crores in 1960, 469.80 crores (about 74 per cent) were earned in respect of the consumer goods, cotton and jute textiles being our staple exports.

The new economic thinking, that capital (investment) by itself will not produce output (or economic growth) and that there are other complementary factors, such as entreprenureal talent, organisational skill, technology, management and research apart from other social determinants, which are equally important and the lack of which acts as a serious bottleneck to economic growth, is also being progres ively applied to the consumer goods industries in both the Western and Eastern Europe.

INVESTMENT IN HUMAN CAPITAL

In India serious doubts have been expressed against the savings-incomes—Capital-output approach of the planners to promote and foster economic development, for the institutional social structure of the country has been difficult to reconcile with the ap'itudes needed to transform a traditional economy into a modern one, based on specialisation of labour, the habit of thinking for tomorrow and therefore saving for investment. Although the value or savings in a developing economy cannot be exaggerated, it is of great importance that in the context of Indian social set-up and habits greater attention is also paid to social determinants, other than the strictly economic ones. Fuller utilisation of the human and material factors of production holds the key to the growth of economy. Investment in human capital is at least as important as an investment in machinery and equipment. As stated earlier, consumer goods industries satisfy the direct human wants and their importance and contribution to the process of economic growth cannot be over-emphasized, especially when some of the consumer goods industries are the principal foreign exchange earners of our country. Good results can be achieved in these industries, if efforts are also directed towards re-organisation, market research, expansion of markets, productivity, utilisation of capacity and rationalisation. All the major consumer goods industries particularly the ones which are export oriented such as jute, textiles, sugar and tea must reduce their costs of production in order that they are not only priced out of the world market by other countries but that they are able to extend their sales to new markets and face competition from substitutes which are increasingly being used as a result of the advances that have been and are being made in science and technology.

FOREIGN COMPETITION

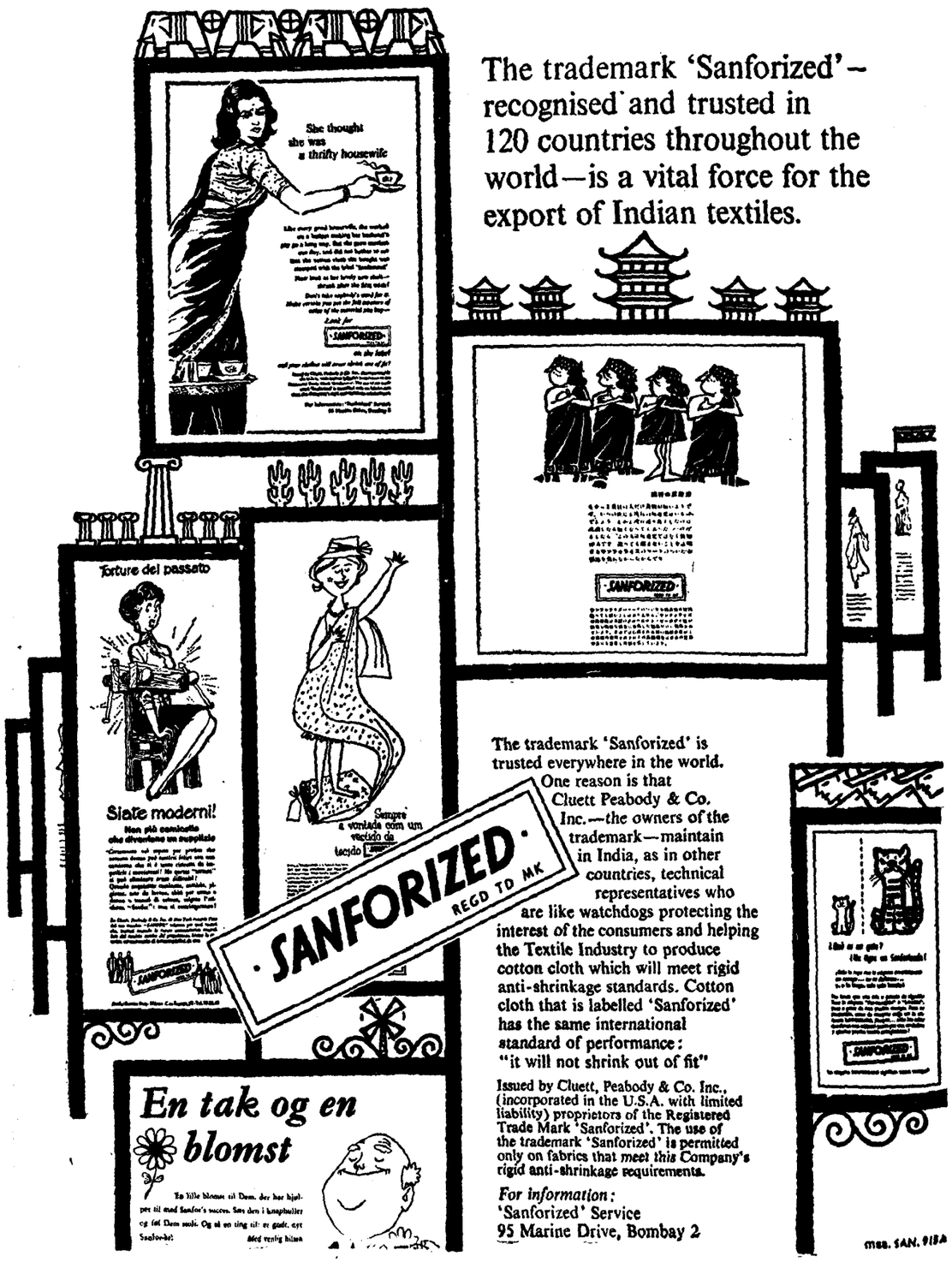
All our traditional exports are losing ground in the foreign markets and further cuts in some of our exports, particularly cotton textiles are being threatened as a result of Britain's proposed entry into the European Common Market. The British textile indus.ry is already asking for further cuts in cloth imports from Asian countries, though there already exist temporary ceilings imposed voluntarily by the exporting countries, Hong Kong, India and Pakistan. As a matter of fact, the Board of Trade has announced that as from the first of January 1962, imports of cotton textiles from India and Pakistan will be controlled. Even as it is, the exports have been on the decline this year and it is estimated that the total exports of cotton textiles in 1961 may not exceed 10 million yards against 30 million yards in the previous year. The compensating gesture that has come from West Germany and France who have agreed to relax their quota restrictions on Indian imports does not solve the long-term export interests of the Indian industry. Similar resistance from competition confronts other export commodi.ies. In view of the keener competition and having regard to the fact that India lags behind in science and technology apart from the paucity of domestic and foreign capital, the conclusion is irresistible that we should lay greater emphasis on increasing the efficiency, particularly of our export industries, thus earning more of the much needed foreign exchange and on reducing costs to the consumers at home.

OUTLOOK IN THE THIRD PLAN

The table on the next page will show that India has made steady progress both in diversification and in raising the production of some of the traditional major consumer goods since 1950-51. In the Third Plan, produc ion targets and capacities for most of the consumer goods industries have been substantially raised. Paper and paperboard's target has been doubled. New-print's capacity has been increased by five times. Production of security paper will be undertaken for the first time. Similarly, targets for the jute and cotton textiles have been raised by 13 per cent in textiles and only by a nominal figure in jute. Drugs and pharmaceuticals which were not included in the First Plan and got a start in the Second Plan have received a larger allocation of resources and diversification in the Third Plan. Although oil seeds' target has been raised from 7.1 million tons to 9.8 million tons in 1965-66, it is feared that this production may just suffice the internal demand.

It may, however, be remembered that the per capita consumption of some of the major consumer goods is still low and will remain so in comparison to those of most of the countries of Western Europe. It cannot also be claimed by the industries concerned that they have made any advance in increasing the efficiency of their performances. Most of the European countries have already embarked upon several plans to reorganise, adjust and modernise their industries with a view to increasing efficiency of their capital equipment, labour and management and to meet the changed pattern of demand and competition. The way the British textile industry is coming back to hold its own through reorganisation and integration after the crisis of the late fifties has perhaps a lesson for the Indian textile industry to learn.



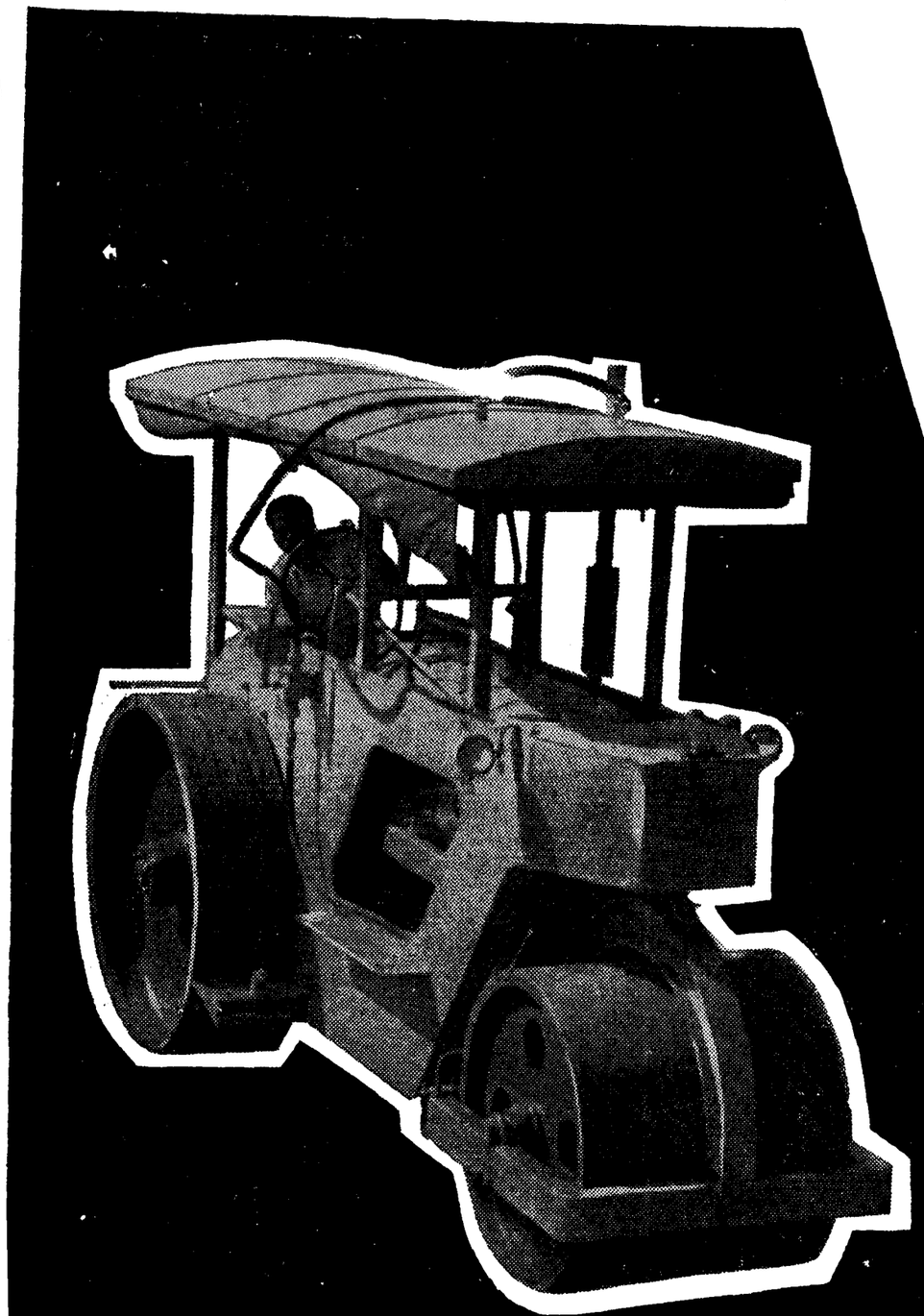


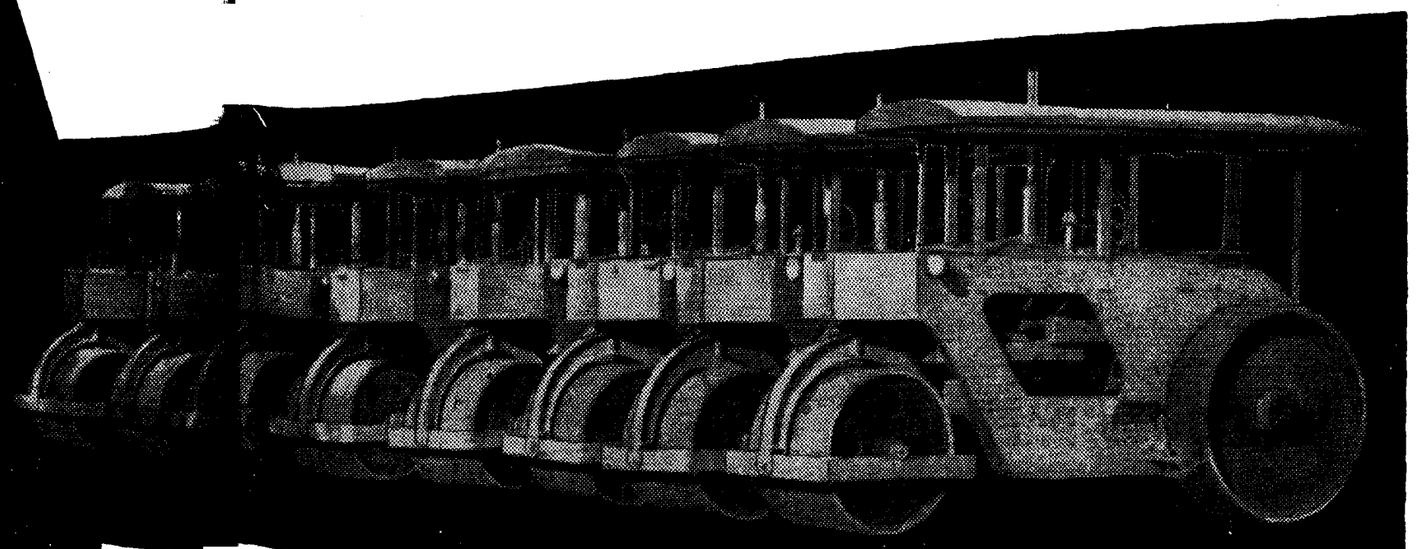
PROGRESS OF CONSUMER GOODS INDUSTRIES IN INDIA SINCE 1950-51

Industry	1950-51	1955-56	1960-61 Estimated Capacity	1960-61 Estimated Production	1965-66 Capacity	1965-66 Production
1. Soap (*1000 tons*)	106	102	254	150	254	500
2. Synthetic Detergents (1000 tons)	—	—	7.2	1.5	20.0	20.0
3. Paper and paper board (*1000 tons*)	114	187	410	350	820	700
4. Newsprint (1000 tons(..	—	4.2	30	25	150	120
6. Security paper (*tons*) ..	—	—	—	—	1,500	1,500
6. Cotton yarn (million lbs.) . ..	1,179	1,640	2,100	1,750	2,250	2,250
7. Mill made cloth (*million yards*) ..	3,720	5,102	5,300	5,127	5,800	5,800
8. Jute (1000 tons)	892	1,150	1,200	1,065	1,200	1,100
9. **Rayon and Staple Fibre**						
(a) Rayon filament (million lbs.) ..	0.4	16.0	52.3	47.0	140.0	140.0
(b) Staple fibre (million lbs.) ..	—	14.0	48.0	47.8	75.0	75.0
(c) Chemical pulp (1000 tons) ..	—	—	—	—	100.0	90.0
10. Woollen and Worsted yarn (million lbs.) ..	18.3	21.7	67	28	67	52
11. Woollen cloth (million yards) ..	—	15.0	48	15	48.0	35.0
12. Wool tops (million lbs.) ..	—	—	10	—	31.5	31.5
13. Salt (million tons) ..	2.7	3.0	3.9	3.7	6.5	5.4
14. Sugar (million tons) ..	1.12	1.86	2.25	3.0	3.5	3.5
15. **Vegetable Oil**						
(a) Solvent Extraction of Oil Cakes (1000 tons) ..	—	—	550cake)	25(*oil*)	2,000(cake)	160(oil)
(b) Cotton Seed Oil (*000 tons*) ..	—	—	180m (seed)	15m (oil)	850 (seed)	100 (oil)
16. Vanaspati (1000 tons) . ..	153	276	434	330	550	500
17. **Drugs and Pharmaceuticals**						
(a) Sulpha Drugs (tons) ..	—	83(c)	330	150	1,000	1,000
(b) Penicillin (m. mega units)	—	6.6	45	40	205	120
(c) Streptomycin (tons) ..	—	—	—	—	150	150
(d) P. a. s. (tons) ..	—	40(c)	145	100	400	400
(e) Anti-Dysentry Drugs (tons) ..	—	6.0(c)	60	30	75	75
(f) I. N. H. (tons) ..	—	1.0(c)	33	30	100	100
(g) Photochemicals (tons) ..	—	—	—	—	76.4	76.4
(h) DDT (tons) ..	—	284	2,800	2,800	2,800	2,800

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Cotton Textile Industry

THERE ARE about 50 countries in the non-Communist world and all among the Communist countries which are making significant contribution to the world's total output of cloth. Total production in non-Communist countries has risen from an annual rate of about 29,000 million yards before the War to over 36,000 million yards in 1960. The share of India is about 5,550 million yards, i.e. about 14 per cent of the total free world's production. A study of India's export trade in textiles against the background of world trends in recent years reveals that whereas the total world trade has gone up by over a 1,000 million yards in the past six years — from 5,463 million yards in 1954 to 6,577 million yards in 1960, the share of India has declined from 863 million yards (both mill-made and handloom cloth) to 722 million yards. Indian exports have thus fallen from 16 per cent in 1954 to 11 per cent in 1960. India, no doubt, ranked as the second largest exporter of cloth in the world during 1960, the first place being occupied by Japan, but its share was only half that of Japan.

BRITISH TEXTILE INDUSTRY

Great Britain has launched a counter-attack and is fighting back to regain its lost hold in the textile world. This is being achieved through reorganisation of the industry through horizontal and vertical integration, improvement of quality, lowering costs and better designs. The first step has been to eliminate excess capacity which, it was felt, acted as a brake on efficiency, in which task the Government has rendered invaluable financial assistance. The Cotton Industry Act 1959 was specially enacted to give this assistance. The U.K. Government has paid two-thirds of the cost of compensation for scrapping machinery and the remaining one-third and the cost of compensating redunant employees has been met by levies on the industry. Further, a grant to the extent of 25 per cent will be paid by the Government towards modernisation or the cost of approved investment in new machinery provided that expenditure is incurred by July 1962 and that equipment is installed by July 1964. By March 1960, 49 per cent of the installed spinning spindles, 35 per cent of the doubling spindles, and 40 per cent of the looms had been scrapped. By the end of 1961, 26 per cent of capacity in yarn processing and 21 per cent in woven cloth finishing will have been eliminated. The result of all these measures has been that spindles are now running 25 per cent longer and looms 16 per cent longer than they were when the reorganisation schemes were first introduced in 1959. They could have worked still longer hours if there had been no shortages of workers. The production side has been matched by equally remarkable changes in the industry's organisational structure. The cotton and man-made fibres sections of the industry have been brought together in a cohensive whole.

INTEGRATION AND RATIONALISATION

The Indian cotton textile industry comprising over 500 units spread over the entire country is still this country's biggest enterprise in the organised sector with the value in production well over Rs. 500 crores annually and as the third biggest earner of foreign ex-

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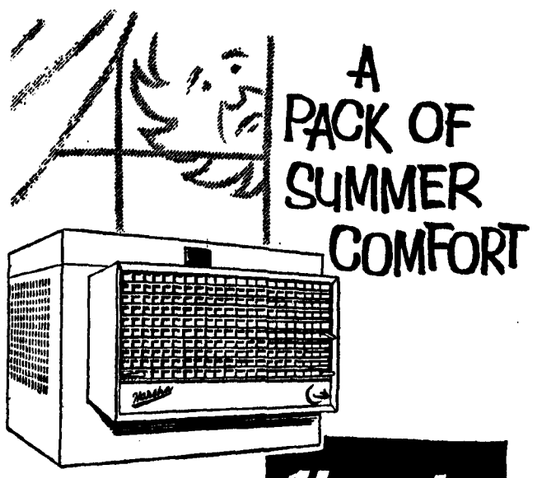
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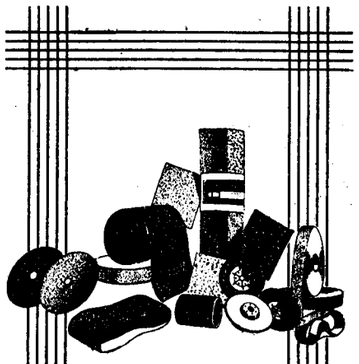
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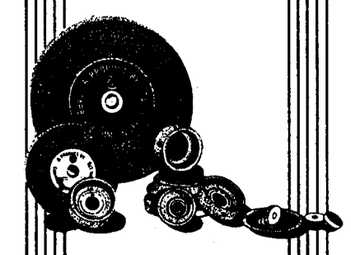
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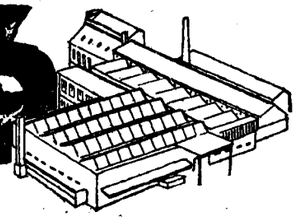
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TO THE MARKET...



change. But the cost of production which is admittedly the key to the growth of the textile industry is very high. Many committees have suggested various measures to improve the performance of the industry. It seems, modernisation, rationalisation and integration on the lines of its counterpart in the U.K. will provide the answer to the industry's problems. The cost structure of the industry is such that it militates against its competitive capacity. It has been estimated that cotton constitutes about 50 per cent of the cost of production of cloth and 64 to 68 per cent of the cost of production of yarn and labour accounts for 27 per cent and 22 per cent of the cost of production respectively of cloth and yarn. The corresponding figures for stores and spares are 10 and 4 per cent and for power 3 to 5 per cent and 2 to 3 per cent. The other expenses are approximately 3 to 5 per cent and 5 to 8 per cent of the cost of production of cloth and yarn. It has been estimated that no sizeable reduction in the costs of the various factors can be made in the existing set up. It has also been said that the prices of some varieties rule near the ceilings because production lags behind. The answer to the problem, therefore, is clear that production schedules should be maintained and this can only be done in the larger context of modernisation and rehabilitation as done in the U.K. together with rationalisation and diversification of production. The problem of finance has slowed down the pace of modernisation and rationalisation in India but industry should play its part in paying its share of the cost of modernisation apart from improving the quality of production and reducing the cost of production through better management and greater productivity. Above all, technology and research alone will go a long way in maintaining the traditional markets and opening new ones.

PRODUCTIVITY ABROAD

Although Soviet Union and other East European countries are paying increasing attention to the production of consumer goods, particularly textiles, their emphasis is only on ths development of heavy industry. But the fact remains that they too depend on technology for efficient production. Perhaps the only lesson that the Soviet Union's textile industry providss is that it shows a clear trend towards establishing the so-called vertical combines, that is, multistaged mills. A study of the textile industries in Western and Eastern Europe further reveals that the productivity per loom with 1938 = 100 as base in the six East European countries averages about 265, given that the published figures are correct. The corresponding figures for other countries are: U.S.S.R. 213, Western Europe 167, U.S.A. 259 and China 226. The higher productivity in Eastern Europe seems to be due to the three shift system combined with simplification of production methods. The reason for the lower productivity of Western Europe has been ascribed to the manifold increase in production per loom. China's higher productivity is largely a result of the modern machinery that she is using for her newly developed industry. Despite all this, the per capita consumption of cotton and man-made fibres in the East European countries and the U.S.S.R. is far behind that of Western Europe and America, though it exceeds that of India. Following are the figures of per capita consumption of various countries:

U.S.A.	78	Western Europe	42
U.S.S.R.	32	Eastern Europe	19
China	12	India	16

(17.5 new target for 1965-66)

The following table will give a picture of the relative positions of the textile industries in Western and Eastern Europe.

POSITION OF TEXTILE INDUSTRY

Country	Spindles On Dec. 31, 1959 ('000)		Looms 1959		Cotton Yarn Production 1959 ('000 metric tons)	Woven Cotton Fabrics 1959 Production (million metres)
	Mule	Ring	Ordinary	Automatic		
Western Europe						
United Kingdom ..	6,150	7 954	171 900	46,200	275.0	122.3
France ..	108	5,963	53 913	66,298	282.0	215.0**
West Germany ..	—	5 948	53,387	66,881	398.4	274.3**
Italy ..	3	4 854	25.132	78,106	175.8	120.4**
Switzerland ..	10	1,185	4,736	11.641	31.1	141
Sweden ..	—	423	458	7,844	25.8	22.0**
Eastern Europe						
U.S.S.R. ..	—	10,962	128,520	96,720	1,124.0	6,148
Bulgaria ..	—		7.400	—	46.8	209
Czechoslovakia ..	—	1,950	34.000	7,000	98.2	441
Hungary ..	—	532	11.193	878	48.0	227*
Poland ..	—	1 954	35 601	4,853	146 3	651
East Germany ..	—	1,150	45 000		66.9	241*
India ..	37	13,244	188,727	16,977	781.4	4,504

* Million square metres.
** Thousand metric tons.

Jute Industry

OVER-ALL PICTURE

THE FOLLOWING two tables will suffice to give an overall picture of present position of the Indian Jute Industry in the Jute World.

(By weight — '000 tons)

OUTPUT OF JUTE MANUFACTURES IN THE MAJOR PRODUCING COUNTRIES

Country	1959	1960	1961 Jan.-June	1960 Jan.-June	Percentage change of 3 over 4
Cloth					
U.K.	79.9	82.2	35.1	43.8	—20
France	65.3	66.3	27.7	35.0	—21
West Germany	56.8	58.0	26.2	28.7	— 9
Belgium	36.7	34.9	14.44	18.8	—23
India	1,051.5	1,067.1	478.8	535.6	—11
Pakistan	266.4	266.4	117.7	133.0	—12
TOTAL	**1,523.1**	**1,574.9**	**695.9**	**794.9**	**—12**
Yarn					
U.K.	137.7	141.8	60.2	75.5	—
France	81.6	85.9	34.2	47.0	—27
West Germany	72.0	72.6	32.4	36.7	—12
Belgium	77.9	76.6	33.6	40.6	—17
TOTAL	**369.2**	**376.9**	**160.4**	**199.8**	**—20**

EXPORT OF JUTE MANUFACTURES FROM SIX MAJOR COUNTRIES (a)

Year	1960	1960 1st Qtr.	1960 2nd Qtr.	1960 3rd Qtr.	1960 4th Qtr.	1961 1st Qtr.	1961 2nd Qtr.	Jan June 1960	Jan June 1961	Percentage Change Jan-June 1961 compared with Jan-June 1960
(ii) By value—million rupees										**By weight—thousand tons**
India (f)	797.6f	174.5	209.2	222.8	191.1	176.5	141.2c	383.7	388.7	+ 1
Pakistan	188.6	47.7	41.4	53.0	46.5	48.3	b	(89.1)	(89.9)	+ 1
United Kingdom	16.3	3.5	4.3	4.4	4.1	4.9	4.0	7.8	8.9	+14
Belgium	50.5	12.4	12.7	12.0	13.4	11.8	4.1d	25.1	(24.1)	(— 4)
France	29.2	8.7	8.5	5.1	6.9	6.1	(5.0)	17.2	(11.1)	(—35)
West Germany	13.4	4.1	3.2	2.8	3.3	3.0	2.2c	7.3	(6.3)	(—14)
Total	1095.6	250.9	279.3	300.1	265.3	250.6	(278.0)	530.2	(528.6)	(—)
India	1336.6	254.5	327.3	372.8	382.0	269.3	293.1c	464.2e	462.4e	+21
Pakistan	245.4	57.2	50.9	64.8	72.7	83.0	...	108.1	...	...

a. Covering woven piece goods, bags, sacks, webbing, yarns, cordage, carpets, etc., but excluding old bags.
b. Not available; estimate included in total
c. Two months only, estimate for missing month included in total
d. One month only, estimate for missing months included in total
e. January-May
f. The 1960 figures have been officially revised.

COMPETITION FROM PAKISTAN

It will be seen that India is fast losing ground in the world markets in a commodity which was the nation's top foreign exchange earner. Pakistan has made heavy inroads into her export markets. In 1955 India's share in the combined exports of jute goods from India and Pakistan was 94.1 per cent. By 1960 it had fallen to 80.9 per cent. For the present the competition is more serious for sacking than Hessian. India's share of combined sacking export fell from 87.6 per cent in 1957 to 71.6 per cent in 1960, while that of Pakistan increased during the same period from 12.4 per cent to 28.4 per cent. But an alarmist view need not be taken of Pakistan's potential in this industry. The limits to its expansion are obvious. The following figures will show how India's major export markets are being lost to Pakistan:

EXPORTS OF SACKING ('000 tons)

Countries	1957 India	1957 Pakistan	1960 India	1960 Pakistan
Nigeria	17.0	—	9.1	12.8
Rest of Africa	94.2	5.6	50.8	14.8
Burma	24.9	7.2	5.2	12.0
Australia	81.4	0.6	56.5	30.1
West Indies	4.9	1.8	1.7	4.0
Cuba	51.4	1.2	34.4	10.8
Peru	10.4	0.5	5.3	4.8

Indications are not wanting that by the end of 1961, 75 per cent of the Australian market and 50 per cent of the Cuban market will have been lost to Pakistan. Besides almost the entire Egyptian market has been lost because of the development of indigenous production. Thailand has started getting its supplies from Japan in exchange for raw jute. The European and the U.S. markets are shrinking mainly because of the increasing use of substitutes etc.

DIVERSIFICATION

Apart from the declining position of the jute industry in the export markets, the industry at home suffers from certain handicaps which militate against its growth. For example, the fortunes of the industry in the recent years have been fluctuating from year to year between the sealing and unsealing of looms, depending upon how the supply position of raw jute was. The consequences for such a state of affairs are very far reaching for the industry. Besides, the legacy of war time labour which couldn't be retrenched without difficulty has been a drag on the industry and it goes to the credit of the jute manufacturers that they have been able to cope with this problem which is essentially a human problem. The question arises, to what extent those foreign users who changed over to substitutes when prices were high, will be enticed back to jute goods, now that they are quoting more reasonable prices. Much depends on the capital expenditure involved in the changeover but it is unlikely that all the ground lost can be retrieved. Modernisation of the weaving process apart from the introduction of automatic spindles which has been taken in hand is the answer to the problem, if the growing threat from Pakistan with modern machinery and equipment is to be countered. But in the context of large world competition modernisation is only half the answer. What is needed is research into the new uses of jute and diversification of production. The industry to survive must stop depending excessively on standard mill products like hessian and sacking. European jute industries were already ahead in development research and other promotional activities.

DUNDEE JUTE INDUSTRY

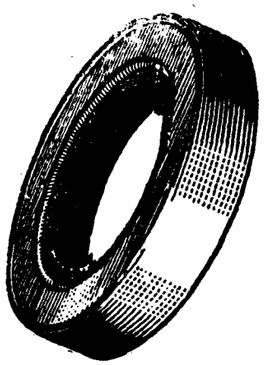
The Dundee jute industry is gaining confidence to face the future without set-backs. To apply science and technology requires a capacity on the part of the industry to absorb new ideas and to adjust its outlook so that it comes to regard almost anything possible. In recent years Great Britain has made significant advances in jute technology. For example, they are now making permanent fire proofing at low cost, jute wrapings to prevent abrasive damage to bright steel products and odourless jute materials. They are also continuing research to combat the use of plastics in laminated packings. Redeployment and work study have been carried out to a degree unusual in Britain. The jute industry was the first in the country to introduce in 1952 a wage structure based on jute evaluation. In India most of the jute is used for bags, in the U.K. more than half of the raw jute processed is used in the manufacture of yarns for backing carpets, cloth for linoleum backing, rope, tarpaulin cloth and roofing fabrics.

FUTURE WORLD DEMAND

Although jute products are essentially utilitarian and are little affected by fashion and design, it is nevertheless important that new uses of jute should be discovered and propagated effectively. According to a special report prepared by the National Institute of Economic and Social Research for the Food and Agriculture Organisation of the United Nations, world demand for jute (outside the Far East and the Sino-Soviet group) at the end of the next decade is likely to be about the same as it is now. The report states that over the period the uses for jute were likely to shift away from sacks and packaging to the making of carpets and floor-coverings, particularly in such industrial countries as the United States, the United Kingdom and Western Europe. On the other hand, decreased use of jute for packaging in these countries is likely to be made up, to some extent, by increased use of jute for this purpose in primary producing countries such as Australia, New Zealand, Latin America and Africa, which pack their products with jute goods.

RECOMMENDATIONS

It will be relevant to give below the conclusions of the delegation of the Indian Jute Mills Association which visited Argentina, U.S.A., Canada and the U.K. in late 1960. According to the delegation, the volume of agricultural produce requiring transport is expanding considerably and this means an increase in the potential market for hessian as a packaging medium in the U.S.A. Jute fabrics in North Americta, the delegation adds,

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face competition from paper, plastics and bulk handling as a packaging medium, and from paper, cotton and other substitutes in the industrial spheres. A rise in the price of jute, therefore, must weaken its competitive position and adversely affect its sales. Emphasizing the need for regular supplies to the U.S.A. at fairly stable prices, the IJMA delegation recommends the following:

(1) Manufacture of hessian with a lower oil content than the average for the movement of foodstuffs in the U.S.

(2) Reduction in the cost of canal lining as, for example, through a downward revision of freight for the shipment of cloth from Calcutta and rot-proofiing of hessian cloth in India before shipment.

(3) Development of new uses for hessian as an industrial packing medium.

(4) Maintenance of a high standard of quality at all times.

(5) Strict adherence to specifications.

(6) Continuity in the supply of speciality goods.

(7) Elimination of manufacturing faults by effective supervision in the mills.

(8) Proper promotion and publicity work.

Paper Industry

PRESENT OUTLOOK

THE FOLLOWING targets have been fixed for pulp and paper in the Third Five-Year Plan:

1. Paper and Paper Board	700,000 tons, the capacity to be increased from 410,000 to 820,000 tons.
2. Newsprint	150,000 — a fivs-fold expansion from the present 30,000 tons.
3. Security Paper	1,500 tons per year (a Security mill is to be established at Hoshangabad).

Phe Planning Commission claims that the expansion programme of the paper and paper board industry broadly conforms to the aim of achieving self-sufficiency in respect of this essential item. With the estimated population at 492 million at the end of the Third Plan, the per capita consumption works out to about 3.2 lbs. It has, however, been claimed that the per capita consumption would far exceed 3.2 lb. For instance, according to the study made by the 'Indian Institute of Public Opinion' the per capita consumption in 1960 would be of the order of 78.36 oz. (about 4.15 lbs.) as a result of heavy educational expenditure which is partly associated with a rapid rise in literacy, the rise of industrial production and the increases attendant on population. The following table gives the fluctuations in per capita consumption of paper and paper board from 1948 to 1966. The paper industry also had made representations to the Government for raising the capacity to produce 900,000 tons:

PER CAPITA CONSUMPTION OF PAPER AND PAPER BOARD
(1948-66)

Ysar	Consumption of Paper & Paper Board ('000 tons)	Population (million)	Per Capita Consumption (oz.)	Percentage change over Previous Year
1948 ..	146.48	350.3	14.65	—
1949 ..	169.09	354.8	17.08	+16.59
1950 ..	140.36	358.5	14.03	—17.86
1951 ..	185.28	363.9	18.25	+30.08
1952 ..	169.18	368.7	16.45	— 9.90
1953 ..	182.03	373.3	17.48	+ 6.26
1954 ..	192.53	377.1	18.30	+ 4.69
1955 ..	255.35	383.0	21.89	+30.55
1956 ..	266.41	388.4	24.55	+ 2.76
1957 ..	253.21	393.0	23.13	— 5.80
1958 ..	264.87	398.0	23.85	+ 3.29
1959 ..	330.00	405.0	29.20	+22.43
1960 ..	400.00	412.1	34.79	+19.14
1961 ..	480.00	419.3	41.03	+17.94
1962 ..	560.00	426.7	47.03	+14.26
1963 ..	650.00	434.2	53.65	+14.07
1964 ..	750.00	441.8	60.84	+13.40
1965 ..	860.00	449.5	68.57	+12.70
1966 ..	1,000.00	457.4	78.36	+14.28

With the introduction of compulsory primary education and free further education upto a certain level in most of the States, the demand for paper is bound to rise considerably. Greater literacy and higher education will not only raise demand for writing paper and books etc. but will also considerably add to the number of newspaper reader. Although in India one newspaper is read by many more people than in some of the advanced countries where people buy more than one newspaper, it can safely be said that demand for newsprint will increase. It is gratifying to note that more newsprint factories are being set up during the Third Plan and foreign collaboration has been sought for the purpose. The projections of the Indian Institute of Public Opinion for paper and paper board seem therefore to be nearer the mark. But with the target production of 700,000 tons and with an estimated population of 492 millions in 1966 the per capita consumption comes to only 3.3 lbs. This falls short by about 1.9 lbs. of the projected estimates which are more realistic. Even so, this figure is lowest as compared to the corresponding figures for the countries of Western and Eastern Europe:

APPARENT PER CAPITA CONSUMPTION OF PAPER AND PAPER BOARD
(Kg. per capita)

	1950	1957	1958	1959
Western Europe				
Sweden	64	97	101	106
Belgium-Luxembourg ..	41	54	50	54
Netherlands	49	70	68	77
France	29	52	52	52
German Federal Republic ..	32	62	64	70
Italy	11	23	24	27
Austria	26	37	37	40
Norway	49	72	76	79
Denmark	56	68	75	87
Portugal	6	10	9	10
Switzerland	48	78	77	82
U.K.	59	83	85	90
Filand	43	72	68	73
Greece	6	10	11	12
Ireland	29	33	34	36
Spain	6	10	11	12
Yugoslavia	5	8	9	9
Eastern Europe				
USSR	6	14	15	15
German Democratic Republic	25	38	41	..
Czechoslovakia	25	31	34	37
Bulgaria	7	10	10	10

Source: Swedish Paper Mills Association.

RESEARCH

The greatest problem that confronts the Indian paper industry today is the lack of indigeous raw materials. The manufacturing capacity cannot be increased unless the raw materials are there. India is dependent totally on wood pulp from abroad. Bamboos, as a raw material, is the only mainstay for the industry. New industrial uses of bamboo e.g., for rayon grade pulp will accentuate the shortage of bamboo for the paper industry. The answer, therefore, to the main problem of paper industry lies in research into the discovery of new raw materials, although new plantation and replantation programme for bamboos can, to some extent, provide a long-term solution of the shortage of this raw material. It is gratifying to note that steps are being taken to utilise paper bagasse which is currently being used as fuel by the sugar mills. The diversion of bagasse to the paper industry will have to be based on providing the sugar mills with an alternative fuel, which, of course, is not an easy task. It is true that the major paper producing countries like Sweden and Finland have very great advantage over India and that is that a large part of their areas is devoted to forests which constitute the backbone of their economies. For example, 71 per cent of land area in Finland and 57 per cent in Sweden are forested. Russia, too, has a large area of timber land. India has a forest coverage of immense potentialities. But the mere availability of forest wood would not by itself solve the problem. It is research and greater research through chemical technology in forestry and in its uses for quality paper making that is needed of the industry. Apart from this, pulp from jute and mesta sticks can also be explored.

Towards Rising Consumption

DURABLE CONSUMER GOODS

IT WILL be abundantly clear from the preceding analysis that the consumer goods industries play an important part in the process of the economic growth of the country. They not only provide the essential goods and services which people want but earn a substantial part of the country's foreign exchange. But there is much that is desired in their performance as compared to their counterparts in some of the advanced countries in both the blocs of Europe. The costs of these commodities are still very high, though most of them thrive behind tariff walls. It is of poramount importance for the optimum use of our scarce resources that these resources are utilised efficiently, if the standard of living of the people is to reach anywhere near the levels attained by other advanced countries. This can only be achieved, though slowly because of our population growth, if we lower our costs and thus leave enough of income for the people to buy durable consumer goods, what to speak of more holidays and leisure as is being increasingly demanded in other advanced countries. India is miles behind in per capita consumption of goods like radios, television (almost nonexistent) motor cars, watches, cameras, although the per capita consumption of cycles, sewing machines and the number of radio receivers have marked an advance since 1948. The table overleaf gives the trend in production of some of the durable consumer goods.

It will be seen from the table that refrigerators, radios, electric fans, sewing machines, bicycles have recorded high rates of growth varying from 15.9 to 55 per cent per year. It may be stated here that the main reason for the tremendous spurt in production of these items has been the protective import restrictions. Production of electric lamps and cars also received fillip to a considerable extent from the protective restrictions but have nevertheless shown relatively moderate rates of growth. Cars could have done better as there is a potentially unsatisfied demand but the retarded growth was perhaps due to technical inadequacy.

INTERNATIONAL COMPARISON

Since data for the production of all the durable consumer goods in the Eastern and Western countries of Europe are not fully available, a comparison in respect of one item, radios for instance, will give us an indication of how India fares in respect of it. Radios can be taken as an indicator of the rising standard of living and for this reason the comparison acquires importance.

Assuming that the production figures in East European countries represent the number of receivers, it will be seen that India with a much larger population than any single country of Europe is ahead only of Hungary and Rumania which also happen to be still economically under-developed. As compared to the rest of the countries, India lags far behind. India has a long road to traverse before she can catch up with the advanced countries of Europe. One error in our planning is the lopsided emphasis on heavy industry. It ought to be rectified by a reasonable and balanced allocation to consumer goods in order to increase their flow so as to absorb rising incomes. Such a step will also be in the right direction for countering inflation.

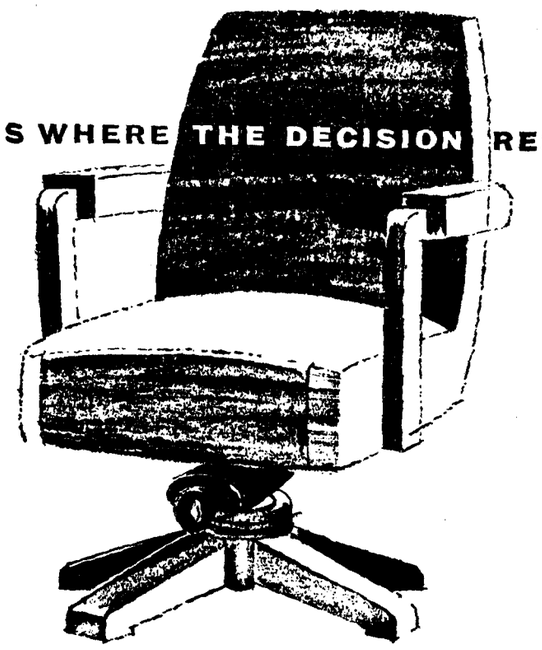
NUMBER OF RADIO RECEIVERS IN USE*

	1948	1958	1959
	(In thousand Numbers)		
Western Europe			
Austria ...	1,106	1,874	1,929
Belgium	1,058	2,409	2,477
Denmark ...	1,057	1,449	1,489
Finland ...	630	1,140	1,181
France ...	6,104	10,646	10,793
West Germany ...	7,299	15,263	15,900
Italy ...	2,205	6,122	6,014
Netherlands ...	1,615	2,998	3,077
Norway ...	654	997	997
Switzerland ...	866	1,350	1,388
U.K. ..	11,460	14,753	14,945
Yugoslavia ..	252	1,088	1,310
India ..	282	1,560	1,604
	1955	**1958**	**1960**
	(Production in thousands)		
Eastern Europe			
Czechoslovakia ...	102.3	309.0	248.9
East Germany ...	725	718	858
Poland ...	461.2	789.5	627.1
Hungary ...	377.2	453.3	211.6
Bulgaria ...	66.0	131	157.4
Rumania ...	89.4	138.6	167.0
USSR ...	3549	3902	4200.0

*Licenses issued.

TRENDS IN PRODUCTION OF SOME DURABLE CONSUMER GOODS

Item	Unit	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Automobiles								Nos.				
Total (Cars, Jeeps and Commercial Vehicles)	Nos.	16519	23576	13330	12940	16034	25272	33936	30200	27181	40849	54789
Bicycles complete	Nos.	98620	120288	211518	288962	401967	512698	734870	849437	893687	1027878	1062846
Electric lamps	000 Nos.	14008	17331	20716	19846	23577	25029	32697	32249	31168	36066	43479
Radio receivers	Nos.	53952	74924	68856	57030	57099	101868	156740	194880	196909	219368	279109
Electric fans	000 Nos.	199	215	189	208	256	287	380	562	648	785	1058
Domestic Refrigerators	Nos.	...	...	809	1129	831	725	500	1206	3722	5649	11665
Airconditioners	Nos.	...	...	...	...	...	...	5820	6984	10888	7783	11677
Sewing Machines	Nos.	32965	48116	52206	68417	80776	111180	140831	175525	211613	267452	303145
Typewriters	000 Nos.	...	...	...	...	...	...	...	16.0	17.5	18.3	29.0



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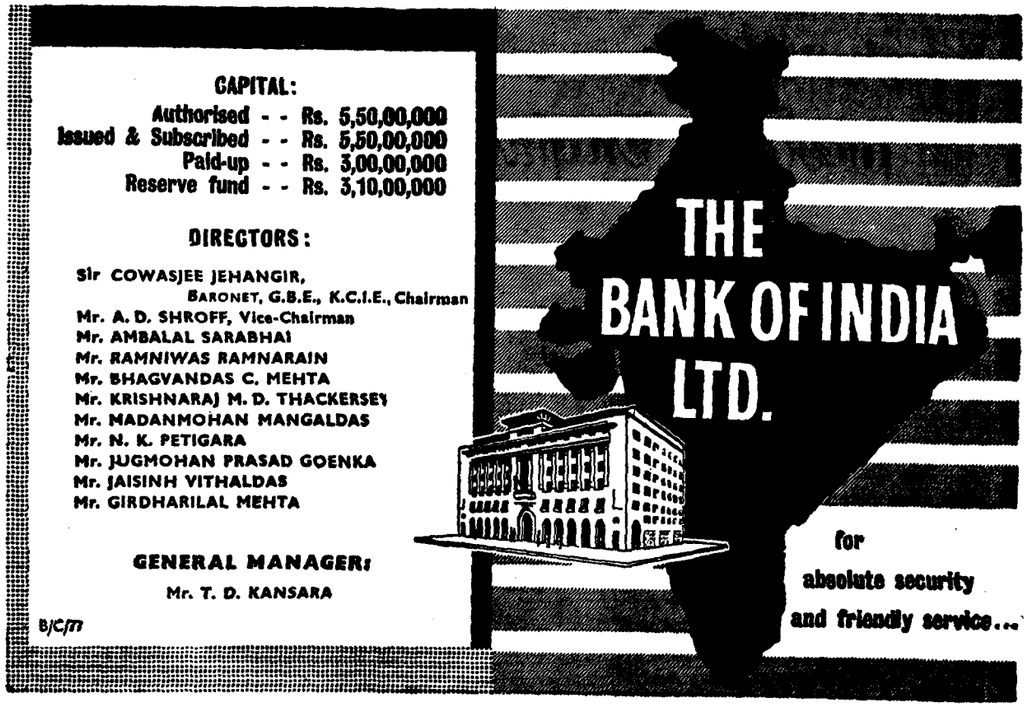
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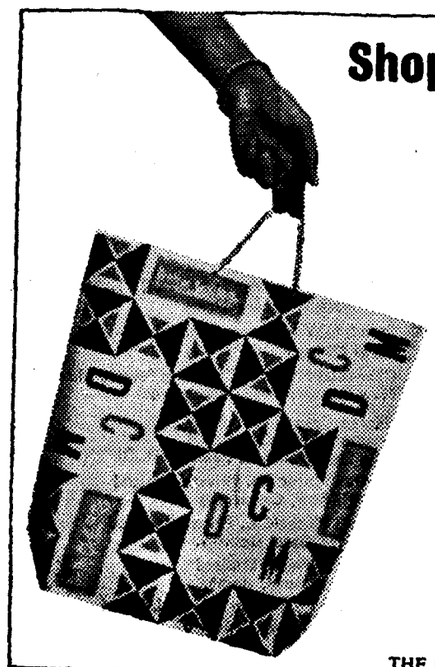
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PRODUCTION OF CONSUMER DURABLE GOODS IN EASTERN EUROPE

	1955	1958	1960
RADIOS (Thousands)			
Czechoslovakia	102.3	309.0	248.9
East Germany	725	718	858
Poland	461.2	789.5	627.1
Hungary	377.2	453.3	211.6
Bulgaria	66	131	157.4
Romania	89.4	138.6	167
USSR	3549	3902	4200
TELEVISION SETS (Thousands)			
Czechoslovakia	17.2	133.5	262.9
East Germany	39	180	290
Poland	..	57.1	171.3
Hungary	.01	37.0	139.8
Romania	..	..	..
Bulgaria	..	..	6
USSR	194.7	979.3	1700
WASHING MACHINES (Thousands)			
Czechoslovakia	205.9	312.8	217.5
East Germany	18.4	49.8	132.5
Poland	28.1	225	540.1
Hungary	12.5	128	144.3
Romania	..	13.6	38.1
Bulgaria	195.4	538.7	953
USSR			
REFRIGERATORS (Thousands)			
Czechoslovakia	30.6	79.9	132.4
East Germany	17.3	53.4	138.6
Poland	3.4	23.4	37.7
Hungary	..	.8	8.7
Romania	.01	5.4	10.4
Bulgaria	..	..	..
USSR	224.0	359.6	529
SEWING MACHINES (Thousands)			
Czechoslovakia	78.1	108.9	135.1
East Germany	214.7	223.3	261.8
Poland	56.9	162.7	213
Hungary	46.1	..	..
Romania	10.0	49.0	52.6
Bulgaria	..	..	..
USSR	1914	2686	3100
VACUUM CLEANERS (Thousands)			
Czechoslovakia	122	188.7	175.9
East Germany	163.3	244.3	326.1
Poland	6.7	73.1	123.0
Hungary	..	10.9	23.0
Romania	..	..	..
Bulgaria	..	..	..
USSR	174.7	245.2	367.5

PRODUCTION OF DURABLE CONSUMER GOODS IN EASTERN EUROPE (CONTD.)

	1955	1958	1960
PASSENGER CARS (Thousands)			
Czechoslovakia	12.5	43.4	56.2
East Germany	22.2	38.4	52.7
Poland	4.0	11.5	12.9
Hungary	..	..	..
Romania	.1	.08	.09
Bulgaria	..	..	..
USSR	108	122	139
MOTORCYCLES & SCOOTERS (Thousands)			
Czechoslovakia	95.8	163.7	191.3
East Germany	61.1	81.2	87.0
Poland	30.1	84.9	150.4
Hungary	16.5	55.8	57.5
Romania	..	..	..
Bulgaria	..	..	5.8
USSR	297	400	499.7
BICYCLES (Thousands)			
Czechoslovakia	293.9	315.9	317.4
East Germany	723.8	591.5	611.4
Poland	166.7	309.7	496.1
Hungary	229.8	249.7	254.6
Romania	35.5	100	243
Bulgaria	..	72	75
USSR	3120	3651	3275

PRODUCTION OF NON-DURABLE CONSUMER GOODS IN EASTERN EUROPE

	1955	1958	1959
Woven Cotton Fabrics			
Bulgaria** (Million Metres)	132	170	299
Poland** (Million Metres)	568	609	651
Czechoslovakia** (Million Metres)	356	420	441
Germany, East** (Million Sq. Metres)	201	217	241
Hungary** (Million Sq. Metres)	234	218	227
Rumania** (Million Sq. Metres)	243	207	218
U.S.S.R.* (Million Metres)	5.905	5,790	6,148
Woven Woollen Fabrics			
Bulgaria (Million Metres)	11	14	19
Poland (Million Metres)	76	78	80
Czechoslovakia (Million Metres)	40	43	46
Hungary (Million Sq. Metres)	26	25	25
Rumania (Million Sq. Metres)	31	28	28
U.S.S.R.** (Million Metres)	252	303	328
Cotton Yarn		('000 Metric Tons)	
Bulgaria*	30.2	36.3	46.8
Czechoslovakia**	76.2	94.5	98.2
Germany East**	63.1	64.2	66.9
Hungary**	47.2	46.4	48.0
Poland**	115.3	134.6	146.3
Rumania**	45.6	47.1	48.2
U.S.S.R.*	1,038.1	1.062.8	1,124.0
Woollen Yarn		('000 Metric Tons)	
Bulgaria*	9.4	11.7	15.6
Czechoslovakia*	32.2	37.2	38.5
Germany East*	19.5	25.7	31.0
Hungary**	13.4	13.1	13.0
Poland**	52.0	56.5	58.6
Rumania	17.7	17.5	17.1
U.S.S.R.*	167.5	201.4	212.4
Paper (Other Than Newsprint)		('000 Metric Tons)	
Bulgaria	43	47	..
Czechoslovakia	311	365	394
Germany East	343	399	427

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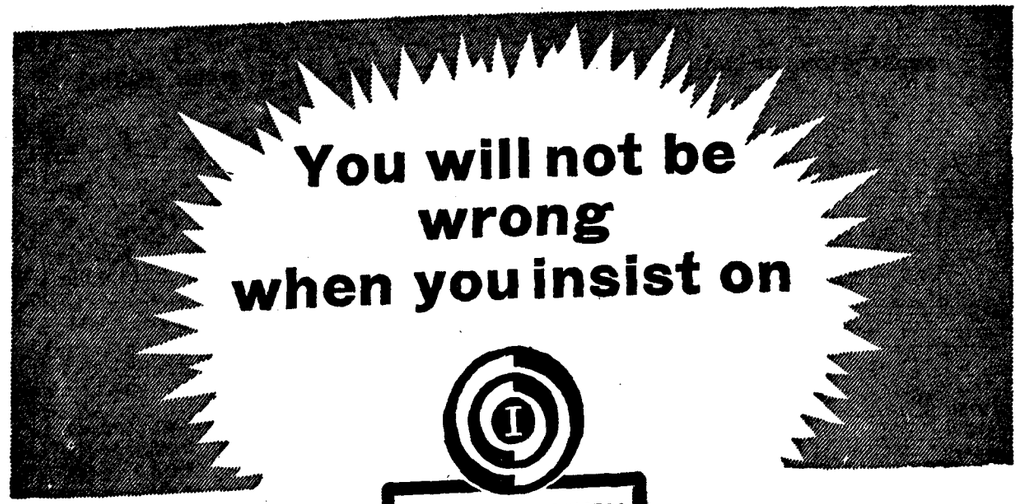
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PRODUCTION OF NON-DURABLE CONSUMER GOODS IN EASTERN EUROPE (CONTD.)

	1955	1958	1959
Hungary	76	81	93
Poland	316	361	382
Rumania	70	78	86
USSR	1,502	1,848	1,926
Cigarettes		(In Millions)	
Bulgaria	8,860	11,771	14,973
Czechoslovakia	16,136	17,695	17.648
Germany East	17,811	17,091	17,944
Hungary	13,517	14,954	14,886
Poland	37,468	45,424	47,781
Rumania	17,300	22,200	17,600
USSR	198,200	232,000	..
	1958-59	**1959-60**	**1960-61**
Beet Sugar (Raw Value)		('000 Metric Tons)	
Bulgaria	130	173	240
Czechoslovakia	946	733	1150
Germany East	933	633	000
Hungary	299	392	484
Poland	1,217	994	1,533
Rumania	186	363	360
USSR	6,333	6,100	7,100

*Pure.
**Pure and Mixed.

PRODUCTION OF NON-DURABLE CONSUMER GOODS IN WESTERN EUROPE

	Sugar* ('000 Metric Tons)			Paper** ('000 Metric Tons)			Cigarettes (In Million)		
	1955	1958	1959	1955	1958	1959	1955	1958	1959
Austria	199	271	296	272	288	308	7,212	8 949	9.164
Belgium	381	457	222	216	226	241	9,693	11.478	11 375
Denmark	275	383	260	114	117	..	4,485	5,189	5,635
Finland	24	38	47	478	540	635	5,704	5,107	5,434
France	1,595	1.565	1.054	1,029	1,357	1,460	37,382	46,413	42,326
Germany, West	1,298	1,763	1,534	1,622	1,931	2,072	44.911	54,969	53 098
Italy	1,171	1,119	1,389	566	687	795	38,728	45 681	46,995
Netherlands	416	575	499	318	403	462	11,300	11,783	11.571
Spain	311	387	501	163	218	238	15.555	23,095	25.735
Sweden	287	296	285	894	966	1,057	5.097	6.122	6 136
Switzerland	32	37	37	190	217	233	8,387	9 625	9,838
United Kingdom	698	623	930	1,795	1,844	1,914	..	121.149	..
Yugoslavia	117	180	234	57	90	97	16,000	17,800	18.500
India*	1,728	1,992	2,701	190	265	350	23,658	30,619	40,422

* For India the production figures relate to the years 1955-56, 1958-59 and 1960-61.

PRODUCTION OF NON-DURABLE CONSUMER GOODS IN WESTERN EUROPE

	Unit	Woven Cotton Fabrics 1955	1958	1959	Woven Woollen Fabrics 1955	1958	1959	Woven Rayon and Acetate Fabrics 1955	1958	1959
Austria (b)	'000 metric tons	15.1	17.6	16.7	5.9	4.6	4.6	2.21m	1.90m	1.81m
Belgium (b)	,,	74.1	67.2	74.7	28.5	27.4	29.2	7.03	8.44	9.03
Denmark (b)	,,	5.2	5.7	6.2	3.1	2.9	2.5	1.06	1.01	..
Finland (b)	,,	10.5	10.4	12.2	5.5	4.3	4.6	0.59a	0.84a	0.66a
West Germany (b)	,,	259.0	273.5	274.3	71.7	63.9	67.1	..	..	..
France (b)	,,	184.0	222.0	215.0	69.8	76.6	71.3	23.5m	26.4m	25.8m
Italy (a)	,,	101.1	114.4	120.4	—	—	—	88 mil.m2)	109 mil.m2)	—
Norway (b)	,,	3.8	4.1	—	4.2	3.2	—	0.63	0.46	—
Sweden (b)	,,	23.0	23.5	22.2	11.0	10.5	10.1	7.05a	6.39a	8.87a
U.K. (a)	'000 metres	1,629	1,307	1,223	343 mil.m2)	292 mil.m2)	305 mil.m2)	552	471	463
Yugoslavia (b)	100 sq. metres	174	219	229	26	33	38	12.33	15.87	16.53
India*	Mil. metres	4,665**	4,500**	4,649**	13.7 mil.m2)	16.3 mil.m2)	13.3 mil.m2)	222.0† mil.m2)	300.0† mil.m2)	378.0† mil.m2)

* For India the production figures relate to the years 1955-56, 1958-59 and 1960-61.
† Refers to calendar years 1955, 1958 and 1960.
** Mill made only. a. Pure. b. Pure and mixed. m. Mixed.

NUMBER OF RADIOS, TELEVISION SETS & TELEPHONES IN USE

(In thousands)

	Radios* 1948	1958	1959	Television sets* 1957	1959	Telephones 1948	1958	1959
Austria	1,106	1,874	1,929	16	112	351	615	653
Belgium	1,058	2,409	2,477	250‡	392	602	1,032	1,079
Denmark	1,057	1,449	1,489	113	337	644	978	1,019
Filand	630	1,140	1,181	5	32	304	545	571
France	6,104	10,646	10,793	683	1,368	2,232	3,704	4,085
Germany West	7,299	15,263	15,900	1,220	3,375	1,856	5,090†	5,516†
Italy	2,205	6,122	6,014	674	1,573	1,014	2,988	3,331
Netherlands	1,615	2,998	3,077	239	530	633	1,402	1,501
Norway	654	997	997	0.3	3.5	406	672	694
Switzerland	866	1,350	1,388	31	79	795	1,475	1,562
United Kingdom	11,460	14 753	14,945	7,761	10,114	4,871	7,469	7,790
Yugoslavia	252	1,088	1,310	4.0**	12	101	216	236
India	282	1,560	1,604	..	..	126	367	427

† Including Saar.
* Licenses issued.
** Relates to 1956.
‡ Number of receivers in use.

NUMBER OF RADIO AND TELEVISION SETS

(Per thousand inhabitants)

	Radio Sets 1953	1959	Television Sets 1959
Eastern Europe			
East Germany	265.3	338.6	36.6
Czechoslovakia	208.7	252.8	38.3
Hungary	112.5	211.2	5.3
U.S.S.R.	—	190.0	16.9
Poland	84.2	168.5	8.1
Bulgaria	60.6	159.7	.2
Romania	15.3 (1)	100.8	1.2

	Radio Sets 1953	1959	Television Sets 1959
Western Europe			
Sweden	323.1	355.6 (2)	80.8
Norway	266.2	280.3	1.0
United Kingdom	260 8	286.5	193.9
West Germany	248.0	301.2	63.9
Austria	233.3	273.7	15.9
Belgium	212.2	272.1	43.1
France	196.2	239.3	30.3
Italy	103.4	122.6	32.1
Yugoslavia	24.8	71.0	.7
India	2.2	3.8	..

1. 1948 2. 1958.
NOTE: The number of sets were based upon the number of licenses issued.

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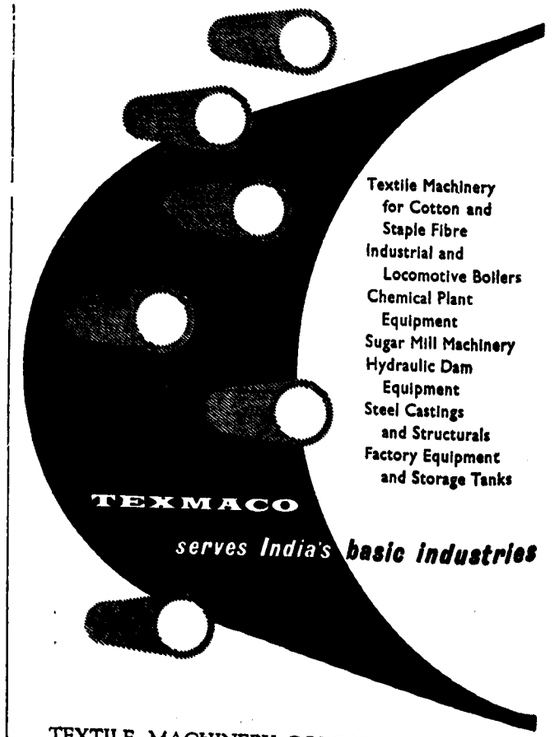
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TEXTILE MACHINERY CORPORATION LTD.

TXC 34A

RAYON — PER CAPITA CONSUMPTION

((Kilograms)

Country & Region	1950	1951	1952	1953	1954	1955	1956	1957
Western Europe	1.7	1.7	1.7	1.7	1.9	2.0	2.1	2.1
Western Germany	3.1	3.1	3.0	2.0	3.1	3.3	3.4	3.3
United Kingdom	2.3	2.3	2.4	2.5	2.9	3.0	3.1	3.0
Austria	2.8	2.9	2.9	2.6	2.6	2.8	2.9	2.9
Sweden	2.4	2.2	2.2	1.9	2.1	2.1	2.2	2.3(b)
Norway	1.6	1.6	1.8	1.8	2.2	2.2	2.2	21.(b)
Belgium-Luxembourg	1.6	1.5	1.5	1.4	1.6	1.8	2.1	2.0
Netherlands	1.7	1.6	1.7	1.7	2.0	2.1	2.1	1.9
Finland	1.3	1.5	1.6	1.7	1.8	2.0	1.9	1.9
France	1.4	1.4	1.5	1.4	1.5	1.6	1.7	1.9
Iceland	1.0	1.2	1.9	2.2	2.5	2.1	1.9	1.7(b)
Spain	0.8	0.9	1.0	1.2	1.4	1.6	1.7	1.6
Italy	1.1	1.1	1.1	1.0	1.1	1.3	1.4	1.6
Malta	0.8	0.9	1.0	1.0	1.2	1.3	1.5	1.5(b)
Denmark	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3(b)
Portugal	0.3	0.4	0.6	0.7	0.9	1.0	1.2	1.3
Switzerland	1.0	1.0	0.9	0.8	0.8	0.9	1.1	1.3
Greece	0.4	0.4	0.4	0.6	0.7	0.9	1.0	1.1
Ireland	0.8	0.8	0.9	0.9	1.0	1.0	1.0	1.0
Yugoslavia	0.4	0.4	0.4	0.4	0.5	0.7	0.8	0.8
India	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1(a)
Eastern Europe & USSR	0.6	0.7	0.9	1.0	1.1	1.3	1.4	1.5
Eastern Germany	4.4	5.2	5.5	6.0	6.2	6.4	6.5	6.9
Czechoslovakia	2.5	2.6	2.8	2.9	3.1	3.2	3.3	3.4
Poland	1.1	1.2	1.3	1.5	1.8	1.9	2.0	2.2
Hungary	0.4	0.5	0.4	0.5	0.7	0.9	1.2	1.4
Bulgaria	..	0.1	0.1	0.2	0.3	0.6	1.0	1.2
USSR	0.2	0.2	0.3	0.4	0.5	0.7	0.8	1.0
Rumania	0.1	0.2	0.3	0.3	0.5	0.5	0.6	0.6

(a) Relates to 1959.
(b) Average of two years (1956 and 1957) only.

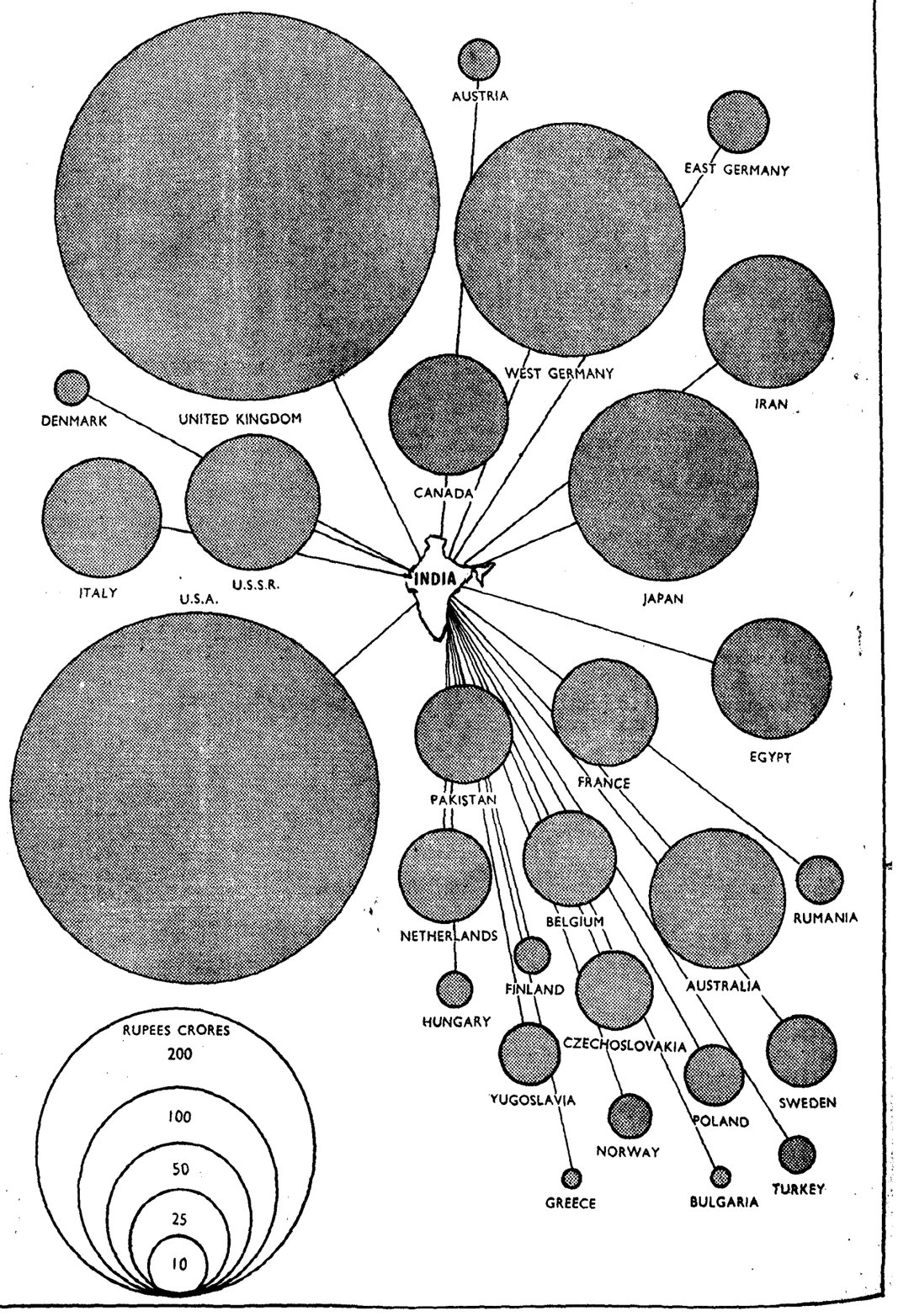
PER CAPITA FIBER CONSUMPTION
(All fibres)

(In Kilograms)

Region and Country	1950	1951	1952	1953	1954	1955	1956	1957
Western Europe	7.5	7.4	7.3	7.4	7.8	8.1	8.5	8.7
United Kingdom	11.9	11.0	10.5	10.5	11.6	11.9	12.0	11.7
West Germany	8.3	8.6	8.9	9.2	10.0	10.7	11.4	11.5
Switzerland	9.1	9.5	9.2	8.9	9.5	10.0	10.9	11.0
Netherlands	10.9	9.7	8.7	8.8	10.2	10.7	11.3	10.9
Sweden	11.4	10.3	10.0	9.2	9.9	9.8	10.1	10.3
Belgium-Luxembourg	9.9	9.2	8.4	8.1	8.5	8.9	9.7	9.7
France	8.1	8.1	8.1	8.0	8.3	8.7	9.2	9.7
Iceland	6.1	6.1	7.9	8.4	9.6	9.5	9.4	9.6
Finland	7.3	8.2	8.0	8.3	8.4	9.3	9.3	9.4
Norway	10.1	9.8	9.5	8.8	9.2	9.2	9.0	9.1
Austria	6.6	6.6	6.4	6.2	6.8	7.4	8.1	8.2
Denmark	9.0	9.0	8.5	8.2	8.2	7.9	7.8	8.1
Italy	5.1	5.1	5.2	5.4	5.4	5.6	5.8	6.3
Greece	4.6	4.7	4.9	4.9	5.1	5.1	5.4	5.7
Spain	3.3	3.4	3.7	4.2	4.5	4.9	5.3	5.7
Ireland	5.1	4.6	4.7	4.7	5.3	5.1	5.1	5.2
Portugal	3.6	3.8	4.1	4.5	4.7	4.8	5.0	4.9
Yugoslavia	3.4	3.1	2.8	2.5	2.6	3.0	3.5	3.8
Malta and Gozo	2.6	2.7	2.7	2.6	2.7	2.9	3.1	3.0
India	1.8	1.8	2.0	2.1	2.2	2.2	2.3	2.55*
Eastern Europe and U.S.S.R.	4.8	5.3	5.7	6.1	6.6	6.9	7.2	7.6
East Germany	6.5	8.0	9.0	10.1	10.7	11.4	11.8	12.8
Czechoslovakia	7.5	7.5	7.4	7.6	8.1	8.4	8.8	9.1
U.S.S.R.	4.8	5.3	5.7	6.2	6.5	7.0	7.4	7.8
Bulgaria	3.3	3.8	4.3	4.7	5.0	5.2	5.8	6.0
Hungary	3.8	4.3	4.5	4.8	4.9	4.7	4.9	5.1
Rumania	3.1	3.4	3.7	4.0	4.2	4.2	4.1	4.1

Relates to 1960.

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METALIMPEX
Budapest 62, P.O.B. 330.
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MINERALIMPEX
Budapest 62, P.O.B. 130.
Export/import of Mining and Mineral Oil Products, Refractory Materials.
NIKEX
Budapest 4, P.O.B. 103.
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GANZ-MAVAG
Locomotive and Railway Carriage Manufacturers and Mech. Engineers.
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METRIMPEX
Budapest 62, P.O.B. 202.
Instruments for electric and electronic measuring, for industry and research, for medicine and nuclear science, etc.
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Budapest 62, P.O.B. 249.
Dumpers, Trucks, Buses, Electric-service Benches.
PANNONIA
Budapest 62, P.O.B. 354.
Motorcycles, Sewing Machines, Steel-tubes, Electrodes, Fittings.
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Radios, Microwave Equipment, Vacuum Flasks, Lenses.
MEDICOR
Budapest 4, P.O.B. 225.
X-Ray Apparata f. Industry and Medicine.
TRANSELEKTRO
Budapest 62, P.O.B. 377.
High/Low voltage Electric Equipment, Cables, Transformers, Electric Motors.
UNITED INCANDESCENT LAMPS AND EL. CO.
Budapest 4, Vaci ut 77.
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GANZ METER FACTORY
Budapest 53, P.O.B. 172.
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CHEMOLIMPEX
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MEDIMPEX
Budapest 502, P.O.B. 34.
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ARTEX
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THE TRADE REPRESENTATIVE OF THE HUNGARIAN PEOPLE'S REPUBLIC IN NEW DELHI

and Trade Commissioners in Bombay and Calcutta.

TABLE TRD—I.

EUROPE'S TRADE WITH THE REST OF THE WORLD
(In million U.S. dollars)

	1950	1955	1960
IMPORTS c.i.f.			
I. **Western Europe**	25,030	40,160	56,860
(a) ***Common Market***	11,210	19,280	29,590
of which: France	3,030	4,739	6,281
Germany, West	2,697	5,793	10,103
Italy	1,488	2,711	4,721
(b) **E.F.T.A.**	11,550	17,520	22,780
of which: United Kingdom	7,035	10,483	12,433
Denmark	858	1,178	1,802
Norway	679	1,090	1,461
Sweden	1,182	1,997	2,876
Switzerland	1,047	1,489	2,243
(c) ***Other Western Europe***	2,230	3,360	4,490
of which: Finland	388	769	1,060
Ireland	447	582	634
Yugoslavia	279	441	826
II. **Eastern Europe**		3,061	5,630
of which: U.S.S.R.	..	1,053	1,816
Czechoslovakia	..	554	960
Hungary	..	932	1,495
Poland	663	384	648
Rumania	..		
EXPORTS f.o.b.			
Western Europe ..	20,430	34,470	51,230
(a) **Common Market**	9,290	18,370	29,730
of which: France	3,037	4,912	6,864
Germany, West	1,976	6,135	11,415
Italy ..	1,209	1,857	3,650
(b) **E.F.T.A.**	9,620	13,760	18,210
of which: United Kingdom ..	6,048	8,054	9,955
Denmark	665	1,057	1,486
Norway ..	390	633	880
Sweden ..	1,103	1,726	2,567
Switzerland	903	1,307	1,880
(c). **Other Western Europe**	1,520	2,340	3,290
of which: Finland	392	788	989
Ireland	204	310	427
Yugoslavia	159	257	566
II. **Eastern Europe**		3,469	5,563
of which: U.S.S.R. ..		1,176	1,929
Czechoslovakia ..		601	866
Hungary ..		913	1,326
Poland 630		391	717
Rumania ..			

TABLE TRD—II.

INDIA'S TRADE WITH EUROPE
IMPORTS
(Rs. Lakhs)

	1958-59	1959-60	1960-61
I. **Western Europe**	354,68	414,28	441,12
(a) **E.E.C.**	166,11	191,12	195,29
of which: Germany, West	90,12	116,52	124,08
(b) **E.F.T.A.**			
(i) U.K.	158,63	194,30	211,61
(ii) Other than U.K.	27,10	25,79	29,90
(iii) Total (i+ii)	185,73	220,09	241,51
(c) Other Western Europe	2,85	3,08	4,33
II. **Eastern Europe**			
(a) U.S.S.R.	17,21	17,19	15,21
(b) Other East European countries	13,59	18,24	28,14
(c) Total (a+b)	30,80	35,43	43,35
III. Imports from Western and Eastern European countries	385,48	449,71	484,47
Total Imports from all countries	856,17	960,77	1070,16
EXPORTS			
I. **Western Europe**	219,35	246,35	240,10
(a) **E.E.C.**	39,20	49,97	51,77
of which: Germany, West	14,64	20,64	18,96
(b) **E.F.T.A.**			
(i) U.K.	164,23	178,85	172,61
(ii) Other than U.K.	5,92	6,81	6,01
(iii) Total (i+ii)	170,15	185,66	178,62
(c) Other Western Europe	9,99	10,73	9,70
II. **Eastern Europe**			
(a) U.S.S.R.	25,91	30,38	28,84
(b) Other East European countries	8,35	18,70	20,53
(c) Total (a+b)	34,26	49,08	49,37
III. Exports to Western and Eastern European countries	253,61	295,43	289,47
Total Exports to all countries	568,97	639,65	642,79

TABLE TRD—IV.

PER CAPITA FOREIGN TRADE IN 1960

(Selected Countries)

(In U.S. dollars)

	Mid-year Population (In millions)	Per Capita Imports	Per Capita Exports	Per Capita Total Trade
I. **Western Europe**				
Germany, West	53.37	189.32	213.86	403.18
France	45.54	137.92	150.92	288.64
Italy	49.37	95.62	73.92	169.55
Denmark	4.58	393.45	324.23	717.68
Sweden	7.48	384.46	343.16	727.62
Switzerland	5.30	423.19	354.70	777.89
United Kingdom	52.38	237.36	190.05	427.41
Yugoslavia	18.66	44.32	30.39	74.70
II. **India**	433.6	4.39	3.15	7.54
III. **Eastern Europe**				
U.S.S.R.	214.40	26.26	25.95	52.20
Czechoslovakia	13.65	133.04	141.32	274.36
Hungary	10.00	96.00	86.60	182.60
Poland	29.70	50.32	44.63	94.95
Rumania	18.40	22.82	25.25	48.06
Germany, East*	17.30	110.86	122.65	233.51
Bulgaria*	7.80	74.48	60.25	134.74

Relates to 1959.

THE COMPOSITION OF INDIA'S IMPORTS FROM THE COMMUNIST COUNTRIES

(Rs. Lakhs)

Group/Year	USSR	Czechoslovakia	Poland	Germany, Eastern	Hungary	Rumania	Bulgaria
1. Chemicals							
1957	13.97	34.54	20.67	34.41	5.75	0.85	8.80
1959	105.96	19.83	34.14	106.18	6.90	26.66	21.09
1960 (Jan.-June) ..	69.91	42.24	8.56	20.07	3.92	23.32	11.62
2. Paper & Paper Board							
1957	61.70	5.70	2.59	6.13	—	—	—
1959	128.93	8.79	36.53	2.13	—	17.75	—
1960 (Jan.-June) ..	53.21	7.70	18.68	3.67	—	2.19	—
3. Non-Metallic Manufactures							
1957	46.33	30.87	4.80	1.79	0.14	36.39	0.01
1959	10.85	14.26	5.24	6.91	0.04	0.93	—
1960 (Jan.-June) ..	0.14	9.80	0.48	4.87	—	—	—
4. Base Metals							
1957	1923.75	226.88	386.15	0.30	9.74	—	0.08
1959	1265.73	20.64	52.37	0.05	47.60	10.91	—
1960(Jan.-June) ..	299.88	17.94	15.22	0.01	7.60	11.42	..
5. Manufactures of Metals							
1957	73.45	28.60	20.94	2.88	23.24	—	—
1959	8.26	8.31	15.27	2.01	81.99	26.39	—
1960 (Jan.-June) ..	31.68	6.08	2.55	2.24	1.76	4.54	—
6. Machinery & Transport Equipment							
1957	115.22	243.62	44.71	8.62	24.56	2.54	3.52
1959	116.50	278.50	241.70	96.38	66.41	29.40	3.73
1960 (Jan.-June) ..	62.16	231.65	66.75	44.55	27.75	53.54	0.48
7. Total							
1957	2268.20	615.26	487.66	71.22	76.93	52.29	12.51
1959	1665.46	372.30	401.70	313.55	239.43	131.59	24.96
1960 (Jan.-June) ..	543.13	342.66	122.38	128.53	69.66	101.86	12.53

THE COMPOSITION OF INDIA'S EXPORTS TO THE COMMUNIST COUNTRIES

(Rs. Lakhs)

Group/Year	USSR	Czechoslovakia	Poland	Germany, Eastern	Hungary	Rumania	Bulgaria
1. Food							
1957	783.46	10.14	22.04	77.38	1.94	8.72	1.92
1959	1339.27	35.52	275.58	171.49	8.79	20.89	3.67
1960 (Jan.-June) ..	619.81	23.44	91.86	204.08	7.59	26.95	4.42
2. Beverages & Tobacco							
1957	49.91	5.08	—	—	—	—	—
1959	73.01	0.72	—	—	—	—	—
3. Crude Materials (Inedible except fuels)							
1957	516.09	322.87	88.14	29.82	26.39	4.11	0.04
1959	918.60	371.47	74.14	50.53	54.04	61.25	9.79
1960 (Jan.-June) ..	516.68	311.82	64.13	50.16	32.31	46.79	4.78
4. Oils and fats (Animal and Vegetables)							
1957	83.68	21.57	—	6.59	—	38.17	—
1959	92.42	—	—	3.94	—	106.11	—
1960 (Jan.-June) ..	30.86	2.72	6.33	3.38	—	—	—
5. Manufactured Goods							
1957	164.93	7.49	2.23	8.50	—	—	—
1959	448.26	7.40	7.04	7.85	9.15	9.38	10.52
1960 (Jan.-June) ..	281.26	0.44	2.69	5.07	0.51	0.01	4.23
6. Footwear							
1957	115.92	—	—	—	—	—	—
1959	127.91	—	—	12.89	—	—	—
1960 (Jan.-June) ..	51.19	—	—	26.41	—	—	0.95
7. Total							
1957	1753.17	378.05	115.65	135.85	29.73	51.81	1.99
1959	3032.72	422.11	359.02	249.68	73.34	201.71	24.06
1960 (Jan.-June) ..	1505.11	348.61	166.90	294.00	40.65	77.74	14.40

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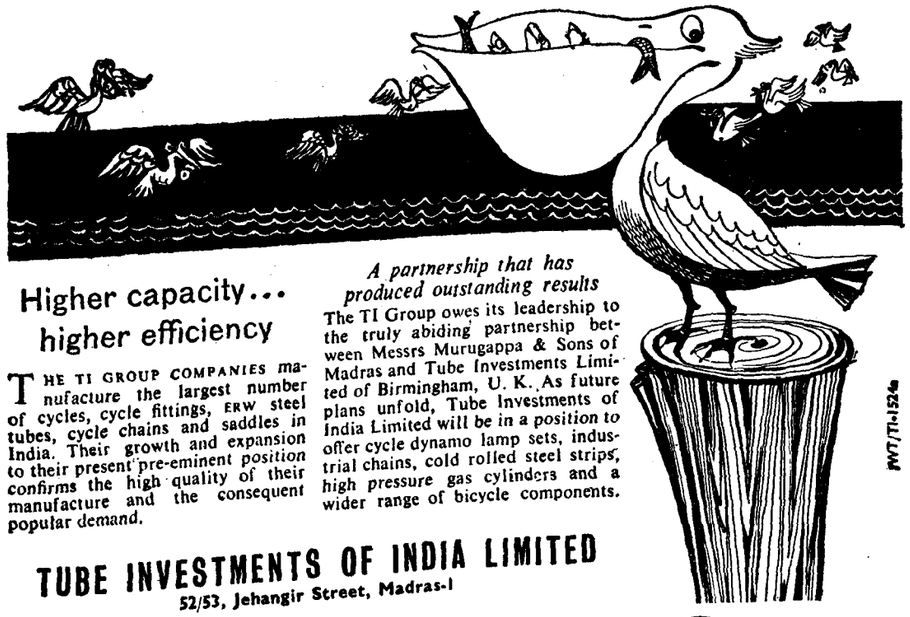
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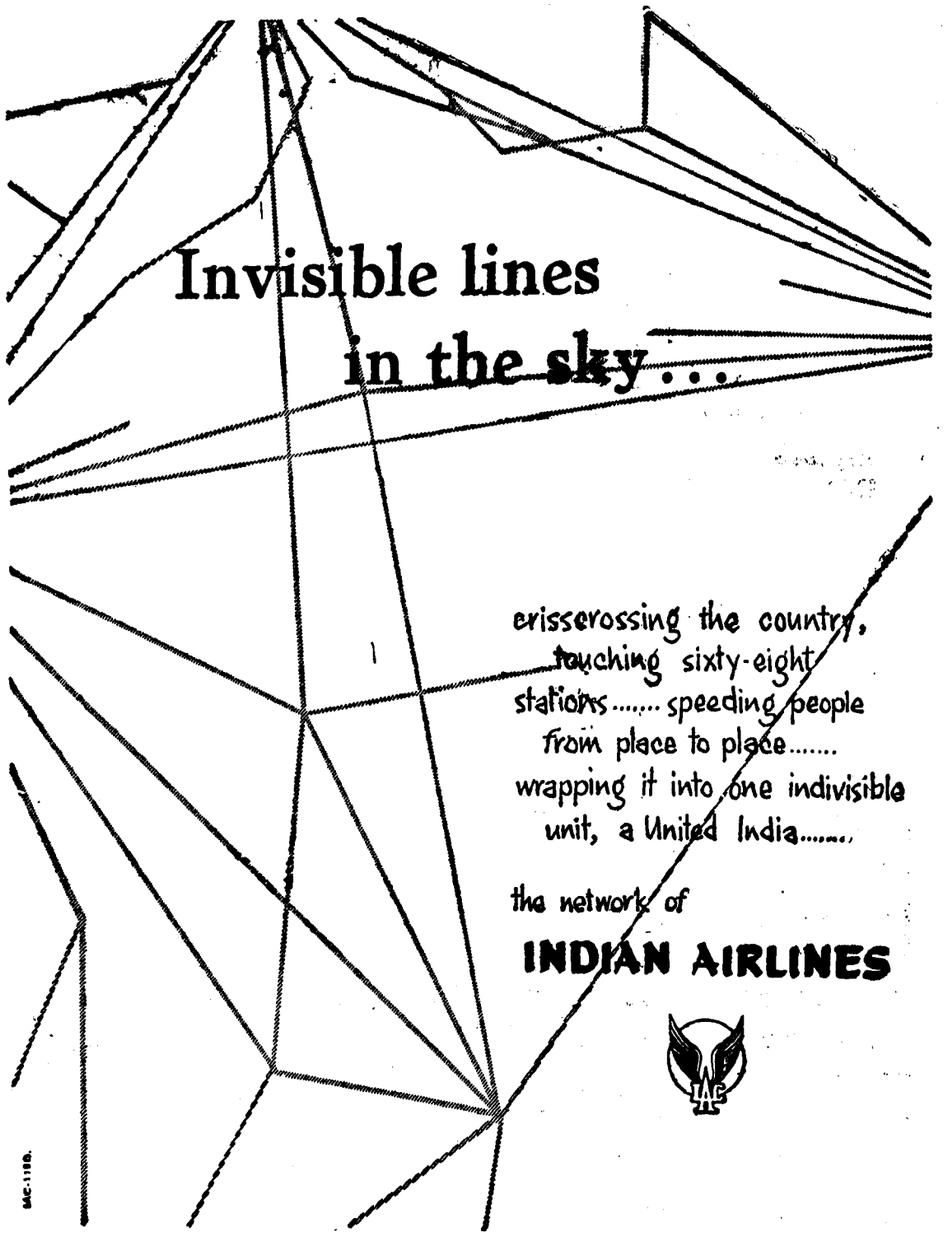
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Transport—India and Europe

THE CHALLENGE OF TECHNOLOGY

THE problem of evolving an integrated structure of transport, incorporating its various forms, old and new, raises many common issues of policy in India as well as Europe. In the treatment of this Annual Number, the two parts of Europe — Western and Eastern — have been taken as separate entities for the very obvious reason of the economic systems which govern them. Following this broad treatment, it would be nearer the truth to say that there is a greater element of similarity of issues of transport policy between India and Western Europe than between India and Eastern Europe or the Soviet Union in particular. In Western Europe, with its decades of intensive exploitation of economic resources and relatively high density of population, the traditional modes of transport have come to acquire a place in the overall transport structure which can be changed for adaptation to the new requirements of the economies by progressive modifications alone. The pace of transformation cannot be forced by artificial direction of resources. This is also true in a substantial measure in the case of India. The Soviet Union, however, stands in a somewhat different situation. It inherited a ramshackle structure of transport from the Czarist regime and the spectacular tempo of economic development which it acquired after the Revolution made it a matter of top priority that transport should be given a place among objects of the highest priority. The existence of a mediaeval system of transport, in a sense, facilitated the task of the new Soviet rulers to lay the broad foundations of precisely a system of transport of their choice. It is remarkable to note how Soviet transport has developed and progressed in a spectacular manner that has hardly any parallel elsewhere in the world. But this freedom of choice to pursue an imaginative policy of transport, without the hindrances of inheritance, makes the Soviet model somewhat different for our guidance from the model in Western Europe.

This distinction notwithstanding, there is a fundamental principle of policy to be derived from the experience of Western Europe as well as of the Soviet Union. It is that if continuous progress in the development of transport is to be sustained in order to enable the economies to maintain their dynamic vitality, that progress must assimilate the fruits of technology. One of the problems which transport, whether in Western or Eastern Europe, is repeatedly called upon to meet is to face the new challenges of technology in maintaining a reasonable degree of co-ordination between its different forms, Co-ordination is not something which can be achieved finally at any definite point in the evolution of transport. In this sense it is an elusive goal as experience everywhere demonstrates. Technological changes shift the balance and the relative weights of the different modes and the essence of co-ordination lies in trying to catch up with technological progress. Air transport in the Jet Age and pipeline communications have thrown up such a challenge in both the halves of Europe. Additionally, motor transport has flung another challenge in Western Europe, but not in the Soviet Union. Of India it may be said that the real challenge in the coming decades emanates from road transport. Air transport is a matter of relatively lower priority in any under-developed country.

INDIA: LACK OF POLICY

A policy for transport did not pose any mentionable issues of principles during India's First Five-Year Plan, since that period was fully occupied with completing the unfinished task of the post-war reconstruction of rail transport, in the first instance, and road transport, in the next. Development in the real sense started only with the Second Plan. There is no evidence in the scheme of the Second Plan to prove that the transport programmes were conceived on the basis of any policy. The traditional pattern of the railways predominating the transport system was practically taken as unchangeable and road transport in particular was put under the restraints which were necessary only in a bygone period of ruinous competition. Shipping, however, got a relatively better deal than roads, coastal shipping was reserved for Indian bottoms and a debut was made in the distant oceans. Transport development without the basis of any rational policy in the Second Five-Year Plan has passed on a difficult legacy to the Third Plan. During the Second Plan, acute transport shortages, like acute shortages of power, retarded the progress of production and, on a few occasions, even brought it to a virtual standstill in certain areas. It was quite obvious that the main cause of the recurring crises lay in putting an excessive pressure on rail transport, which was quite out of proportion to even its expanded capacity to bear. The error once committed in not assigning proper magnitudes to road and shipping could not be rectified at a late stage primarily because expansion of transport facilities requires a fair period of gestation and also because the available resources were already committed in other sectors. It is surprising that the moral of the transport crisis in the Second Plan has been lost on our planners.

In the Third Plan, it is anybody's guess as to the demand which will be made on the rail transport capacity by freight traffic. The freight target for the Third Plan has been fixed at 245 million originating tons. Now, an originating ton is anything but a scientific measure of the demand which the load of traffic will create for transport capacity. The real yardstick is expressed in terms of ton-miles which is conspicuously absent in the railway plan. It is true that in order to arrive at the ton-mile target there must be a workable basis provided by the anticipated average lead of traffic and this has been somewhat difficult to estimate for the reason that the locational pattern of the industries, which will be the primary users of transport, is yet far from clear and some of the projects included in the Third Plan may not reach the stage of starting production. But some reasonable guess could have been made and the ton-mile target could have been fixed in tentative terms which was the best that could be done. During the Second Plan the average lead of railway freight traffic increased from 292 miles to 354 miles. It would not have been wide of the mark to presume that, in view of a large number of factories and other industrial establishments to be dispersed beyond the areas of conventional concentration, the average lead of railway freight traffic in the Third Plan would be in the neighbourhood of 400 miles. On this rough assumption the target for the Third Plan comes to 98,000 million ton-miles. This is to be compared with the level of 54,700 million ton-miles achieved at the end of the Second Plan. Railway transport has thus to provide a massive increase of about 80 per cent in its carrying capacity. The allocation of Rs. 1,325 crores for railway expansion in this Plan has been made without reference to the ton-mile target. No surprises need be felt if the economy comes face to face with recurring bottlenecks on the railways.

AD HOC PLANNING

Road transport has been held firmly at its subordinate position and it has been given a parsimonious allocation of Rs. 297 crores. There is another significant factor in the planning of transport policy. The Committee on Transport Policy and Co-ordination was appointed late in the Second Plan and it is at least largely true that its genesis is to be found in the rival

claims put up by the Railway Ministry for co-ordination-cum-restriction of road transport and by the Transport Ministry for dismantling the shackles on motor transport. This Committee tendered its preliminary report sufficiently in advance of the emergence of the final version of the Third Plan. But the final version is practically the same as the Draft Outline of the Third Plan, from which it is obvious that the Committee's report was not availed of even for a preliminary modification of policy. When the final Report will be ready, the Planning Commission and the National Development Council will be confronted with the stiff problem of being unable to make any substantial changes in the overall transport plan. All that may be attempted with some heroic effort and determination, provided they are shown, is to make some minor modifications. A pragmatic approach and not an approach grounded in well-conceived policy is to shape the development of transport in the Third Plan. This situation can hardly be remedied. But it is to be presumed that at least in the Third Plan the main co-ordinates of an integrated policy will be evolved. In this undoubtedly difficult task, rather continuous process, the experiences of Western Europe and the Soviet Union can provide much useful guidance.

WEST EUROPEAN PROBLEM

A brief review of the post-war developments in transport in Western Europe markedly brings out the fact that France and West Germany have made the most spectacular strides in rail transport in the region. In the other countries, the development and density of traffic ranged at varying but lower levels. In 1957, the freight traffic carried by the French railways reached the peak level of 54 billion ton-kilometres and in Germany 52 billion ton-kilometres. But in terms of per capita volume of rail freight traffic, Sweden came on top with 1,413 ton kilometres, France next with 1,216 ton-kilometres, Austria and Germany 1,000 ton-kilometres, while at the lowest rung were Portugal 87 ton-kilometres and Greece 43 ton-kilometres. In Western Europe inland waterways have always assumed a position of relatively high importance. In the post-war period inland navigation received attention, but not on the same scale as bestowed on other and particularly the new forms.

The greatest dilemma of a reasonably co-ordinated development of transport has been posed by the forceful emergence of road transport. The automobile industry has received a powerful stimulus in the wake of economic growth generating higher incomes and creating demands for cars and trucks for private owners and individual industrial enterprises, apart from operators for hire. Indeed, the growth of motor transport has become phenomenal and a very serious challenge has been thrown to the railways. But one factor of profound importance in Western Europe has made it difficult to give the required acceleration to the change in the relative weights of rail and road transport. The density of population, concentration of industries in and around the old cities and towns, the comparatively narrow scope for changing this pattern have given railway transport an element of inevitable importance which is not strictly justified by considerations of economic operation.

FINANCIAL DILEMMA

As in India, in Western Europe, too, railway transport is operated on the mixed principle of a public utility-cum-commercial undertaking. This is quite manifest in the structure of freight rates. It is not necessary to go into the details commodity-wise, but the preference shown for assigning low rates to the staple raw materials and semi-manufactures essential for industry and for low cost in the transport of farm products is to be seen in Western Europe as in India. In many of the smaller or inadequately developed countries of Europe rating policy was and is used as an instrument of industrial protection. Exports also receive in some cases a positive stimulus from rebates on freight rates.

To point out these pecularities is not to argue that these trends in policy were not rational. The point of emphasis is that the situation in which their origin was justified has ceased to exist, railway transport also has ceased to be the primarily indispensable mode of transport and the continuance of the conventional financial structure has already begun to operate as a drag on the railway system. In 1957, among the railways of the West European countries, the railways in Belgium, Denmark, France and Switzerland showed a net profit. The Swedish railways balanced their account, while the railways in all the remaining countries, by and large, incurred losses of varying magnitudes. If there had been a dynamic display of courageous change in policy while the post-war boom was on and the price charged for rail transport service had been raised reasonably, Western European railways would not have found themselves in financial straits. Meantime, motor transport is making its competitive strength and efficiency felt more and more keenly in spite of a brief span of operation. Indian railways have not reached the stage of getting into the morass of heavy losses, but their war-time and immediate post-war financial buoyancy is on the wane. The European parallel, therefore, is a source of much useful lesson.

MODERNISATION

The transformation of the transport system, whether in Western Europe or in India, does not mean relegating the railways to a subordinate position far too below the emerging forms of transport. Railways will always retain their basic value as a suitable mode for long distance and heavy traffic in bulk as well as a convenient mode of movement of goods of lesser bulk but higher utility to the community. Nonetheless, the point has been reached at which railways do require to be assigned a lower priority in the sphere of future expansion of overall transport. The very fact that the railway systems will retain their vital place in the general structure of transport makes it a matter of compelling necessity that they must be modernised in order to cope with the demand of adjustment to new transport situations. This is now well-recognized in each country and modernisation of railways has been given a top priority in the expansion programmes.

Steam traction is being replaced by electric and diesel locomotives and wherever possible gas-turbine engines are contemplated to be introduced progressively. But the scope for the last type of traction is limited in Western Europe in contrast with the Soviet Union. The rolling stock is being rapidly modernised with acquisition of high capacity equipment and the other directions in which progress is proceeding are improvement of track and terminal facilities. This is not all. One of the short cuts to tide over the financial dilemma is to dismantle railway lines where their operation is uneconomic in the extreme and the economy of the areas will not suffer since motor transport will step in vigorously. Railway rates are being readjusted and the commercial complexion of the railway enterprise is being more and more conspicuously recognized in contrast with the traditional principle of operating it also as a public utility.

EUROPEAN ECONOMIC INTEGRATION

The parallelism between the rail transport problem of Western Europe and that of India can be pursued up to the point of tiding over the acute weakness of the railway system vis-a-vis road transport by an energetic resort to the modernisation of the railways deeply root-

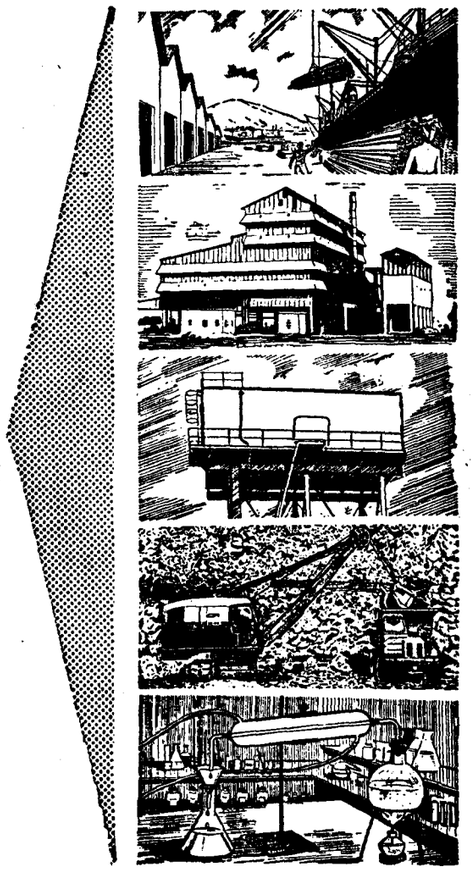
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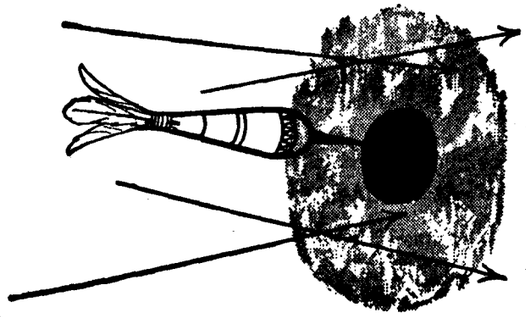
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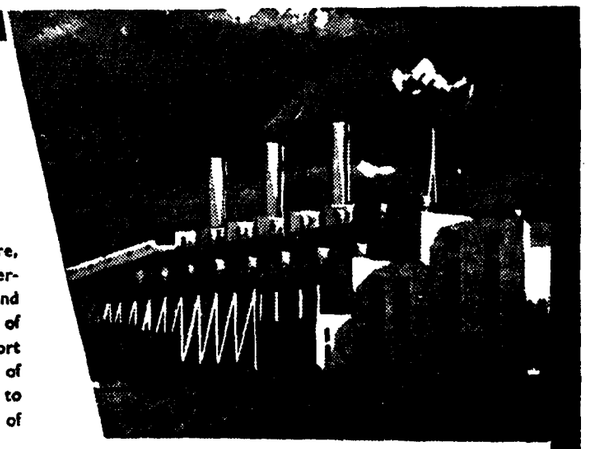
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ed in the opportunities of progress offered by technological changes. But it is hardly justifiable to pursue it further with reference to the radical reorientation which is being given to the railway transport policies in Western Europe in the achievement of the European Economic Community. It is elementary knowledge that the integration of the different national transport systems is a vital link in the overall economic integration of Western Europe. One of the worst handicaps from which the Western European railways suffered was the division of the sub-continent into small nation states, each struggling to hold its own by means of discriminatory policies against neighbours, the impact of whose economic competition was hard to bear. The bold and imaginative experiment of economic integration, based on the subordination of national sovereignties and a dynamic market heading rapidly towards mass consumption, has brought a unique opportunity to solve the problem of the revitalisation and modernisation of the railway systems of the region. The process of the merger of the former princely States with the Indian Union brought some measure of economic integration and in its wake conspicuously came the integration of the multiplicity of the railway systems in the Indian sub-continent. However, the benefits of the economies of large-scale operation which are theoretically supposed to ensue from integration, were not realised in the case of the integration of the Indian railways. The causes of this failure and the distinction between the character of the Indian integration on a modest scale and that of the European economic integration will need brief elaboration later, when we turn to the prospect before the Indian railways.

The European Coal and Steel Community gave the initial push to the reorientation of rail transport policies relating to freight rates. The smooth operation of trans-frontier train services was the first requisite in the movement of traffic created by the coal and steel industries. It was essential that the flow of coal, iron ore, manganese, scrap and steel should be uninhibited by national restrictive policies followed for generations in self-defence. "Through" train services for trans-border transport were not difficult to secure nor novel, but what was urgently needed was the introduction of "through rates". This meant, in plain words, that all barriers of discriminating rates should be removed and uniform rates on a tapering basis should be prescribed for the traffic. Along with this came the abolition of frontier charges, which are somewhat analogous to our terminal charges. The acceleration which this innovation gave to the Community's traffic was so full of future potential benefit that even the non-member countries like Austria and Switzerland became parties to the new "through rate" system.

TOWARDS LOWER RATES

Apart from this through service and rate system, there has emerged another arrangement to overcome the hurdles created by narrow national restrictions. Trans-frontier rail movements in Western Europe were a common feature of intra-continental trade, but they involved a return of rolling stock and the inevitable transhipment of goods, which prolonged transport time and enhanced its cost. The EUROP agreement was signed by the Western European countries in 1953 in pursuance of which a common pool of locos and wagons was created to eliminate handing back at border points. This pooling arrangement necessitated the adoption of standardisation of stock. To speed up the establishment of the pool on an increasing scale, acquisition of new equipment was necessary, but many of the railways could ill afford to make this investment without strain on their finances. The Council of Europe, acting on the motion of the Ministers for Transport, established the EUROFIMA—a specialised inter-continental bank to advance credit for the purchase of the individual member countries' quotas of equipment for the pool. When the political irritants between India and Pakistan will be wiped out and geographic factors will stimulate economic co-operation, this trans-frontier rail arrangement will be useful to us.

The pace at which the European Economic Community is forging ahead is to be seen from its impact on rail rates. The final aim, when economic integration is consummated, is to adopt a common transport policy. The first offensive which the Community is launching is on discriminatory practices against free trade inside its borders. Discriminatory national rail rates are a vital part of these practices and along with the progressive reduction of tariff barriers, they are on the schedule of elimination. This elimination is to be spread over a phased programme like the tariff rates, but finally discriminatory rates and uneconomic rates, which produce adverse effects on prices, will be wiped out. An important exception is to be made in the case of subsidies, which will be permitted to be retained, subject to the specific condition that they will be used only for the co-ordination of rail with other forms of transport. The economic integration of Europe, of which transport integration is an inseparable part, has promised to bring the boon of a downward trend in freight rates on the railways in the domestic sphere too, which, otherwise, would not have been feasible for several years. Indian railways are not placed in such an enviable position.

THE SOVIET RAIL SYSTEM

When the fact is highlighted that in 1960 the Soviet railways carried 80 per cent of the country's freight traffic and 75 per cent of its passenger traffic, the supreme importance of the rail system in the Soviet Union's structure of transport is vividly set out. The volume of traffic carried is no less spectacular. In 1959 the railways operated 1,429,500 million net ton-kilometres of freight traffic and 164,400 million passenger kilometres. The latter figure is to be considered in relation to the Union's thin population and long distances. The rest of the domestic surface traffic was distributed roughly in the proportions of 13 to 14 per cent for inland waterways and 6 to 7 per cent for road transport in the freight sector. In the passenger sector, however, the residual share of 25 per cent largely passes to motor transport. This relative allocation in inland surface transport is a matter of deliberate choice, partly influenced by climatic factors. The Soviet rulers of Russia had to labour under the critical handicap of having acquired an outmoded and poorly developed transport system. But with characteristic determination to overcome difficulties of any magnitude whatsoever, they built a transport network which would precisely subserve the type of economic development which they selected consistent with their ideology. The whole progress in rail transport, which was spread over a period of more than a century in Western Europe, had to be compressed in a short span of about four decades in Russia. The locational pattern of the Soviet heavy industry, the bulk in which freight is to be carried over long distances, the low density of population and the inexorable demands of climate over a greater part of the year dictated such a preponderance to rail transport over the other forms. It is extremely unlikely that this relative scale of importance in the overall transport structure will be modified substantially. The choice has been made from a long-range view and, although road transport will receive greater stimulation than heretofore, its subordinate place will not be altered. Russia has a great natural advantage in her inland waterways, but they are frozen for about half the year.

In two vital respects, the Soviet transport system stands in a unique position—planning and co-ordination. Planning in Russia is not an exercise in projections

based on estimates of developments which may or may not occur as anticipated, as in the case of a free or mixed economy, where the individual choice of decision finds ample scope for play. The State owns the enterprises and, in the final analysis, it is the predominant user of freight transport. Planning is thorough down to the detail and the regimentation of resources directed towards the fulfilment of targets normally rules out the margin of shortfalls. A centralised and ever-vigilant system of control and follow-up acts as a sharp corrective. Planning for the Russian railways is elaborate right up to the targets for individual stations and operations are conducted almost with clock-work regularity. Regimentation serves as an instrument to overcome the absence of the spur provided by competition in a free or mixed economy. There is another distinctive feature, which facilitates and perfects planning in the Soviet Union. Allocation of resources, financial and physical as well as human, can be made as first prescribed and carried out without lapses. Since the State is the real user of freight transport, distribution of traffic and its flow do not create upsets in co-ordination. In fact, the major co-ordination that is required to be carried out meticulously is to reserve rail capacity on the eve of the spring to carry goods to the river ports, so that no time would be wasted in the utilisation of inland waterways once they are free for navigation.

TECHNOLOGICAL IMPROVEMENT

It is in the sphere of the continuous search for technological improvement that India can emulate, within the limits of her capacity, the Soviet model. The central aim in the modernisation of equipment at any level on the Soviet railways is to adapt the system to techniques of superior qualitative performance. As has happened in France and West Germany, in the wake of post-war rehabilitation the Soviet railways have now a sizeable rolling stock which is young in age. More important than that, rationalisation has been incorporated in a degree which would otherwise have taken much longer time. India, too, enjoys this advantage in some measure. The Russians have evinced a great passion for technological advance as the new slogan now is to overtake American economic progress. But the tradition of science and technology in the Soviet Union dates much earlier. The Indian Railway Board's delegation which went to Europe in 1954 to study the Soviet railway system (as also the railway systems in eight Western European countries) has collected a fund of technical data and it is for the technician to determine the extent to which Russian devices can be incorporated in our system. A student of the economics of transport can draw inferences on broad outlines of policy.

The special tasks of the Soviet railways are that they have to cope with a long average lead in freight traffic (over 775 kilometres as against our 570 km. last year), high-powered engines and heavy freight train loads around 6,000 tons. It goes without saying that this performance depends on the sound condition of the permanent way. Automatic mechanical instruments are used (for instance, the flaw detector) to locate defective points calling for prompt repair. Automatic signalling (which Indian railways are also introducing) and other automatic installations direct traffic over sections of high congestion. Wagons are fast changing over from the screw couplings to the automatic central couplings which save shunting time and provide effec-

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tive control at track curves. But by far the most spectacular feature in the modernisation of equipment is the high-powered locomotives. Steam traction is being rapidly reduced, but even so continuous research is devoted to the analysis of water qualities in different regions for their suitability for steam generation. Already half the locos are either electric or diesel operated. The next move is to raise the proportion of electric engines at the cost of diesel ones, but in the arid regions the latter will stay. Russia has the supreme advantage of cheap electricity and diesel which constitutes the secret of her modernisation of locos. Now in the wake of technological change is coming a new type of greater tractive effort—the gas-turbine engine. More significant than the change of type of locomotive is the introduction of modernised components for the same stock. One of the outstanding achievements of Soviet railways is to secure the latest benefits of change without radical replacement of stock. New mechanism and devices are fitted into the old stock as far as practicable to raise operating efficiency. The largest measure of modernisation combined with the minimum of obsolescence is an innovation devised by the Russians.

INDIAN RAILWAYS: DYNAMISM

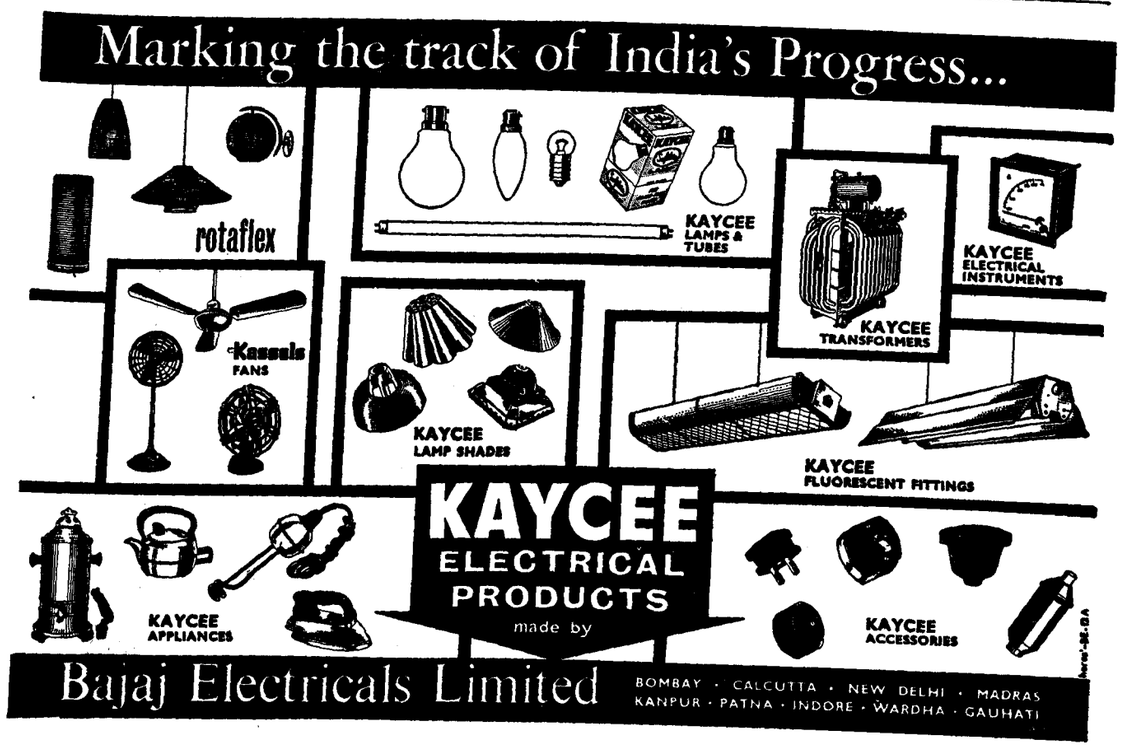
Over a century of their existence and particularly during the twentieth century, Indian railways have served as the backbone of the nation's transport system and have displayed their dynamism except during the brief spells of economic depression. They have met the challenges of phenomenal growth in the volume of traffic during the war and after. As India entered the phase of the planned development of her economy, they stood the test of the mounting pressures of traffic. This is not to overlook the intermittent shortages of transport capacity (many of which were very acute), but the support which they extended to the high tempo of economic activity is far more vital than their failures. Table TRNS — I in this Section traces the comparative trends in the growth of rail freight traffic, national income and the three basic sectors of production. The rail transport co-efficient of agricultural output (plus imports) is low as Table TRNS—II indicates. Making allowance for this fact, it will be seen from Table TRNS—I that the index of railway freight traffic (in ton miles) moved much faster during the first two five-year plan periods than the index of industrial and mineral production except during 1953-54 and 1954-55. A more accurate relationship usually traced is that between the growth of the national income and the growth of freight traffic. On this count, the impressive advances made by the freight traffic (ton-mile) index over the index of national income since the last year of the First Plan speak for the performance of the railways. A reservation, however, must be made in interpreting the trends set out in Table TRNS—I which is that the traffic moved is not equivalent to the traffic offering.

Another angle from which the key position of the railways in the overall transport system may be judged is to assess the rail transport co-efficient of sixteen selected commodities of importance in the economy. The details will be found in Table TRNS—II. Coal, cement, iron and steel, ores, tea, raw jute, raw cotton, cotton textiles, paper, sugar and salt lean very heavily on railway transport. The projections made by the Committee on Transport Policy and Co-ordination in this table for traffic trends in 1965-66 may be accepted as broadly realistic, but the same assumption cannot strictly be made about the projections in 1970-71. In absolute terms the volume of rail-borne traffic will keep on increasing at a modest rate, but not on the present massive scale in respect of many commodities for which motor transport can offer an efficient alternative. As stated at the outset, there is hardly any elbow room for a substantial modification in the transport policy of the Third Plan. Table TRNS—VII gives the consolidated transport load on the railways for the selected sixteen commodities. It makes the startling revelation that this load will be raised precipitately from 53.7 billion ton miles at the end of the Second Plan to 83.0 billion ton miles at the end of the Third Plan. The extreme strain which it is bound to exert on rail capacity is self-evident. But if economic growth is not to be inhibited by an irrational adherence to the traditional policy a shift must be envisaged for the Fourth Plan. We can ignore only at our peril the hard fact that the dynamism of our railways is now about to reach its plateau.

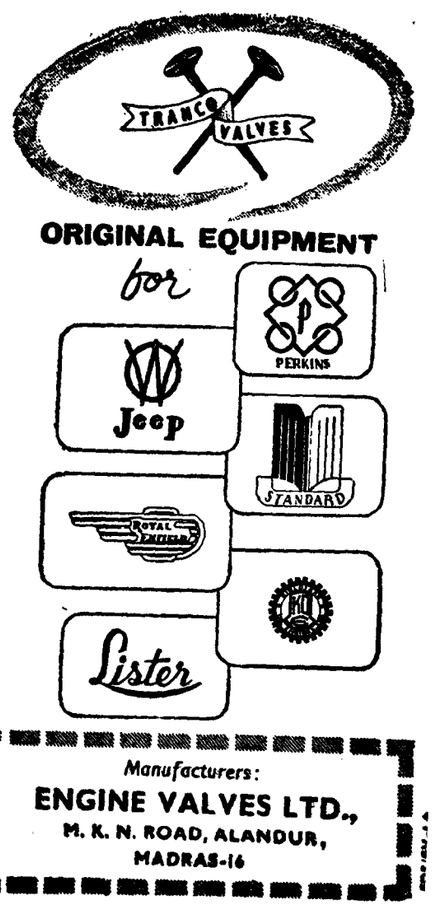
THE PROSPECT

It is not in India alone that this stage is being reached. In Western Europe and America it has already arrived. In Soviet transport alone the railways will retain their weightage around 80 per cent with minor fluctuations in the realm of domestic surface transport. The point of the flattening of the growth of the railways in India or elsewhere relates to the future expansion of overall transport capacity. It does not imply that there will be a retrograde change in their present size. The actual volume of traffic on the railways will increase within small margins, but projections for perspective planning (which is what is basically required for the infra-structure of the economy) ought to be worked on the assumption that in the relative scale their preponderance will tend to diminish. The superior competition of road transport in India, as in Western Europe, makes it necessary to revitalise their operating and financial efficiency. Transport policy must be directed to this task. A major plank in this policy will be, as stressed above, the modernisation of equipment. Already some degree of rationalisation has been achieved in the process of normal replacement and post-war reconstruction of the railways. But its pace needs to be accelerated. This principle is now being incorporated in Indian rail transport policy. Electrification of railways in India is proceeding slowly as it is not feasible to give it early priority. Dieselisation is restricted by the dearth of indigenous fuel and the pool of diesel engines which the railways have set up is primarily meant to serve as a standby. But the steam locos offer scope for acquisition of higher power. Automatic central coupling of wagons has been started with a small beginning and the special high capacity bogie wagons are pressed into service in the coal and steel belt. Automatic mechanism has got off to a similar slow start. But in spite of claims to the contrary, the permanent way is not receiving the direction of resources for its strengthening that is urgently called for. There is ample room to draw upon the modernisation programmes of the Western European and Russian railways. But the crux of the problem is that if technological change finally makes for economy in costs of operation, initially it involves heavy outlays.

The prospect for the Indian railways is thus bound up with their financial vigour. Its dissipation must be halted. International comparisons cannot be read too closely, but in broad terms they can be relied upon for generalisations. Table TRNS—III discloses that, among the West European countries included in it, it is only Spain above whom India ranks in respect of average earnings per ton-kilometre of traffic. India's average receipts of 0.666 cents per ton-kilometre in 1950 are surpassed by nearly 50 per cent by France and Austria which come immediately above her. If India's index of receipts rose to 118.0 in 1958 and stood next only after those of the UK and West Germany, it is subject to the important qualification that its base is very low. Table TRNS—IV which gives the corresponding index for passenger receipts has the same experience to repeat. In the first place, India's average receipts per passenger-kilometre rank last but one with 0.311 cents. Further, if the index rose to 119.0 in 1958 and stood at a



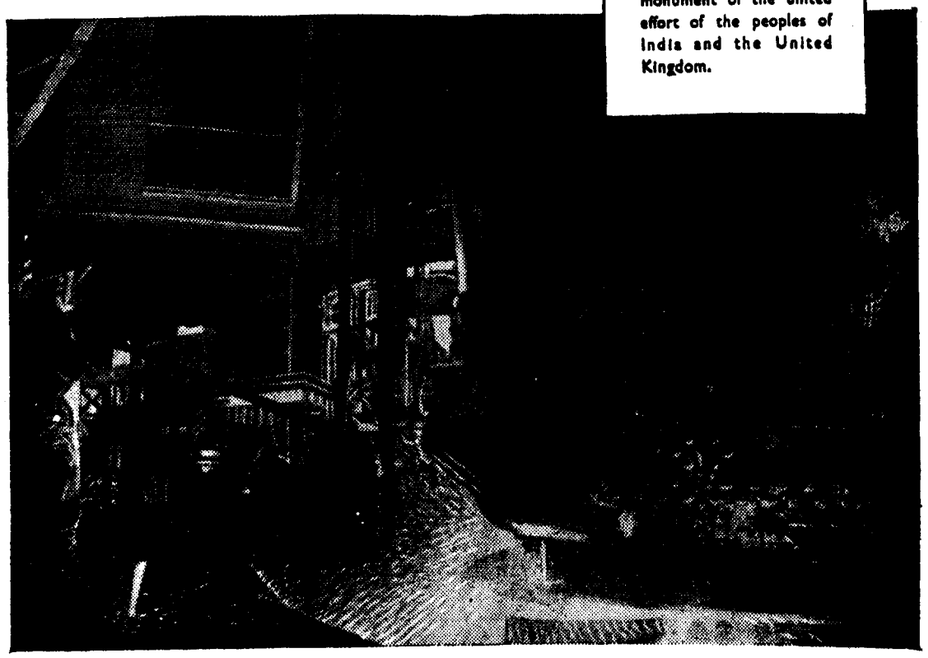




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much higher point than the indices of all the other countries except West Germany, it is the combined result of two factors—high density of passenger traffic and the comparatively lesser impact of motor transport rivalry than in Western Europe.

Table TRNS—V speaks eloquently for a root cause of the financial weakness of the Indian railways particularly against the background of heavy outlays on rapid expansion. Indian railway rates and fares are among the lowest in the world. They are not being adjusted reasonably to sustain rising operating costs, not to speak of providing for amortization. The index number of the average rate per ton mile (base pre-war year) rose to 202 in 1959-60 and in the case of passenger fares it reached a much lower point at 170, in conspicuous contrast with the rise in the general index of wholesale prices to 456. This directly reduces in a steep measure the real value of railway earnings. The increase in the index of the cost per employee to 304 in the same year need not be grudged in view of the spurt in the cost of living. But it is one of the gravest flaws in railway management that political sensitivity seriously undermines progressive norms of labour productivity.

Neither the Soviet nor the West European model provides a guide for the financial invigoration of our railways. Higher standards of discipline are enforced in the management of the Soviet railways and investment in development poses no problems. In Western Europe, economic integration is coming when the individual economies of most of the members of the EEC have gone through the stage of maturity and are about to enter the mass consumption phase. A bold experiment in this setting has enabled the EEC to contemplate policies of non-discriminating and lower freight rates. India has commenced her economic take-off, she is in the midst of a high cost expansion programme and therefore stands on quite a different plane. Development must be financed in a reasonable measure by the direct beneficiaries or else its incidence will shift to the community. There is a compelling necessity to discard the conservative policy of rates and fares. A levelling up of the charges for rail transport service is inescapable on the basis of a mixed principle of what the traffic can bear and competition will not nullify—a formula of selective pricing. This is also the essence of one of the oft-repeated suggestions made by the World Bank's technical teams in the course of their surveys of the Indian economy.

ROADS

THE AGE OF ROADS

THE ARRIVAL of the Age of Roads, whether in Western Europe or India, had a lukewarm reception. This was because railways had served the transport requirements so profoundly and they had come to acquire such a stake that they were considered entitled to a place of precedence, irrespective of the changing requirements of the pattern of transport. In Russia road transport even now occupies a very minor place and its assignment during all the four decades of Soviet rule has been to serve the needs of urban and semi-urban localities and the countryside where the railways have not penetrated. In Western Europe, as in India, the bias for the "immutable" precedence of railways was demonstrated in transport policy by the imposition of severe restrictions in the form of licensing and taxation of motor transport to suppress its competition. In spite of these inhibitions, motor transport asserted its intrinsic vigour and developed to acquire the position of growing importance in the overall transport system.

In Western Europe motor transport made the most impressive strides after World War II and this is in spite of the fact that its foundations were not allowed to be firmly laid during the inter-war period. This is demonstrated by the spectacular expansion in the ownership of motor vehicles. Between 1950 and 1957 the number of passenger cars in Western Europe increased by 153 per cent and reached a level of 15.6 million. The number of truck and buses rose by 71 per cent during the same period to attain a new peak of 4.9 million vehicles. Had it not been for the policy of restricted growth in catering to commercial traffic, there can be no doubt that the number of trucks and buses would have shot up at a much higher rate. Taking cars, trucks and buses together, Western Europe reached the aggregate stock of 21.5 million in 1958. At the top stood the United Kingdom with 5.5 million, France 5.2 million, Germany 4.2 million and Italy 1.6 million, whereas on the lowest rungs were Greece 61,000 and Iceland 18,000. Because of its mountainous terrain Greece offers a poor scope for the expansion of motor transport, whereas civil aviation predominates the pattern of transport in Iceland. Luxembourg's total vehicles stock of 35,000 is to be seen in the context of the small size and the relatively low density of traffic in that country. Another important angle from which the actual growth and future potential of motor transport could be assessed is the comparison in percentage terms between the number of private cars and the gross national product of the countries concerned. This is significantly seen in the case of Western Europe. Between 1950 and 1957 in a majority of the countries of this region the percentage increase in passenger cars was 4 to 5 times as great as the percentage increase in the gross national product of the countries. Details countrywise are not necessary in this context.

DEVELOPMENTS IN INDIA

Since India entered the era of planned development of her economy, the growth of motor transport and, of course, of the road mileage reveals the effects of suppressed expansion. Between 1950-51 and 1959-60 the total road mileage rose slowly from 399,930 kilometres to 482,154 kilometres (Table TRNS—X). Of these only 218,393 kilometres in 1959-60 were surface roads, whereas the length of unsurfaced roads was higher at 263,761 kilometres, which are described as motorable, but it is far from clear whether they are seasonal or all-weather roads. The parsimonious allocations of finance for road development can be inferred from the comparative trends in the annual revenue from road transport and expenditure on roads. The total annual revenue of the Centre and the States from roads increased from Rs. 47.26 crores in 1950-51 to Rs. 132.42 crores, whereas total expenditure on roads (including also expenditure on unmotorable roads) rose from Rs. 34.47 crores to Rs. 92.46 crores in the respective years. Theoretically it could be argued that the principle of applying the revenue proceeds of a certain sector of the economy to its development cannot be sustained as low revenue-bearing segments would suffer in that case. But this argument totally ignores the overriding consideration that basic services like transport and power stand in a separate class as they constitute the prerequisites of economic growth.

Table TRNS—X in this section sets out the detailed statistics about roads and motor transport. It is significant to note that the number of trucks increased from 81,888 in 1950-51 to 149,594 in 1959-60, showing an increase of 82 per cent, but by contrast the volume of freight traffic in ton-miles moved on the roads rose during this period by not less than 100 per cent. This performance is to be interpreted by bearing in mind the fact that motor transport has been hamstrung by restrictions of operating licences and handicaps of taxation which ranks among the highest in the

world. As in Western Europe, so in India, the potential of motor transport for growth and its rightful place in the new Age of Roads is self-evident.

ROAD - RAIL RIVALRY

Reading the trends in the development of railway transport and road transport in recent years, one cannot help considering them in the context of keen rivalry. It serves no purpose to adopt an ostrich-like attitude and to shut one's eyes to its existence. This atmosphere in which these two modes of transport are functioning must be changed and that change depends upon a new and rational view that ought to be taken of the concept of co-ordination. Co-ordination is not anything fixed and unchangeable, but the idea and the policy based on it ought to undergo periodical readjustments in response to the rapidly evolving new patterns of demand for transport. It is often argued that the volume of traffic in India is expanding at such a rate that there is ample scope for the growth of rail and road transport and the idea of rivalry should be substituted by the idea of their complimentary nature. This argument is plausible at best. When road transport is held at low levels by a conscious direction of policy, its plain consequence is to deny it the opportunities to provide newer and more efficient and economical services which the economy now requires. At the risk of repetition it must be stressed here that the primary importance of rail transport will be there, with this difference that, in view of the financial results of their working and the heavy outlays that are required for investment to extend their net-work, a fast increasing scope ought to be assigned to motor transport, which satisfies the ends of low investment and cheap as well as efficient service.

In spite of the fact that throughout the period of the Second Five-Year Plan the railway system of the nation revealed clear signs of severe strains and at times also cracks (it will be noted that coal could not be transported to the consuming ends of certain sections without diverting the wagons booked for other sections for the consumption requirements of railway locomotives), planning in the Third Plan has not seen its way to elevating road transport to a level, where substantial relief would be provided to the railways, on which a very heavy volume of traffic is contemplated to be thrown. In terms of the Third Plan targets, the share of freight that may be moved by roads has been kept low at about 25 per cent. In the passenger sector of traffic, road transport is asserting its own place, within the limits of its permissible operations, as will be seen from Table TRNS—VIII that between 1950-51 and 1960-61 the percentage share of motor transport increased from 25.8 to 40.5 as measured by passenger miles. This increase has taken place because of the fact that there is a pent-up demand and the allocation for railway development in the passenger sector admittedly faces the inescapable prospect of overcrowding in passenger trains.

Table TRNS—IX in this Section is significant from two angles. In the first place, it shows that the available capacity of railway transport is being so heavily taxed that users who would be loath to turn away from railway transport are switching over to truck transport. In the second place, it proves the capacity of motor transport to carry goods on a regular contract basis (analogous to scheduled services) over long distances in respect of a wide range of commodities. Two important illustrations there relate to two leading cotton textile mills in UP and Madras. Then there is the noteworthy case of the Cement Marketing Company of India which diverted as big a slice as 11.4 per cent in 1959 of its bulk traffic. Martin Burn Limited illustrate the case of diversion of engineering goods to trucks. In passing, reference must be made to the impressive reliance which the Aluminium Corporation of India found it imcumbent to place on truck transport.

REORIENTATION OF POLICY

The mounting pressure of goods traffic in particular and the point of upper limit which is practically being reached on the railways, their expansion notwithstanding, cry aloud for a rethinking on transport policy now that roads are bound to come into their own. The wheels of progress cannot be reversed nor can we put spokes in them and deceive ourselves that we are helping to regulate their speed. It is one of the fundamental defects of our planning in the Second and Third Plans that a blunt diregard has been shown to the basic dictum that provision of transport must be made on a more than adequate scale and at least a short time in advance before the demand for traffic materialises. The Government is clearly in a state of utter confusion of mind and as an escape it has sought refuge in the handy device of appointing committees of enquiry or investigation. This is too clear from its hesitancy to allocate a place of decisively rising importance to road transport. The Road Transport Reorganization Committee tendered comprehensive recommendations which would have served as useful guides for the formulation of a more balanced transport policy than what was followed heretofore. But the spokesman of the Railway Board on the Committee submitted a note of dissent challenging the Committee's recommendations which impinged on railway transport on the technical ground that they were not governed by the terms of reference.

Soon after the labours of this Committee were finished and railway finances were found to be in a tight corner, the Railway Ministry became apprehensive (perhaps, nervously) of the impact of the competition of road transport. While protestations were being made that the growing volume of traffic can absorb the capacity of rail as well as road transport, a new inquiry was demanded on the plea of a search for a new policy for overall transport and the co-ordination of its various forms. It is rather strange that the Committee on Transport Policy and Co-ordination was assigned a vague term of reference calling upon it to recommend policies for "five or ten years". It is obvious that the Government was not clear in its own mind whether it wanted a policy for the Third Plan or for the Third and Fourth Plans. This is to function on an ad hoc basis and to make a search not for a long-range policy but for expediency.

Transport like power in our planning must be based on a perspective view covering possibly the period of our economic take-off, which is likely to extend over 20 to 25 years starting with the Third Plan. The expansion of the railways ought now to proceed at a modest rate since the dilemma of their financial working is bound to become much more complex, if road transport is relegated to its conventional low level and development outlay is allocated for substantial expansion of the railways. The time has come when in the relative scale the positions of the two ought to be changed. This is not to ignore that the railways in that case will be exposed to greater competition in respect of several revenue-earning commodities of traffic. But a judicious system of partial reservation of spheres of traffic, combined with necessary quotas in the best revenue-earning categories, can be evolved to ensure that the financial interests of the railways are not injured. This process will need periodical adjustments. But in any event the major brunt of bearing the new or additional traffic cannot now be thrust on the railways.

INLAND WATERWAYS

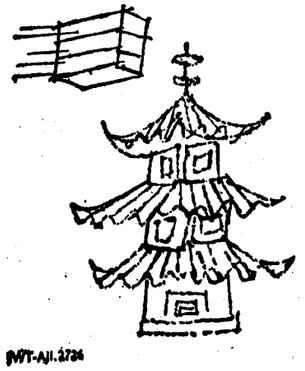
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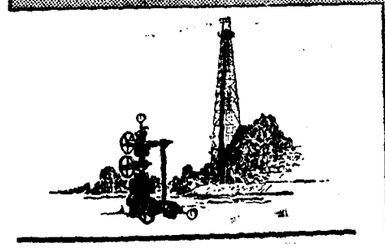
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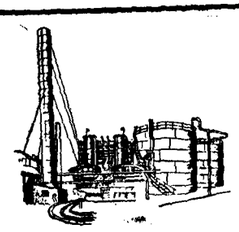
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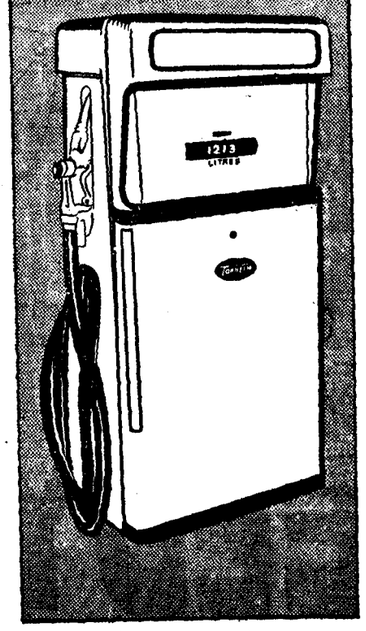
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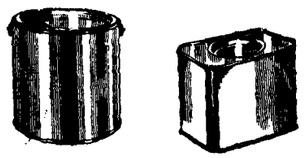
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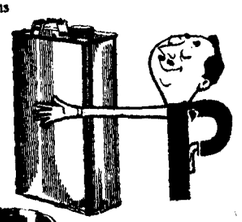


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it is radically different. There a well-knit system of waterways has been developed by linking the basins of all the navigable rivers into a deep water integrated system so that a wide range of cargo in heavy bulk—timber, ores, industrial raw materials, foodgrains, to mention the chief ones—can be carried cheaply over long distances without transhipment. The entire network of 88,000 miles of waterways consists of natural waterways except for about 6 per cent share that is claimed by canals and artificial reservoirs. But this extensive system is also hampered by Nature as the waterways are frozen for over 5 months in the year. This has given an added importance to the railways which are appropriating the major part of the increasing traffic. It is obvious that in spite of the future growth of inland navigation as well as roads, the dominant position of the railways in Soviet transport will remain unassailable, unlike in most other countries. The Russians have introduced modernisation to raise the productivity of their inland waterways by deepening and linking them and now the hydrofoil ships are being introduced.

With the exception of the UK, where inland waterborne traffic has undergone a steep decline in the post-war period, all over Western Europe vigorous programmes of the revival of inland navigation are under way. It promises to reassert much of its earlier importance in the transport system. The Rhine—providing an international waterway across 1,400 km. of distance—typifies the state of Western European waterways at its best. The average annual cargo that flows through this river has risen to 100 million tons and it includes a variety of freight from timber, which is common, to cattle and potatoes and in between come heavy or industrial goods like coal and automobiles. In 1957 the total cargo which passed Western Europe's navigable rivers and canals reached the level of 66,183 million ton-kilometres, out of which a little more than half was carried in West Germany, the Netherlands came next with 17,184 million ton-kilometres and lowest was Austria with 639 million ton-kilometres, if Switzerland, which is geographically least suited for this transport, is excluded. But it is the Netherlands with its nation-wide and imaginatively planned network of waterways which stands out as a model in the world. She has 21 kilo-metres of navigable waterways per 100 sq. kilometre of land area. Western Europe's inland waterways exemplify the significant role which inland navigation can be assigned in this industrial era. Between 1950 and 1955, over 50 per cent of the cargo traffic in this sector comprised freight for heavy industry. Belgium, France and West Germany have programmes of extensive development of inland waterways.

In India the traditional part played by inland navigation in the nation's overall transport was sacrificed and considerably eliminated in the interest of the railways in the last century. Since then waterways transport has rapidly dwindled to an insignificant role. What is needed is a bold programme of the resuscitation of many of the navigation routes across the rivers and particularly canals. Assam, West Bengal and Bihar rely substantially on inland navigation for cargo traffic. Between Calcutta and Assam the annual volume of traffic carried is 2.5 million tons of which 50 per cent is borne by inland waterways. In Orissa this mode is still of some importance and its revival is receiving greater attention. The Buckingham Canal in Andhra and Madras recalls its one-time importance as a transport highway. But it is Kerala in the South which has the most extensive network of waterways relatively to the land area. One could find an analogy here with the Netherlands. A link has been established between the inland waterways in Kerala and a majority of the minor ports as well as Cochin and they are studded all over with small or medium-sized industrial establishments. But no analogy can be complete.

A small beginning has been made to revive the waterways and the Ganga-Brahmaputra Board, jointly managed by the Centre, U.P., Bihar, West Bengal and Assam Governments, is running its management. It is administering a few waterways of about 100 miles in length and one of 200 miles. Country-craft are being modernised and co-operative waterways services are being encouraged. Among the multi-purpose river projects, it is on the Damodar that some attention is bestowed on navigation. The outlay on inland waterways in the Third Plan is raised to Rs. 7.5 crores, the earlier two plans having made a token provision of Rs. 1 crore together. Two years ago the Inland Waterways Committee prepared an elaborate scheme for restoring and constructing a wide network for navigation. The main hurdle is finance, but when it will be provided, cheap domestic transport will be available to supplement the other two internal surface modes—railways and roads. One difficulty posed is points of intersection between the waterways proposed by the Committee and the railways, apart from the fact that some waterways will be either parallel to or within short distances of the railway lines. Duplication must be ruled out except where the areas are poorly served by the railways.

SHIPPING

IT WAS only natural that the phenomenal growth of world trade in the post-war period should be accompanied by a similar rapid expansion in the world's merchant fleets. Only a few figures are necessary to bring out this simple fact. Between 1929 and 1938 the total world tonnage increased marginally from 66.4 million GRT to 66.9 million GRT. But from the latter level there was a steep rise to 84.6 million GRT in 1950 and another jump to 110.2 million GRT in 1957. However, the growth in the percentage share of the combined tonnage of the countries of Western Europe in the world merchant marine showed a reverse change.



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Western Europe's share in 1929 was 42.7 million GRT and in 1938 it was 42.3 million GRT. In these two years the percentage ratios of Western Europe's aggregate tonnage to the world tonnage were 64.2 per cent and 63.2 per cent respectively. But after the war there was a steep decline in the percentage share of Western Europe in the world total to 47.9 per cent in 1950 which recovered slightly to 49.8 per cent in 1957. This is explained by certain obvious factors. The USA emerged as a mighty partner in world trade in the post-war period and her merchant fleet also expanded tremendously. In the next place a number of maritime countries achieved political sovereignty and it was inevitable that they started expanding their national merchant navies. Furthermore, the expanding size of the merchant fleets of the Soviet Union and other Communist countries of East Europe also contributed to the decline in the majority share of Western Europe ranging in the neighbourhood of about two-thirds in the pre-war period.

Among the West European countries, six leading maritime powers are the United Kingdom, France, Italy, the Netherlands, Norway and Sweden. In absolute terms all of them increased their fleets in 1957 as compared to 1938. Even now the United Kingdom maintains its lead as the world's chief maritime nation. The United Kingdom's tonnage in 1957 was 19.9 million GRT and next among the countries came Norway with 8.5 million GRT, followed by the Netherlands, Italy, France whose tonnage was about half the size of that of Norway. Sweden's 3 million GRT is surely quite impressive for the size and the role she has traditionally played in the overseas carrying trade.

One of the most outstanding features of the growth of merchant shipping in the world is the top priority given to the acquisition of tankers. This development came in the wake of the insatiable demand of all the countries, developed or undeveloped, for consumption of oil fuels. It is important to recall that in the six countries the increase in the dry cargo tonnage and the passenger steamships in 1958 as compared to 1929 was only of the order of 0.5 million GRT, but during the same period the expansion of the tanker fleets took place by an increase of 300 per cent to 16.6 million GRT. Taking the six countries separately, the additions to their merchant fleets between 1947 and 1958 were of the order of 17 million GRT, out of which 66 per cent were accounted for by tanker tonnage. It is too premature to expect that nuclear-driven ships and submarine tankers and dry cargo ships would make their presence felt as normal competitors within the next 10 to 15 years. But their advance cannot be postponed much further. Fifteen years is a very short span in the history of world shipping. Its fierce implication is that this technological development will pose a very serious challenge to the developing countries which are, as the naked reality exists today, driven to a desperate struggle against odds created by the established nations in expanding their merchant marines.

In the Soviet Union very impressive strides were made in the expansion of the merchant navy since the Revolution. During the Czarist regime shipping operated on a very narrow plane, but today it occupies the second highest place in the Soviet Union's transport system. During World War II the merchant fleets of the Soviet Union were destroyed or badly damaged on a very substantial scale and rehabilitation was a task of immediate priority. Not only was rehabilitation completed within a short time but very substantial additions to the tonnage were made. The additions to the pre-war tonnage are of the order of 66 per cent. With the characteristic Soviet policy of introducing rationalisation every where, the ships which were constructed in the Soviet ship-yards either for replacement or new additions were of the most up-to-date modernised designs. They also possess high capacity and in the case of dry cargo vessels it ranges around 5,100 tons while the tankers have a capacity of 15,000 tons to 20,000 tons. Practically the whole of the Soviet merchant fleet is employed in the overseas trades while a small component is reserved for the coastal routes.

In India the way was clear for launching a programme of expansion of shipping after Independence. Already before the First Plan started coastal shipping was exclusively reserved for Indian bottoms in conformity with the universal practice among the maritime countries. Some measure of expansion came during the First Plan and the tonnage increased to only 4.81 lakh GRT primarily because the backlog of post-war rehabilitation had to be cleared on a relatively large scale. In the Second Plan an allocation of Rs. 53 crores was made for the development of shipping and the tonnage was nearly doubled to 9.05 lakh GRT. This, however, was quite a small achievement considering the extensive sea-board of the country and its enormously growing volume of trade in the wake of the five-year development plans of India's tonnage in her external trade is merely 8-9 per cent. In the Third Plan the National Shipping Board suggested a net target (after making allowance for replacements) of 14.2 lakh GRT, but on considerations of strict rationing of foreign exchange it was pruned to 11 lakh GRT. The capacity of the Hindustan Shipyard at Vishakhapatnam is throughout fully booked and the consequence is that a substantial part of the acquisition of tonnage has got to be procured from foreign countries. But it should not be presumed that constructing ships at Vishakhapatnam yard or making outright purchases from foreign shipyards makes much difference to the foreign exchange expenditure, because the indigenous component of ships built at Vishakhapatnam is small and of the order of about 20 per cent, while the engines and all the other important parts are imported and fitted into ships constructed at Vishakhapatnam. This fact is often ignored when the number of ships built at Vishakhapatnam is highlighted in discussions on shipping.

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India has made her debut in the field of tanker tonnage and in the Third Plan there is a provision for acquiring one coastal tanker of the capacity of 7,500 GRT for carrying the products processed at the refineries in India and three tankers of total tonnage of 53,000 GRT for plying the overseas trade. But, in effect, their operations will be completely absorbed by the transport of crude oil from the Middle-East to the refineries in India.

India's five major ports of Calcutta, Bombay, Madras, Vishakhapatnam and Cochin could not bear the rising pressure of traffic and further the first two had to take the additional load created by the diversion of India-bound cargo from Karachi consequent on partition. A major port was built at Kandla to fill the vacuum. Table TRNS—XI traces the trends in the traffic handled at the six major ports between 1950-51 and 1960-61. The last four years of the Second Plan are vital as the development programmes generated a sudden spurt in the demand for imports as well as in exports and for port facilities on an unprecedented scale. The traffic at Calcutta shows that the saturation point was being approached. Imports in Calcutta port declined from the 1957-58 level of 5.6 million metric tons in the next two years, but recovery in 1960-61 was short of the former peak year. Exports have a similar experience. In Bombay port there was, by and large, a progressive handling of the cargo except in 1958-59 which was the year when congestion in the two premier ports reached a high proportion due to the concentration of arrivals of foreign ships carrying imports for the plan projects.

The importance of Madras is due more to the sizeable imports than to exports. Incoming cargo in Vishakhapatnam rose steeply in the Second Plan by more than 150 per cent, while the port cleared a larger than its conventional share of exports partly due to ore exports to Japan. Cochin has a minor role to play. Kandla is demonstrating the extent to which it is relieving the pressure on Bombay and Calcutta of incoming ships from abroad. Imports in Kandla increased in the Second Plan nearly three-fold. The total cargo handled at the six major ports at the end of the Second Plan was 34.05 million metric tons, which is to be compared with the volume of 24.42 million metric tons at the end of the First Plan. During the Third Plan outlay is to be devoted to improving facilities at the major ports and completing the projects thrown forward from the Second Plan. As the capacity of these ports is now raised to 49 million tons together, and it is estimated to be adequate for the inward and outward cargoes, no additions to it are to be undertaken in the Third Plan.

CIVIL AVIATION

AVIATION DEVELOPED as a very potential defence arm during the last war and this key position which it acquired all of a sudden gave it a prominent place in the civil transport system of all the countries without any exception, whether industrialised or backward. For it was of the essence of defensive preparation that in normal peace times there should develop in each country a powerful network of airlines as a second line of defence. During the post war period whenever emergencies arose, civil aircraft have been switched over to defence purposes on the limited scale of requirements without any difficulty. A powerful network of civil airlines also helps to build up a potential force or pilots and other technicians. This is the root cause of the spectacular stimulus which civil aviation has received in the post-war period. Apart from this, there is also an important factor to reckon, namely, that the exigencies of business and its rapidly growing size necessitated vast expanding aviation services. Comparisons between the modest performance of the Western European airlines immediately after the end of the war and at the present time are not necessary because the phenomenal growth speaks for itself and, besides, what appears a mighty achievement today might dwindle into a small performance only in a matter of another decade or half.

The most important development which has taken place to strengthen the structure of the Western European airlines, apart from the efforts contributed by international civil aviation co-operation, is the trend towards integration. In fact, it is well-nigh impossible today to think in terms of the economic growth of Western Europe without thinking in terms of more and more intimate integration. In the wake of the establishment of the European Economic Community came the move for the merger of the airlines owned by four leading countries and the result was the unification into a single European airline of Sabena, Alitalia, Air France and Lufthansa. This integration is based on the pooling of aircraft, spares and equipment, common use of maintenance facilities and navigational aids, not to speak of common commercial management including convassing for business. This is no small advantage when it is considered that the arrival of the Jet Age, the compulsion to resort to obsolescence at a heavy financial cost and acquisition of jet or turbo-propelled aircraft at a still higher cost threaten to create extreme strains on the finances of the airlines. Integraion will reduce the size of the air fleets without any detriment to the carrying capacity. Parallel with his came another move of integration. It was the agreement between the Scandinavian Airlines System participated in by Norway, Sweden and Denmark (SAS), on the one hand, and Swissair, on the other. This agreement is not tantamount to a total merger of the physical stock and the capital funds, but it extends to the arrangement of pooling the jet fleets and a common arrangement for their maintenance and repair. Integration inevitably brings along with it standardisation not only of the equipment but also of the operating modes and the navigational facilities. To this end a common system of control of air transport in Europe is envisaged and it will operate under the name of Eurocontrol.

The most urgent need for the rationalisation in the field of civil aviation is the provision of long runways for the landing of jet planes. The whole system of navigational aids also will require a complete rehaul in order to place their use at the disposal of aircraft flying at abnormally high altitudes. Sabena (which is now a partner in the single airline of the Four referred to above) made history by introducing its international helicopter service which promises to expand inter-city travel on the Continent on a rapidly increasing scale. Coming to the question of inter-city travel, it would not be an exaggeration to say that Western European air travel partakes of a very powerful complexion of inter-city travel for the reason, that Western Europe is divided into such a number of States for its size, that even this travel may be regarded as inter-city travel within the borders of the Continent. The distances are so relatively short that they are a positive hindrance to the flying time as well as operating costs. In America, Russia, India, Brazil and China, long distances give air flights the true character of flights. But, by contrast air travel within Europe is not like flights but like taking hops at short intervals. This causes interruption and enhances costs. Air fares for inter-European travel will not be so cheap as in America or any other country with a large land mass. One outstanding pecularity about civil aviation in Europe relates to Iceland. This is a unique country where no form of transport except

air travel is normally suitable for domestic traffic. It will be certainly a revelation that even ordinary consignments like cattle and everyday provisions, not to speak of other bulk commodities, are transported even to the villages of Iceland by air transport.

In the Soviet Union, the Aeroflot has made impressive strides as in most of the countries in the post-war period. In the domestic sphere, too, civil aviation has expanded rapidly chiefly because the geographical factor favours the growth of internal air travel. The distances are long and therefore the operating costs as well as the waiting time tend to be lower. This enables the Soviet Government to reduce air fares which are now being put on a parity with the fares charged for first-class travel on the Soviet railways. The record progress made by Russia in space flight presupposes that here position in the normal air transport will remain outstanding.

In India, civil aviation has registered the same speedy progress as in most other developing countries which stand near about the level of her economic growth. The progress recorded after Independence can be gathered from the figures tabulated below:

	1948	1959	% increase in 1959 over 1948
KM flown (mill) ..	20,352	39,817	96
Passenger KM (mill)	283,772	938,730	231
Cargo ton KM (mill)	4,622	30,624	563
Mail ton KM (mill)	1,073	11,051	930

One of the difficulties which civil aviation in India has had to face throughout the post-war period is the balancing of revenue and expenditure. To start with, civil aviation was a private enterprise, but the domestic airlines especially demonstrated by their operations that nationalisation would solve the problem of bearing the financial burdens which the private investor cannot be expected to do. The experience over the years has shown that there is a limit also to the capacity of the State to cope with the burdens imposed by civil aviation. It was in 1959-60 that the state-owned Indian Airlines Corporation could manage to earn a small profit. Otherwise the record has been one of deficits. This is not the full part of the story. It would appear that for the time being at least a saturation point has been reached in the capacity of the Indian Airlines Corporation (which plies the internal routes) to cope with the pressure of genuine business demand for air travel. A pragmatic approach has been made to this problem and flexibility has been introduced in the policy to allow private airlines to ply the air services, whether domestic or international. Air India International, however, has a record of good operating performance, comparable with that of the external airlines of many other countries, and, besides, its financial management on the whole has been quite sound. As in other countries, so in India, the immediate problem posed is to provide extensive runways for the jet planes and also to provide navigational facilities for their high flights. Air India International has in its fleet 3 jet aircraft and one more is due to be delivered shortly. In the Third Plan, 4 more jets will be acquired raising the total strength of the jet component of the fleet to eight.

PIPELINES

THE LATEST addition to the forms of transport on national scales is pipeline communication. Practically everywhere the beginnings have been made, but what is of great significance is the future potential of this mode of transport with leaps and bounds in the demand for oil and oil product consumption. It is well to remember at the outset that pipelines are used not only for the export of fluid cargo but also of solid fuels like coal products. Western Europe has made a beginning in this field and action is being taken to meet the situation that will be created when coal will be substituted by oil fuels as well as by gas. The two countries which have made a great headway in pipeline construction in Western Europe are France and Germany. In France more than a million tons of petroleum products were transported by pipelines from Le Havre to Paris in 1957. The construction of the longest pipeline of Europe between a point on the Atlantic coast and another on the frontier between Germany and France was taken in hand in 1958. The first pipeline for carrying natural gas runs through France and the second major line is planned from Genoa to Switzerland and possibly to Germany. This pipeline acquires special significance in view of the fact that it will be the first trans-alpine pipeline and will solve many of the problems of transport to which barriers have been created by the Alps.

In Russia the construction of pipelines was retarded for the first few years after the end of the war only because of the urgent priority demanded by the railways and water transport and partly because of the insufficient availability of steel pipes. But during the last decade pipeline construction is being pursued with vigour and there has been a three-fold increase in the length of the lines and about 10½-time increase in the throughput.

The discovery of more oil resources in India and the promise of still more has made it possible for this country to add pipelines as a new form of transport to its network of communications. Two pipelines were taken up for construction, to begin with, from Assam to Nunmati and the other one to Barauni. The pipeline terminating at Nunmati refinery will extend over a length of 250 miles out of which about 30 miles remain to be laid, whereas the pipeline to Barauni covering a distance of 470 miles is expected to be completed in 1963. These two pipelines are intended for the transport of crude petroleum from the Assam Oilfields to the refineries at the two towns. During the period of the Third Plan two more pipelines are envisaged for carrying the processed oil products from the Barauni refinery to Calcutta and to Delhi, for it is the Barauni refinery which will market its products in the rest of the country excluding Assam.

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TABLE: TRNS II

INDIAN RAILWAYS

COMMODITY MOVEMENTS IN RELATION TO PRODUCTION : 1950-51—1970-71

(In '000 tons)

Commodity	1950-51	1955-56	1958-59	1960-61	1965-66	1970-71
1. Coal :						
Production ..	32,307	38,226	45,300	53,000	97,000	1,70,000
Rail movement ..	30,423 (94.2)	35,337 (92.4)	43,252 (95.9)	49,847 (94.05)	89,200 (92.0)	1,61,500 (95.0)
2. Cement :						
Production ..	2,613	4,487	6,062	7,750	13,000	20,000
Rail movement ..	2,432 (93.1)	3,956 (88.2)	5,012 (82.7)	6,752 (87.12)	11,050 (85.0)	16,000 (80.0)
3. Iron and Steel :						
Production and Imports ..	1,724	2,661	2,971	5,100*	8,400*	16,050*
Rail movement † ..	2,707 (157.0)	3,655 (137.5)	5,595 (188.3)	7,308 (143.3)	8,400 (100.0)	15,248 (95.0)
4. Metallic ores other than Manganese ore:						
Production ..	3,655	5,464	6,723	12,500	34,250	54,000
Rail movement ..	3,007 (82.3)	4,373 (80.0)	5,807 (86.4)	10,589 (83.19)	30,825 (90.0)	48,600 (90.0)
5. Manganese ore :						
Production ..	883	1,584	1,200	1,800	3,000	5,000
Rail movement ..	867 (98.2)	1,378 (87.0)	974 (81.2)	1,680 (93.35)	2,850 (95.0)	4,750 (95.0)
6. Foodgrains :						
Production and Imports ..	50,235	66,494	76,673	76,030*	97,000*	1,20,000*
Rail movement ..	7,682 (15.3)	9,044 (13.6)	11,945) (15.6)	11,298 (14.9)	14,550 (15.0)	12,000 (10.0)
7. Raw Jute :						
Production ..	586	712	925	944	1,246	1,339
Rail movement ..	463 (79.0)	512 (71.9)	728 (78.7)	802 (85.0)	1,059 (85.0)	1,071 (80.0)
8. Tea :						
Production ..	271	284	316	324	379	446
Rail movement ..	261 (96.3)	258 (90.8)	285 (90.2)	304 (93.9)	356 (94.0)	419 (94.0)
9. Paper and Paper Products:						
Production and Imports ..	215	324	332	360*	820*	1,500*
Rail movement ..	189 (88.1)	256 (79.0)	364 (109.6)	310 (86.2)	705 (86.0)	1,200 (80.0)
10. Jute manufactures :						
Production ..	839	1,027	1,062	1,100	1,100	1,400
Rail movement ..	267 (31.9)	290 (28.2)	261 (24.6)	277 (25.2)	275 (25.0)	280 (20.0)
11. Cotton Raw:						
Production and Imports ..	714	818	892	941*	1,198*	1,750*
Rail movement ..	517 (72.4)	739 (90.3)	541 (60.7)	709 (75.3)	899 (75.0)	1,225 (70 0)
12. Cotton Textiles :						
Production ..	498	715	727	745	871	1,125
Rail movement ..	465 (93.4)	548 (76.6)	430 (59.1)	470 (63.2)	523 (60.0)	619 (55.0)
13. Oilseeds :						
Production ..	5,076	5,643	6,919	6,992	9,200	13,000
Rail movement ..	1,570 (30.9)	1,766 (31.3)	1,497 (21.6)	1,890 (27.0)	2,484 (27.0)	2,600 (20.0)
14. Sugar :						
Production ..	1,037	1,615	1,918	2,450	3,500	4.000
Rail movement ..	983 (94.8)	1,336 (82.7)	1,382 (72.1)	1,847 (75.4)	2,625 (75.0)	2,800 (70.0)
15. Salt :						
Production ..	2,620	2,979	4,135	4,400	5 000	6.000
Rail movement ..	1,551 (59.2)	1,858 (62.4)	1,781 (43.1)	2,313 (52.6)	2,750 (55.0)	3,000 (50.0)
16. Vegetable Oils :						
Production ..	N.A.	505	559	740	1,271	2,200
Rail movement ..	N.A.	264 (52.3)	224 (40.0)	345 (46.6)	393 (47.0)	880 (40.0)

Note: Figures given in brackets are the percentages of the movement of commodities by rail to production.
† Includes machinery etc. * Excludes imports.
N.A. = Not available.

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TABLE: TRNS III

AVERAGE RECEIPTS PER TON — KILOMETRE

Country	Currency	Receipts in 1950		Indices*		
		In National Currency	In U.S. Cents	1950	1954	1958
1. United Kingdom	Penny	1.317	1.537	100	131	147
2. West Germany,	DM	0.057	1.425	100	114	121
3. France	Old Franc	4.641	0.940	100	113	92
4. Italy	Lira	7.139	1.142	100	98	116
5. Belgium	Franc	0.999	1.998	100	109	85
6. Luxembourg	Franc	1.539	3.078	100	112	111
7. Austria	Schilling	0.245	0.942	100	161	108
8. Spain	Peseta	0.390	0.650	100	88	86
9. India	Naya Paisa	3.17	0.666	100	111.4	118.0
			Actuals	(0.666)	(0.741)	(0.785)

* Indices adjusted by the index of wholesale prices.

TABLE: TRNS IV

AVERAGE RECEIPTS PER PASSENGER — KILOMETRE

Country	Currency	Receipts in 1950		Indices*		
		In National Currency	In U.S. Cents	1950	1954	1958
1. United Kingdom	Penny	0.788	0.919	100	86	82
2. West Germany	DM	0.033	0.786	100	111	120
3. France	Old Franc	2.849	0.575	100	140	103
4. Italy	Lira	3.403	0.544	100	112	111
5. Belgium	Franc	0.412	0.824	100	100	98
6. Luxembourg	Franc	0.452	0.904	100	86	103
7. Austria	Schilling	0.106	0.408	100	95	84
8. Spain	Peseta	0.166	0.277	100	110	119
9. India	Naya Paisa	1.48	0.311	100	112.2	115.5
			Actuals	(0.311)	(0.349)	(0.359)

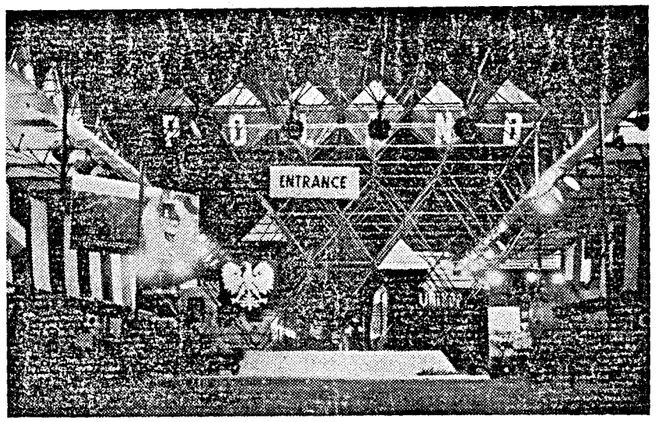
* Indices adjusted by the index of cost of living.

Note: The crude indices shown against the years 1950, 1954 and 1958 for India in Table III and IV relates to financial years 1950-51, 1954-55 and 1959-60.

TABLE TRNS V

AVERAGE RATES CHARGED BY THE INDIAN GOVERNMENT RAILWAYS

	1938-39	1955-56	1959-60
1. Average rate per ton Mile (Pies)	5.80	11.10	11.70
Index Numbers	100	191	202
2. Average rate per passenger Mile (Pies)	3.11	5.34	5.30
Index Numbers	100	172	170
3. Average cost per employee (Rs.)	546	1478	1,660
Index Numbers	100	271	304
4. Index of Wholesale Prices (all commodities) ..	100	355	456



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TABLE : TRNS IX

THE EXTENT OF DIVERSION OF TRAFFIC FROM RAIL TO ROAD

Name of the Company/Unit	By Rail			By Road		
	1957	1958	1959	1957	1958	1959
1. Swadeshi Cotton Mills Ltd., Kanpur (Tons) ..	5,823 (88.4%)	4,781 (59.5%)	1,952 (40.4%)	769 (11.6%)	3,316 (40.5%)	2,884 (59.6%)
2. Madura Mills Co. Ltd. Madurai* (in bales) ..	17,968 (51.6%)	15,974 (11.8%)	16,857 (9.9%)	69,800 (13.2%)	56,330 (41.6%)	56,871 (33.5%)
3. Bengal Paper Mills Co. Ltd., Calcutta (Tons) ..	10,490 (1956) (83%)	8,900 (1957) (71.2%)	9,760 (1958) (67.6%)	2,160 (1956) (17%)	3,610 (1957) (28.8%)	4,690 (1958) (32.4%)
4. Hindustan Lever Ltd., Bombay* (%) ..	58%	45%	46%	39%	51%	50%
5. Cement Marketing Co. of India Bombay (Lakh tons) ..	27.0 (1956-57) (95.2%)	28.1 (1957-58) (92.4%)	27.7 (1958-59) (88.6%)	1.4 (1956-57) (4.8%)	2.3 (1957-58) (7.6%)	3.6 (1958-59) (11.4%)
6. Martin Burn Ltd., Calcutta* (Tons) ..	1,092 (1956) (66.5%)	1,079 (1957) (53.6%)	813 (1958) (46.1%)	437 (1956) (26.6%)	721 (1957) (35.8%)	338 (1958) (19.1%)
7. Indian Oxygen Ltd., Kanpur (Tons) ..	3,759 (1956-57) (80.5%)	4,540 (1957-58) (76.1%)	3,269 (1958-59) (46.9%)	915 (1956-57) (19.5%)	1,424 (1957-58) (23.9%)	3,705 (1958-59) (53.1%)
8. British India Corporation Ltd., Kanpur (In maunds) ..	17,365 (1956) (62.3%)	15,687 (1957) (51.4%)	14,713 (1958) (51.5%)	10,464 (1956) (37.7%)	15,463 (1957) (48.6%)	14,470 (1958) (48.5%)
9. Buckingham and Carnatic Co. Ltd., Madras (Tons)	504 (July 59) (97%)	458 (Sept. 59) (79.7%)	330 (Oct. 59) (75.2%)	16 (July 59) (3%)	117 (Sept. 59) (20.3%)	109 (Oct. 59) (24.8%)
10. Aluminium Corporation of India Ltd., Calcutta (Tons) ..	326 (1956) (35.2%)	395 (1957) (33.5%)	772 (1958) (57.8%)	599 (1956) (64.8%	784 (1957) (66.5%)	563 (1958) (42.2%)

* Share of Transport by Steamer in the Correspond ing periods:

1. Madura Mills	:	35.2%	:	46.6%	:	56.6%
2. Hindustan Lever	:	3%	:	4%	:	4%
3. Martin Burn	:	6.9%	:	10.6%	:	34.8%

TABLE TRNS-VIII

PERCENTAGE SHARE OF PASSENGER TRAFFIC (PASSENGER MILES) CARRIED BY RAILWAYS AND COMMERCIAL MOTOR TRANSPORT IN INDIA

Year	Railways	Road	Total	Year	Railways	Road	Total
1948-49 ..	77.1	22.9	100	1954-55 ..	66.2	33.8	100
1949-50 ..	75.3	24.7	100	1955-56 ..	63.1	36.9	100
1950-51 ..	74.2	25.8	100	1956-57 ..	67.9	32.1	100
1951-52 ..	71.6	28.4	100	1957-58 ..	65.4	34.6	100
1952-53 ..	68.7	31.3	100	1958-59 ..	62.5	37.5	100
1953-54 ..	67.3	32.7	100	1960-61 ..	59.5	40.5	100

TABLE: TRNS I

TRENDS IN FREIGHT TRAFFIC AND AGRICULTURAL, INDUSTRIAL, MINING PRODUCTION AND NATIONAL INCOME IN INDIA

Index Numbers

(Base 1950 - 51 = 100)

Year	Railway Freight Traffic		National Income†	Industrial Production**	Mining & Quarrying Production**	Agricultural Production*
	Tons Originating	Ton Miles				
1950-51 ..	100.0	100.0	100.0	100.0	100.0	100.0
1951-52 ..	105.8	107.4	102.8	103.6	105.6	97.5
1952-53 ..	106.3	107.2	106.9	105.6	104.2	102.0
1953-54 ..	107.3	109.5	113.3	112.9	107.2	114.3
1954-55 ..	115.6	118.9	116.2	122.1	111.7	117.0
1955-56 ..	124.6	135.0	118.4	132.1	115.0	116.9
1956-57 ..	135.6	148.9	124.3	137.3	126.8	123.6
1957-58 ..	144.7	169.1	123.1	139.7	133.7	114.6
1958-59 ..	147.3	173.3	131.6	151.9	142.0	132.0
1959-60 ..	157.5	185.8	132.9	170.3	159.8	128.7

† At 1948-49 prices.
* The figures are for crop year ending June; the base year 1949-50 = 100.
** The figures are for calendar years; the base year1951 = 100.

TABLE: TRNS VI

TRENDS IN RAILWAY FREIGHT AND PASSENGER TRAFFIC

(Millions)

Country	Net Ton Kilometres			Passenger Kilometres		
	1951	1955	1959	1951	1955	1959
I. Western Europe						
Austria ..	5,933	7,012	6.643	4671	5,569	6309
Belgium ..	6,705	6,672	6,119	7,253	7,846	8,518
Denmark ..	1,398	1,219	1411*	3175	3,259	3,308*
Finland ..	4,445	4,500	4,211	2,310	2,261	2,273
France ..	45,391	46,810	53,370	28,095	27,780	31,450
West Germany ..	45,928	48,060	47,979	29,973	35,919	38,452
Greece ..	264	303	361	748	1,002	998
Ireland ..	497	494	338	..	..	..
Italy ..	11,598	14,567	14,328	20,982	22,636	25,687
Luxembourg ..	586	612	595	232	254	241
Netherlands ..	3,256	3,440	3,210	6,291	7,573	7,416
Norway ..	1,409	1,387	1,348	1,558	1,628	1,752
Portugal ..	585	723	758	1,443	1,673	2,038
Spain ..	7,006	7,636	7,470	7,284	8,020	8,488
Sweden ..	10,034	10,332	9,700	6,510	6,163	5,140
Switzerland ..	2,680	3,275	3,500*	6,674	7,132	7,843*
Yugoslavia ..	7,867	10,472	12,749	7,579	7,533	9,250
II. Eastern Europe						
U.S.S.R. ..	677,300	970,900	1,429,500	98,500	141,400	164,400
Czechoslovakia ..	18,898	28,237	40,253	17,253	18,791	18,574
Germany, Eastern	17,291	25,222	31.648	19,257	22,905	21,388
Hungary ..	6,273	8,802	11,712	10,597	10,277	12,837
Poland ..	3,8464	51,969	61,666	31,557	36.981	34,894
III. India ..	47,449	59,638	82,071	63,651	62,898	74,518

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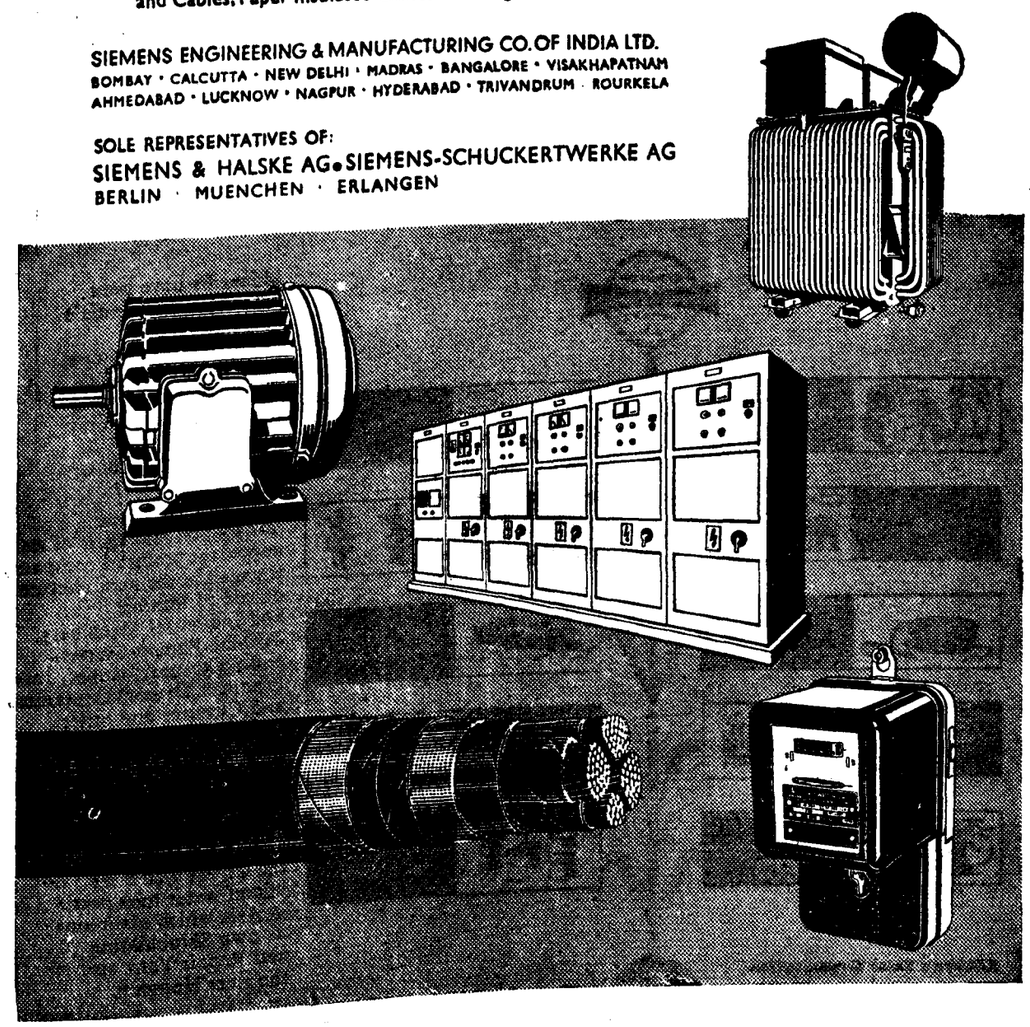
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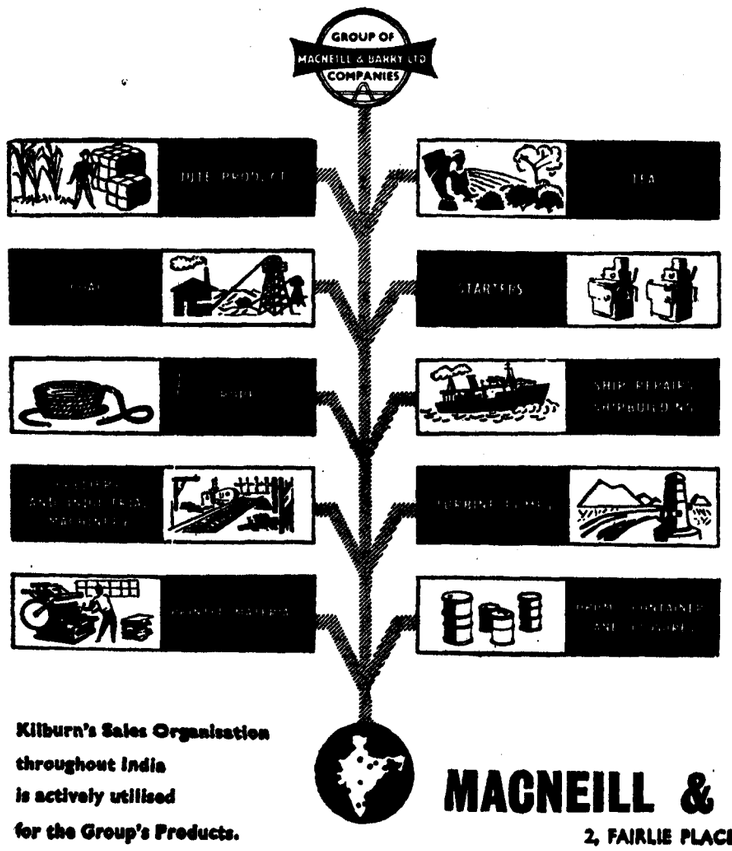
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TABLE: TRNS XI

RELATION BETWEEN GROSS NATIONAL PRODUCT (G.N.P.) AND MOTOR VEHICLE FLEETS

Country	Year	Number of Vehicles: Per Million U.S. Dollars of Total G.N.P. — Private Cars	Goods Vehicles	All Road Motor Vehicles (excep. two wheeled vehicles)	Number of Vehicles: Per 100 Inhabitants. — Private Cars	Goods Vehicles	All Road Motor Vehicles (except two wheeled vehicles)
France	1950	39.5	14.6	54.8	3.6	1.3	5.0
	1954	59.5	24.3	84.5	6.2	2.5	8.9
	1958	84.1	26.7	111.5	10.1	3.2	13.4
	1959	91.7	27.1	119.4	11.2	3.3	14.5
West Germany	1950	22.3	14.2	37.1	1.3	0.8	2.1
	1954	37.4	16.8	54.9	2.9	1.3	4.2
	1958	61.0	13.4	75.0	5.7	1.3	7.1
	1959	68.9	12.4	82.2	6.8	1.2	8.1
Italy	1950	21.3	14.2	36.2	0.7	0.5	1.2
	1954	37.3	21.0	59.2	1.6	0.9	2.5
	1958	57.7	20.8	79.4	2.9	1.0	4.0
	1959	62.6	21.3	84.8	3.4	1.1	4.5
Sweden	1950	35.1	11.8	48.1	3.6	1.2	5.0
	1954	65.9	13.3	80.3	7.4	1.5	9.0
	1958	107.0	13.0	120.9	13.1	1.6	14.8
	1959	110.4	12.3	123.6	14.3	1.6	16.0
United Kingdom	1950	40.0	15.6	58.1	4.7	1.8	6.7
	1954	48.6	16.6	68.0	6.5	2.2	8.6
	1958	66.6	18.8	88.5	9.0	2.6	11.7
	1959	70.4	18.8	92.4	9.8	2.6	12.6
Switzerland	1950	30.3	8.1	38.9	3.1	0.8	4.0
	1954	39.9	8.4	48.8	4.8	1.0	5.9
	1958	54.7	10.0	65.1	7.4	1.4	8.9
	1959	58.2	9.9	68.5	8.2	1.4	9.7
India	1959-60	10.38*	6.06**	23.45†	0.6*	0.4**	1.4†

* Passenger cars and jeeps. ** Trucks.

† Besides Trucks and Cars, the following categories of vehicles are included: (1) Motorcycles and auto-rickshaws, (2) Taxis, (3) Buses and (4) Other motor vehicles in use.

TABLE: TRNS VII

ESTIMATES OF TRAFFIC FOR RAILWAYS AND ROAD TRANSPORT

(Billion ton miles)

Method	1955-56 (Actuals)	1960-61	1965-66	1970-71	1975-76
Railways					
(1) Transport Co-efficient of 16 Commodities	36.4	53.7	81.5	119.8	N.A.
	36.4	52.8	82.0	118.3	176.6
(2) Linear Regression	36.4	53.7	83.0	N.A.	N.A.
(3) Third Plan Targets					
Road Transport					
(1) Derived from the aggregate traffic after deducting the estimates of Rail Traffic	5.5	8.2	16.0	22.1	N.A.
	5.5	9.4	16.4	25.2	39.3
(2) Linear regression	5.5	10.2	25.8	63.0	185.0
(3) Non-linear regression	5.5	10.6	23.2	N.A.	N.A.
(4) Third Plan Targets					
Aggregate					
(1) As derived directly on the basis of linear regression on national income	41.9	61.9	97.5	141.9	213.1
	41.9	63.1	97.9	145.0	N.A.
(2) Railways (1)† Road (ii)	41.9	63.9	107.3	182.8	N.A.
(3) Railways (i)† Road (ii)					
(4) Third Plan targts i.e., Railways (iii)† Road (v)	41.9	64.3	106.2	N.A.	N.A.

TABLE TRNS X

SALIENT STATISTICS OF ROAD AND ROAD TRANSPORT

Items	Unit	1950-51	1955-56	1957-58	1959-60	1960-61
1. Road mileage	K. metres	399,930	415,582	452,211	482,154	—
(a) Surfaced roads: Total	K. metres	157,014	187,020	201,883	218,393	—
(i) Cement concrete	K. metres	1,730	4,133	4,715	4,965	—
(ii) Bitumenous	K. metres	20,668	55,564	69,264	84,248	—
(iii) Water bound macadam	K. metres	134,616	127,323	127,904	129,180	—
2. Unsurfaced Roads (motorable)	K. metres	242,916	228,562	250,328	263,761	—
Expenditure on roads*	Rs. crores	54.47	82.17	73.88	92.46	95.47
3. Annual Revenue from Road Transport by Types	Rs. crores	47.26	67.78	101.41	132.42	1 60.44†
Centre	Rs. crores	34.82	45.55	63.63	79.52	103.06
State	Rs. crores	12.44	22.23	37.78	52.90	57.38
4. Registration of Motor Vehicles by Types:						
i. Motor Cycles and Auto-rickshaws	Nos.	26,860	40,961	59,200	72 282	—
ii. Passenger Cars and Jeeps	Nos.	147,712	187,866	227,824	256,233	—
iii. Taxis	Nos.	11,551	15,318	15,325	17 729	—
iv. Buses	Nos.	34,411	46,461	35,595	49,623	—
v. Trucks	Nos.	81,888	119,097	133,111	149,594	—
vi. Others	Nos.	3,891	15,857	31,427	33,563	—
vii. **TOTAL**	**Nos.**	**306,313**	**425,560**	**502,482**	**579,024**	—

* Includes expenditure on unmotorable mileage. Expe nditure on roads relate to Development and maintenance.
† Revised estimate.

TABLE: TRNS XII

CARGO HANDLED AT MAJOR PORTS

IMPORTS

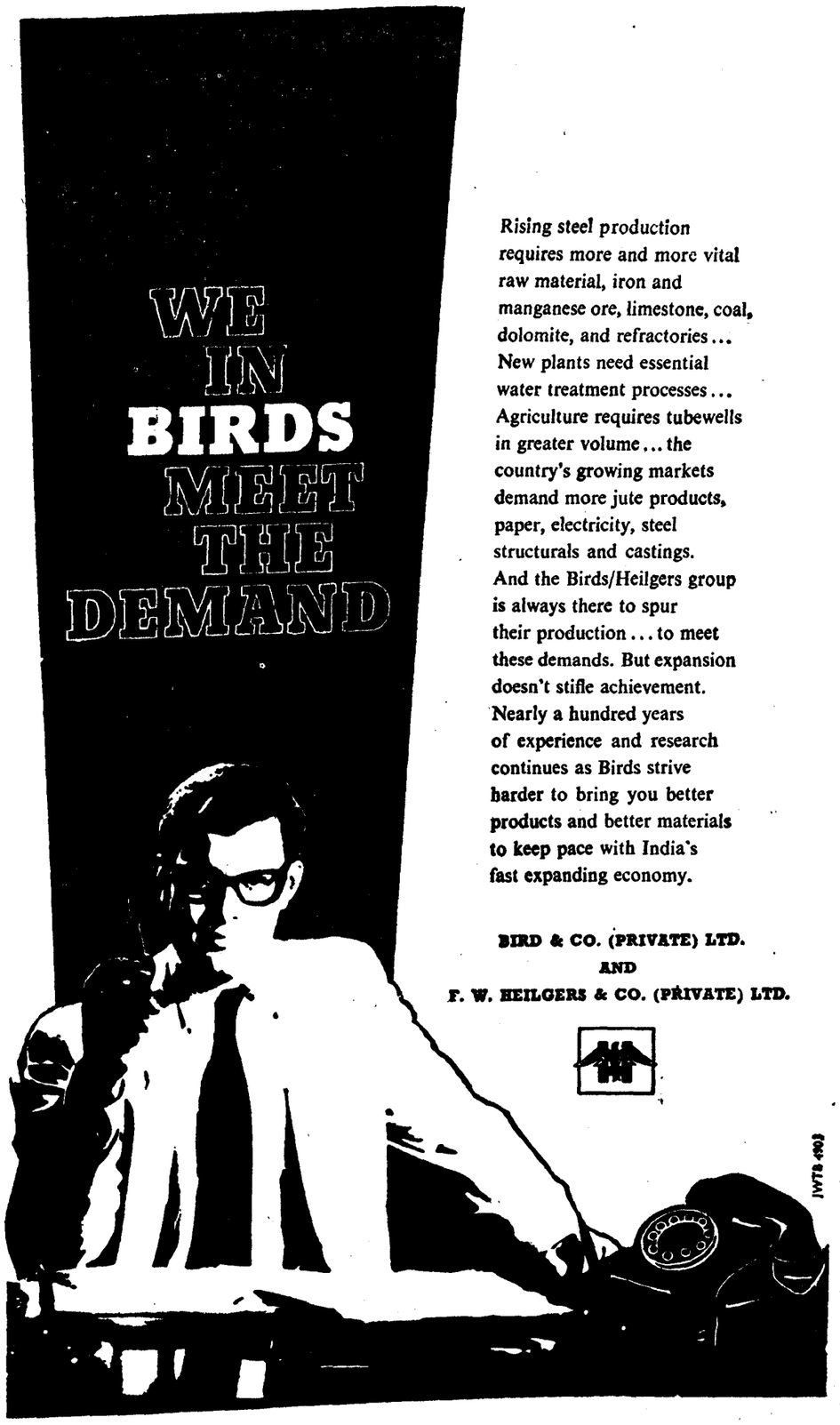
('000 metric tons)

Year	Calcutta	Bombay	Madras	Vizagapat-nam	Cochin	Kandla	Total
1950-51	3090	5268	1956	68	1115	..	11497
1951-52	4158	5900	1885	296	1283	68	13590
1952-53	3372	4770	1899	155	1245	49	11490
1953-54	2767	4851	1667	189	1254	36	10764
1954-55	3292	5720	1743	244	1217	63	12279
1955-56	3464	6814	1862	232	1241	208	13821
1956-57	4423	8371	2065	502	1329	333	17023
1957-58	5604	9451	1915	1164	1427	619	20180
1958-59	5146	8553	1765	1355	1 355	896	19069
1959-60	5033	9564	1841	1222	1550	841	20051
1960-61	5580	10858	2162	1386	1647	1251	22884

EXPORTS

1950-51	4533	1729	253	892	248	..	7655
1951-52	5578	1700	305	952	323	66	8924
1952-53	6456	1974	341	1065	331	114	10281
1953-54	5422	1982	503	1224	329	85	9545
1954-55	4646	1985	493	809	360	151	8444
1955-56	4696	3657	638	1112	394	105	10602
1956-57	4588	3800	642	1012	426	148	10616
1957-58	4715	3869	629	1312	402	239	11166
1958-59	4199	3387	714	1131	453	191	10075
1959-60	4750	3793	921	1169	429*	300	11362
1960-61	4073	3962	926	1463	393**	347	11164

* Excludes Bunkers — 101 thousand metric tons. ** Excludes Bunkers — 80 thousand metric tons.



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TABLE TRNS XIII

CARGO HANDLED AT WESTERN AND EASTERN EUROPEAN PORTS

('000 metric tons)

	1948	1952	1955	1956	1957	1958	1959
Western Europe							
United Kingdom							
Goods : Loaded ..	23,803	33,892	37,687	36,467	33,601	30,492	30,541
Unloaded ..	61,922	77,994	107,284	103,084	102,453	103,267	111,332
West Germany							
Goods : Loaded ..	3,880	10,692	15,297	15,896	14,148	14,323	15,284
Unloaded ..	13,222	24,640	35,241	41,842	44,347	40,690	47,592
Sweden							
Goods : Loaded ..	10,139	14,229	16,367	16,760	17,428	14,374	15,581
Unloaded ..	15,187	19,310	20,009	21,079	20,653	19,306	21,497
Netherlands							
Goods : Loaded ..	7,157	14,161	23,613	21,734	21,557	22,063	22,922
Unloaded ..	16,021	37,016	56,410	67,784	71,988	71,662	67,104
France							
Goods : Loaded ..	—	15,448	19,563	15,732	14,907	16,879	16,930
Unloaded ..	—	39,680	42,774	51,453	52,913	53,154	51,194
Italy							
Goods : Loaded ..	2,554	5,628	7,739	7,926	9,799	10,700	11,873
Unloaded ..	19,940	28,080	38,577	42,537	47,530	45,739	47,005
Eastern Europe							
Poland							
Goods : Loaded ..	13,508	—	) 16,392	15,130	13,722	16,744	17,836
Unloaded ..	3,089	—	)				
East Germany							
Goods : Loaded ..	—	—	1,349	1,256	1,170	1,355	1,388
Unloaded ..	—	—	993	1,394	2,112	1,908	1,468
Bulgaria							
Goods : Loaded ..	—	—	596	707	771	731	874
Unloaded ..	—	—	518	715	884	973	1,713
U.S.S.R.							
Goods : Loaded ..	—	—	—	—	—	22,372	30,136
Unloaded ..	—	—	—	—	—	4,194	4,671
Belgium							
Goods : Loaded ..	7,265	12.407	15,969	16,006	15,455	15,506	16,090
Unloaded ..	16,040	17,610	19,664	25,790	25,367	23,566	22,514
Denmark							
Goods : Loaded ..	1,732	3.187	3,839	3,837	3,800	4,270	4,200
Unloaded ..	8,274	12,386	16,504	15,548	14,115	14,586	15,900
Yugoslavia							
Goods : Loaded ..	1,528	1,692	1,667	1,920	2,076	2 413	2,321
Unloaded ..	631	1,621	3,348	3,623	4,301	3,721	4,513

Trade: India and Europe

GLOBAL SHIFTS

A DISTINCTIVE development which has taken place in the world trade in the last two years is a shift in the relative weights of the shares of the main regions. Apart from this, a vital fact to note is that the year 1960 recorded a peak level of $125,000 million in world exports including those of the Communist bloc. Industrial output in 1960 showed a lower rate of increase of 7 per cent as against 10 per cent in 1959, but, in spite of it, world exports went up by 11 per cent in 1960 as against 8 per cent in 1959. This was the year in which America was fighting the recession and, more important, she was launching a frontal attack on her balance of payments deficit. Her imports underwent a contraction as a result of this pre-occupation, but the intake of her exports by Western Europe increased substantially. America's trade balance began to look up in 1960, though the overall balance of payments deficits persists for reasons which are well-known.

Easily the highlight of world trade in 1960 is the impressive expansion of Western Europe's share in it. In particular, this is remarkably evident about the European Economic Community. The exports of the EEC in the global context underwent an acceleration, but the vital fact is that intra-EEC exports rose much faster. This point is elaborated further at a subsequent stage. The share of the Communist bloc of Europe in world exports showed an increase in contrast with some decline in the intra-East European exports. In absolute terms the value of this increased share may look small, but its important aspect is that it has stimulated East-West trade.

America and Britain are the two countries whose trade balance as well as the balance of payments assume importnce by reason of the fact that the dollar and sterling are the accepted universal currencies of external payments. Both these countries suffered a decline in the share of their trade in world exports. Taking a long-range view, between 1948 and 1960 the value of the combined exports of 9 Continental countries of Western Europe (West Germany, Belgium and Luxembourg, Denmark, France, Italy, the Netherlands, Sweden and Switzerland) increased by 190 per cent, but America and Britain had a much smaller increase in their exports during the period of the order of 50 per cent and 54 per cent respectively. This significant trend not only shows the phase of prosperity which Continental Western Europe has embarked upon but also a long-term shift in the regional balance of world trade.

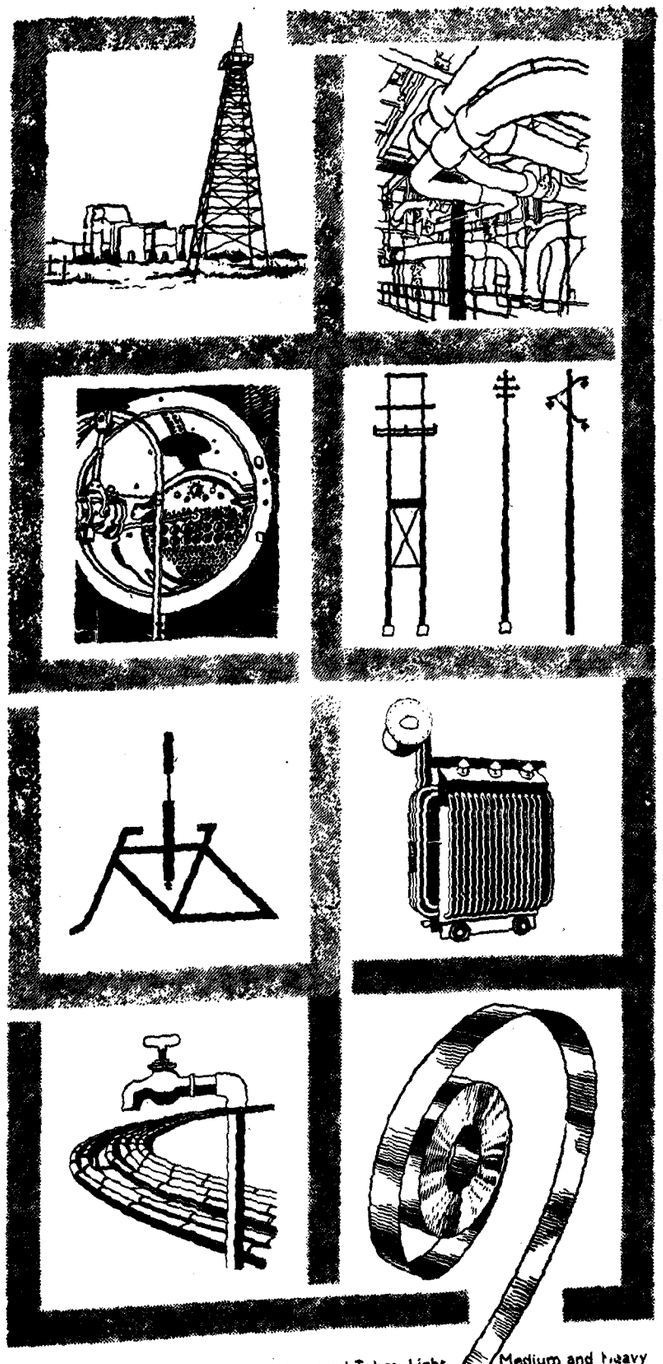
The economically backward countries had a comparatively poor luck in their external trade in 1960. This is too true of their exports to the advanced countries which underwent a slowing down of the rate of expansion. In absolute terms, however, the exports of the backward countries to the advanced ones increased in 1960 by $600 million in a telling contrast with a steep increase of $7,000 million in the trade of the latter among themselves. But the fact remains that in the expansion of world exports their share is declining. Their imports from the countries showed a very steep rise largely owing to their programmes of economic development, but the net effect was to raise their import surplus much higher. This is virtually equal to their balance of payments deficit because invisibles play an insignificant part in their external account. In this disconcerting picture a ray of hope was that the trade between the backward countries 'inter se' registered an increase.

SPOTLIGHT ON COMMON MARKET

It was but inevitable that such an epoch-making development as the rapid emergence of the European Common Market should hold the spotlight on the world trade scene during 1960. While the economies of the U.S.A. and Britain were struggling hard with the problems of balance of payments, the Common Market was rapidly forging ahead because of the comfortable surplus position in the external account of its leading members. For a time it looked as if the bifurcation of Western Europe between the European Common Market and the European Free Trade Association would hold a threat of acute regional competition and avoidable dissipation of the resources of the two trading blocs. The logic of experience, however, has proved that not bifurcation but progressive integration is in the best interest of Western Europe, because if Western Europe is to rise it must do so by remaining unified. Bifurcation would only mean the weakening and the ultimate relegation of Western Europe to an unimportant place in the global economic scale.

The Common Market undoubtedly throws a mighty trade challenge to the rest of the world, the Communist bloc not excluded. But the present pre-occupation with the impact of the Common Market is largely confined to the new challenges which the outside countries of the non-Communist world will have to face. In this category come not only the industrialised countries of the U.S.A. and the members of the E.F.T.A. but more significantly the under-developed countries also which lie outside the Communist orbit. The present is a phase when the Common Market has just launched the common external tariffs. It may give the superficial impression that this move is indicative of narrow economic regionalism inasmuch as the common regional tariff, which will apply to the imports from the non-member countries, will undoubtedly range much higher than the tariffs which are levied on intra-Common Market imports. But the truth of the situation is — and this is one of the basic principles behind the Rome Treaty — that, once a sufficient measure of economic integration has been achieved in the fields of trade and industry, the external tariffs too would be lowered in progressive but slow stages, so that the Common Market will be one of the powerful levers for restoring freer trade on a multilateral basis.

The Common Market as it rises from strength to strength will create new problems of competition in world trade and this would mean that the outside countries will have to make a two-pronged attack in their struggle to retain and increase their shares in the world export market — in the direction of lower prices and superior quality of the goods they produce for export. This essentially will be a function of higher productivity in their industrial as well as agricultural production and it can be brought about by successive advances in technology. The long-term effect of the Common Market, therefore, will be to stimulate a powerful effort for absorbing the gains of technology not only in the industrialised but in the under-developed countries. This will be no small benefit to the world economy as a whole. What it would mean is production for catering to the requirements of mass consumption. Mass production presupposes higher incomes and a higher standard of living. This effect cannot be restricted to the economically advanced parts of the world, but its gains will also be distributed among the under-developed countries, since there can be no compartmentalisation widening the gulf between the rich and the poor countries without creating dangerous instability. The area of economic co-operation and assistance will perforce need to be widened. It is in this comprehensive and long-term setting that the role which the Common Market is destined to play in the years to come ought to be seen.

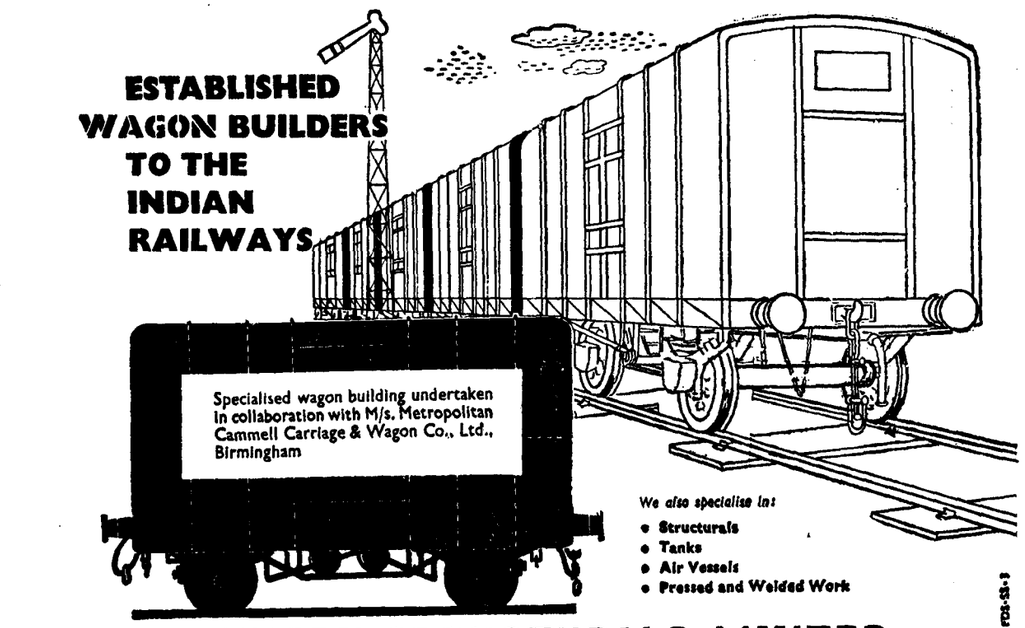


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BRITAIN LEADS THE QUEUE

Undoubtedly a very important development which has taken place in relation to the Common Market is Britain's decision to apply for the membership of the Common Market. This decision is a clear recognition of the experience in the recent past that E.F.T.A. cannot function with dynamic vigour. Britain's decision to negotiate for the membership of the Common Market may be taken as a positive indication that EFTA is on the way of progressive disappearance as one after the other of its members, or at least a majority of them, seek to join the Common Market. The developments which have taken place subsequent to the British Government's decision on joining the Common Market are too fresh to require reiteration here. It would be in the last quarter of the current year that the final decision and the conditions on which Britain would be admitted in the Common Market may be finally settled. Britain's task is two-fold: To enter the Common Market with the minimum of disturbance to the pattern of trade of the rest of the Commonwealth countries and, next, not to cause any upsets to the trade and production patterns of the remaining members of EFTA.

How far the boundaries of the Common Market will extend is not precisely predictable at the present moment. Britain's readiness to join is significant in the sense that the possible trend towards Western European division is being reversed. Thus it may very likely be that the Common Market will be practically co-extensive with the whole of the major part of Western Europe. But the Common Market policies have extended beyond the frontiers of Europe because the dependencies of the members of the Common Market Six have, in pursuance of the Rome Treaty, been admitted to the associate status, whereby they come within the beneficiary jurisdiction of the policies of the Common Market without, however, being full-fledged members and having a voice in their determination. A new problem was, nevertheless, posed with regard to the associate status by the achievement of independence by a number of countries which were former dependencies of some of the members of the Common Market. By reason of the colonial tie the economies of these newly independent countries were so closely bound up with those of the metro-politan countries, and their trade is so heavily dependent on them, that it is undesirable in the extreme to bring an abrupt end to it. Such a situation, in fact, was never contemplated in the process of transfer of power. A modification was, therefore, introduced and associate status was also accorded to certain countries, which, at the time of the signing of the Rome Treaty, would have been entitled to it, but were not, according to the strict letter of the Treaty, subsequently entitled to it by reason of the transformation of their dependent status. But the idea of associate status is now being liberally enlarged to bring in a number of countries other than the dependencies of the members desirous of direct ties with the Common Market.

ASSOCIATE STATUS: NEW LOOK

Greece set the ball rolling in this process. She was the first to apply for the associate status and an agreement was signed on July 9, 1961, between the Common Market and Greece whereby certain special provisions were made to accommodate Greece during a period of transition. For instance, in the case of specified competitive imports of Greece from the EEC countries, her tariffs are to be dismantled over a period of 22 years. A loan of $125 million will be provided to her from the European Development Bank according to a phased programme of 5 years and repayable in 25 years. The essence of these provisions is to accord a special treatment to the agricultural exports of Greece and to enable her to raise her economic level over a period of 25 years, so that she may be enabled to discard the special concessions and be eligible for membership. It is most likely that at the end of 25 years, when Greece raises herself to a position of economic strength where she could bear the strain of the Treaty obligations, in regard to the abolition of internal tariffs and adoption of common economic policies, resulting from the membership of the Common Market, she will be welcomed in the European Economic Community as a full member. The whole tenor of the agreement conferring the associate status on Greece seems motivated by this object. The Greek precedent sets a pattern which may be extended and applied to more countries with suitable variations.

MORE MEMBERS

The process of the enlargement of the area of the Common Market is bound to continue in the near future. With the inevitable dissolution of EFTA in the course of time, it was only to be expected that its other members would follow the example of Britain and seek membership of the Common Market. It is not suggested that this change is taking place either by a unanimous decision or on a large scale simultaneously. But the trend towards the change does not leave room for doubt that the majority of the members of E.F.T.A. would like to align themselves with the Common Market. Denmark finds a compelling reason to seek entry in the Common Market in view of Britain's initiative. Inside the Common Market, Denmark's biggest customer for agricultural products was West Germany, but she found the balance of advantage in keeping out since the British market was much more valuable for her exports and therefore for her economy. This is the main reason which has influenced Denmark's decision to follow Britain. Norway is another member of the E.F.T.A. which would find that entry is to her eventual benefit. Turkey's candidature for membership of the Common Market is pending consideration, but here a number of issues are involved which are not capable of direct or easy solution. Turkey stayed away from alignment with either so far, but her political and defence commitments with Western Europe and her vulnerable situation on the Russian frontier argue for special treatment to her. Then there are certain other countries whose position is undecided at the present time like Spain, Portugal and Ireland. Among the neutralist countries, Sweden and Switzerland have to make up their minds. But political compulsions rule out any change in the neutral status of Austria and Finland. If Austria is a member of E.F.T.A., it is because E.F.T.A. has no political goals.

ECE: ACCELERATED GROWTH

Between 1950 and 1959, the rate of economic growth in the Common Market countries had been of the order of 6 per cent in contrast with the rate of 2.5 per cent recorded by Britain, the leading member of E.F.T.A., during the same period. This picture virtually puts in the correct perspective the difference in the potential of the economies of the Common Market countries and the E.F.T.A. countries in a broad manner. But after the formation of the Common Market, its rate of growth got an acceleration. This is reflected in the trade pattern of Western Europe within itself. Below is tabulated the pattern of intra-Western European trade between the years 1957 and 1960. The percentages mentioned there are based on the export values. At the outset the fact ought to be emphasized that the reduction in the internal tariffs of the E.E.C. started at the beginning of the calendar year 1959 and the change in the tariffs of E.F.T.A. was introduced much later in July 1960, so that these tariff changes represent a two year period for the E.E.C. in the tabulation below. Two years is a very short time in which to expect anything like a fair effect of their changes. But whatever effects are noticeable ought to be taken as a small beginning, giving a reasonable idea of the deep impression which they will make on the trade flows in the coming

years. Furthermore, there is another clarification to be made which is that the benefit of E.E.C.'s first internal tariff reduction of 1959 was extended to almost all its external trading partners:

THE PATTERN OF INTRA-WESTERN EUROPEAN TRADE

(Percentages based on Export Values)

Exporting Area	Year	Importing Area			
		EEC	EFTA	Other Western Europe	Total Western Europe
European Economic Community	1957	32.0	22.1	5.0	59.1
	1958	31.6	22.8	5.1	59.5
	1959	33.8	22.4	4.8	61.0
	1960	35.2	22.4	5.0	62.6
European Free Trade Association	1957	16.6	13.1	4.0	33.7
	1958	16.3	12.8	4.2	33.3
	1959	15.9	12.4	3.9	32.2
	1960	14.7	11.9	3.8	30.4
Other Western Europe	1957	3.2	3.6	0.4	7.2
	1958	3.1	3.7	0.4	7.2
	1959	3.0	3.4	0.4	6.8
	1960	3.1	3.6	0.3	7.0
Total Western Europe	1957	51.8	38.8	9.4	100.0
	1958	51.0	39.3	9.7	100.0
	1959	52.7	38.2	9.1	100.0
	1960	53.0	37.9	9.1	100.0

Sources: OEEC Statistical Bulletins — Foreign Trade, Series IV and A, February 1961.

The above table, even within the restricted room for interpretation of trends that it allows, shows the advance recorded by the EEC over EFTA. It will be seen from this table that the EEC's share in intra-Western European trade increased in the year of the introduction of the new rates of internal tariffs by about 1.5 per cent. But from 59.5 per cent in 1958, it jumped to 61 per cent in 1959 and to 62.6 per cent in 1960. An important fact to be noted is that the share of the intra-EEC imports went on increasing, whereas imports from EFTA into the EEC not only remained static during the last two years but declined from the peak of 1958. EFTA, however, shows a contrary trend which is to be gathered from the fact that its share in the intra-Western European trade declined from 33.3 per cent in 1958 to 30.4 per cent in 1960. The intake of its exports by the EEC also declined by 1.6 per cent between 1958 and 1960. It is significant that intra-EFTA trade showed a slow decline of 0.9 per cent between the same years. These initial indicators show the comparative stage of stagnation in which EFTA economy as a whole found itself involved and the vigour with which the EEC's internal trade rose.

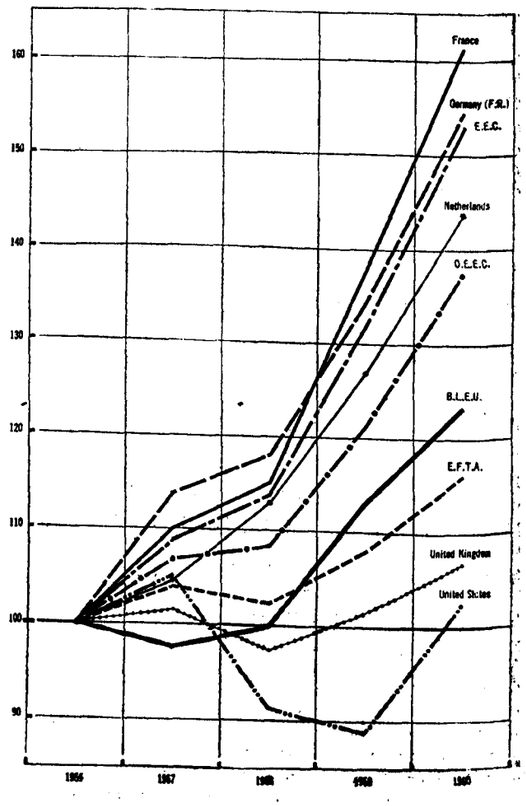
The EEC's external tariff was introduced in 1961. This is its distinguishing feature from EFTA. It need not, however, be apprehended that the adoption of a uniform external tariff is a measure to shut out competitive trade of outside countries with the EEC. It is a part of the strategy of the Rome Treaty to reduce the external tariffs after a transitional period, when the internal economy is fully consolidated. The instrument of a common external tariff will thus be used for the liberalisation of trade with outside countries, for that alone will lead to its objective of the achievement of freer trade. The pace with which the Common Market is marching ahead has not only belied the original doubts about its success but even surpassed the expectations which were raised once these doubts were dispelled. This change in the outlook for the Common Market and the hard logic of the great harm that will be caused to Western European economies by dividing them into two trade blocs has induced the incipient trend towards the widening of the frontiers of the Common Market and the entry of the member countries of EFTA as well as the association or entry of countries which belong to other regions.

AMERICA'S ATTITUDE

America's attitude to the Common Market has been one of unflinching support from the very start and it is no secret that she used her moral pressure on her Western allies from the beginning to participate in the Common Market. When it is recalled that the wage and price structure of the American industry is higher than that of the Westsrn European countries, it should at once be clear that the attitude of ardent advocacy of the Common Market was by no means a matter of indifference to her. She is fully conscious of the fact that she has to lay a greater stress on productivity based on rapid technological advances in production techniques. America's staunch support to the idea of the Common Market is based on a long-range and imaginative outlook. The EEC, EFTA and America taken together would represent something like 85 to 90 per cent of the industrial potential of the non-communist world. Here lies the basic reason why integration, accompanied by a sort of co-ordination on the part of the Market, has been deemed necessary, as a counterpoise against the fierce offensive of competitive co-existence which Russia has already launched against the Western countries.

The main argument for establishing and vitalising the European Common Market is quite simple. It is

EVOLUTION OF EXPORTS BY VOLUME
1956 = 100



that a cohesive and integrated economy of Western Europe would race ahead and make for a growing and healthy market in which the standards of consumption would go on rising progressively which, in turn, would give an impetus to still greater production and trade all round. That alone is the way to sustain the strength of the non-communist world in safeguarding democratic values based on individual freedom. But there is yet another powerful reason which has motivated America in lending full support to the Common Market. Prosperity in Western Europe and its capacity for a rapid rate of capital formation would enable it to share the responsibilities of assisting the economic growth of the underdeveloped countries. Throughout the post-war period and until the Western European countries achieved convertibility of their currencies at the end of 1959, American aid, whether economic or military, has been a potent factor in their recovery and expansion. It only reasonable for America to expect that the Western European countries should play their part in relation to the underdeveloped countries of Asia, Africa and Latin America.

INDIA'S REACTION

India's reaction to the Common Market was somewhat passive until the last year, when Britain made her decision to join it. Since then it has become one of grave apprehension to her trade interests, particularly her exports to Britain. It will be recalled that Britain's share in the export trade of India has conventionally been the largest and, although there has been some measure of diversification in our exports, her relative share remains at the top. At present, it ranges around 29 per cent. This high share is attributable, apart from the logical consequences of colonialism, to the entry of duty-free exports or exports at low preferential rates from India as an integral part of the scheme of preferential tariffs introduced since the Ottowa Agreement. The apprehensions are based on the ground that the abolition of these tariff concessions and the obligation for Britain to adopt the common external tariff of the EEC will raise barriers against India's exports at a time, when they are finding the weather already unfavourable for their flow. There is no doubt some element of reason and truth in these fears.

But there are two factors which have not received the full attention that they deserve in an assessment of the consequences of the entry of Britain into the Common Market. They are that, although the Common Market's external tariff introduced last year ranges as high as 23 per cent for jute, cloth and bags or 18 per cent for tea or 15 per cent for cotton piece-goods, as against the free entry of these staple exports of India into Britain, the inelasticity of demand for most of them is an important determinant to be taken into account in assessing the impact of the external tariffs. It should be conceded at once that so far as our grey or unbleached cotton cloth is concerned, the loss of absence of duty in Britain will draw us into strong competition with Japan and China. But taking most of the other staple exports like tea, jute, and so forth, there is the positive advantage of virtually inelastic demand in their case. On the contrary, with the increase in population, the consumption of tea will go up and what is more important, the rapid pace of industrial growth in Britain, when she gets out of the state of stagnation, will generate a continuously rising market for most of our exports which have an important place in our trade. But more important than that, a long range view ought to be taken of the direct effect of the fast growth of the economies of the Common Market countries, the spectacular demand that will be created for industrial raw materials as well as consumer goods. It is a mass consumption market that will emerge and develop rapidly in the EEC projecting into the world market. Preferential or no tariffs may have been quite appropriate in the context of the historical past, but in the post-war era when the mass consumption market is coming into its own in the West, it is futile to rely on the marginal advantages accruing from tariff discrimination. The hard way by which our export trade has been obliged to make its progress since the Second Five-Year Plan has already served as an eye-opener to us that the abiding secret of our export potential lies in our competitive efficiency and the growing market in Western Europe will provide opportunities for it. It is too premature to be pessimistic about the outcome of Britain's negotiations with the EEC and assume that the economies of the Commonwealth countries will be jeopardised and, furthermore the cancellation of the preferences which cannot be retained wholly or partially will be phased over a period to obviate distortions.

WEST EUROPEAN TRADE

The highlight of Western Europe's role in world trade in 1960 was the impressive expansion in its share for the second consecutive year. In fact, 1959 constitutes a turning point in the post-war history of Western Europe's foreign trade. The higher level achieved in 1960 justifies the action taken by several of the countries of this region in making their national currencies convertible. The strong position of external reserves which Western Europe, and in particular West Germany, were building up, constituted a reflection of their vigorous industrial growth. Production in this Continent went up by 9 per cent in 1960 as against 7 per cent in 1959—both the records constituting spectacular strides. It is, however, noteworthy that as between the EEC and EFTA, the EEC's industrial expansion was twice as large as that of EFTA. Taking the intra-Western European trade as a whole, it went up to $29000 million in 1960 or $5,000 million in excess of the previous year, creating a new peak for several years. Full particulars will be found in Table TRD—I on page 161, but a reservation that needs to be made is that the data in this table do not include the trade of the Communist world.

Western Europe's trade with the rest of the world shows a closer relationship developing with North America. Imports from North America rose to a level of $7,825 million showing an increase of about 34 per cent over 1959. The EEC's share of imports from North America recorded an increase of $1,300 million equivalent to a rise of 44 per cent above the previous year. The increase in EFTA's imports from North America was a shade lower at $1,000 million, equivalent to an increase of 35 per cent above 1959. But by contrast the intake by these two trading blocs of the exports of the backward countries showed a tardy expansion of $500 million, raising the total to $13,000 million. The vigorous industrial growth of the EEC especially and EFTA's expansion also did not extend the benefit of higher trade to the backward countries in any significant measure. This inference cannot be resisted. While development imports are steeply increasing their trade deficits with the advanced countries, it is becoming increasingly difficult for them to push up their exports to reduce the magnitude of their deficits.

Table TRD — II which also appears on page 161 vividly illustrates this proposition with reference to the typical case of India. During the financial year 1960-61, India's trade deficit with the EEC increased to Rs. 144 crores, nearly Rs. 17 crores higher than two years before. The rise in the deficit has been on a progressive scale. Again, India's trade deficit with EFTA repeats the growth of its size to Rs. 24 crores in 1960-61. India's deficit with Britain increased by more than 166 per cent in 1960-61 above the preceding year to Rs. 39 crores. Taking Western Europe as a unity, between 1958-59 and 1960-61 India's trade deficit with this Continent jumped from Rs. 135 crores to Rs. 201 crores.

The growth of intra-West-European trade is significant, the rise being from $24,000 million in 1959 to $29,000 million in 1960. This was the peak increase registered ever before with the solitary exception of the year 1951. Dividing this trade bloc-wise, a conspicuous contrast is seen. More than half of the expansion in intra-Western European exports was claimed by the EEC. Inside the EEC trade in agricultural commodities, raw materials and foodgrains showed a slow rate of expansion and the real acceleration came from industrial materials, notably, coal and metals. By far the most significant feature of the expansion of the intra-EEC trade was the impressive increase of $1,000 million in manufactured goods. Here was a clear demonstration of the claim of the Common Market that its vigorous growth in industry and trade would stimulate economic activity outside this trading bloc. The trade of EFTA countries showed a relatively much lower increase of $460 million or 15 per cent during 1960. One significant fact about the expansion in EFTA'S trade was the intake of primary products in a high proportion — accounting for 50 per cent of the increase. For this trading bloc, too, 1960 was a year of advance.

RELIEF FROM RUPEE ACCOUNT

India's trade with the Communist countries of Eastern Europe has been steadily increasing in the recent years. It was of the essence of the planning of India's external trade that the sources of supply should be as much diversified as practicable for two reasons—to enlist the economic and technical co-operation of different countries in the development projects and to safeguard against the error of putting all our eggs in too few baskets and building up enormous import surpluses with any individual country or group of countries.

Admittedly the outstanding feature of India's trade with the Communist countries of Europe is the crucial condition in the bilateral trade agreements that the payments relating to the specified commercial as well as non-commercial transactions (exports, imports, freight, insurance, outlay on diplomatic establishments, cultural and other tours) should be made in non-convertible Indian rupees. This payments clause has set a new pattern in international trade for the benefit of the backward countries which are facing a problem of mounting trade deficits, practically equivalent to their balance of payments deficits, and, therefore, of intermittent foreign exchange crises. In so far as it is practicable, the strategy in the execution of the bilateral trade agreements with Communis countries is to balance the two-way trade. But it is inevitable that some imbalance should ensue more often than not. Bilateral balance does not rest on a policy of restricting the two-way traffic to obviate the emergence of a deficit for one party and a surplus for the other. On the contrary, as India's experience shows, the volume and value of trade between herself and her East European trade partners has kept on increasing.

It is true that the accounts opened by the East European countries in India are not locked up there for inordinately long periods and purchases of Indian goods are made for shipments at home by those countries with these balances. In this sense, thers is a rupee counterpart of a portion of the export trade of India. This fact is immaterial because the rupee account arrangement enables India to procure imports for which she finds it difficult to earmark foreign exchange of the required order. Another significant characteristic of this arrangement is that aid in economic development is available on the principle of aid with trade—not aid with mounting deficits payable in scarce foreign exchange. The strain on the balance of payments is eased and development is saved from the prospect of some slowing down of its rate.

Table TRD—III on page 162 sets out in some detail the commodity-wise and destination-wise distribution of India's trade with the European Communist countries. It will be seen from there that chemicals, paper and paper board, manufactured articles and machinery rank among India's imports from those countries with a value in excess of Rs. 1 crore per annum. Among India's exports to these countries, exceeding Rs. 1 crore in value, are included food articles, crude materials, oils and fats, manufactured goods and footwear. Their intake of India's exports of sewing machines, textile machinery, diesel engines, to mention the principal items, illustrates the stimulus which the process of diversification of our exports is receiving from the Communist countries.

The share of these countries in India's total exports increased from 6.02 per cent in 1958-59 to 7.67 per cent and a little higher in the next year. Similarly, the share of India's imports from the Communist countries in her aggregate import bill rose from 3.60 per cent in 1958-59 to 3.69 per cent next year and then to 4.05 per cent in 1960-61. Thus it is that the two-way trade is showing a healthy expansion. In absolute terms the share of the trade of the Communist countries with India in her total external trade is now very modest, but the trade account has taken an encouraging trend in recent years, so that India's trade surplus with this bloc as a whole increased from Rs. 3.46 crores in 1958-59 to Rs. 6.02 crores in 1960-61, while in 1959-60, when the volume of this trade rose sharply, our surplus was of the order of Rs. 13.65 crores. As in the case of the rest of the world, so in the case of India, the Communist bloc is creating closer commercial ties.

INDIA'S FOREIGN TRADE

The gap in India's foreign trade is not unexpected, since it is the result of the heavy import surplus incurred for the plan projects and occasionally for food imports due to crop failures. For the last four years, however, it has widened to almost unmanageable proportions. In 1959, imports exceeded exports by Rs. 325 crores. Again in 1960, the gap rose to Rs. 442 crores and during the first ten months of 1961 it is estimated to be as high as Rs. 240 crores. The average annual imports during the Second Five-Year Plan period were Rs. 1,072 crores as against the average exports of Rs. 614 crores, making an average gap of Rs. 458 crores. Despite this dismal performance of India's export trade, th Planning Commission has estimated that under the proposed policy of "agressive salesmanship" in the next five years, exports are expected to be Rs. 740 crores a year, on the average. A realistic assessment leads to the view that this is a target which may be obtained, but in the present circumstances it is rather ambitious.

A study of the commodity-wise exports during the la. five years shows that three-fourths of India's exports consist of a dozen commodities such as tea, jute manufactures, cotton piece goods, manganese ore, iron ore (and concentrates), leather and leather manufactures, oils, cashew kernels, cotton (raw and waste), tobacco (unmanufactured), wool and other animal hair, spices, mica (and manufactures thereof) and hides and skins (undressed). More than a thousand other items whose exports fluctuated from year to year provided the remaining one-fourth of the exports. While there is no

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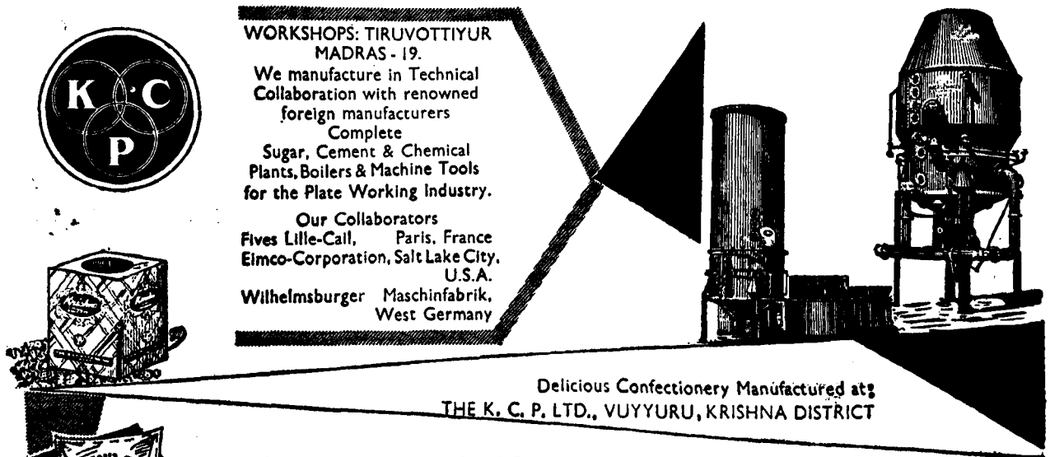
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possibility of reducing the import bill in view of the impressive expansion planned for the various sectors of the economy during the present plan, there is ample scope for expanding exports provided the right incentives are provided. Presently the Ramaswami Mudaliar Committee is examining the whole problem of foreign trade and it is likely to put forth some fruitful suggestions in order to increase our exports. The Government recently held out the threat of compulsory exports through legislation. But on second thoughts this instrument of dubious efficacy is being held in abeyance. Some incentives have also been provided, but all the measures so far taken have not produced the desired results. Even the direction of trade has not altered on any appreciable scale. Our main partners in trade continue to be the United Kingdom, the USA Japan, the USSR, West Germany, Pakistan, Canada, Australia and New Zealand. These nine countries together take up about two-thirds of India's exports. Thus the efforts at diversification of exports commodity-wise or country-wise have brought home the lesson what a tough job it is.

It was assumsd that with the completion of the first two Plans, which had a heavy bias in favour of industry, the export pattern would be noticeably changed. The impact of industrialisation on the export trade has yet to show itself. Some success has been recorded in the case of engineering goods, but it does not add up to any substantial value. The table below shows the particular processed articles where substantial increases have taken place.

(Rs. crores)

	1959	1960	Percentage change 1960 over 1959
Groundnut oil ..	5.65	0.25	—95.6
Linseed oil ..	2.74	1.02	—62.8
Castor oil ..	4.94	8.01	+62.1
Other vegetable oils ..	0.52	0.64	+23.1
Leather and leather manufactures ..	28.27	25.72	—10.4
Cement ..	1.05	0.74	—29.5
Pig & sponge iron ..	1.31	1.83	+39.7
Cotton piecegoods ..	60.52	57.73	— 4.6
Jute manufactures	109.4	125.50	+14.7
Coir yarn and manufactures ..	8.68	8.32	— 4.1
Electric fans ..	0.39	0.74	+89.7
Diesel Engines ..	0.13	0.21	+61.5
Bicycles and other kinds of cycles ..	0.10	0.05	—50.0
Sewing machines ..	0.24	0.27	+12.5
Plastic goods ..	0.29	0.14	—51.7
Silk fabrics ..	0.38	0.59	+55.3
Art silk fabrics ..	3.22	2.67	—17.1
Handicrafts ..	2.01	2.20	+ 9.5

The Common Market Bogey

From Our Special West European Correspondent

JUDGING by some of the alarmist stories that have appeared in the Indian Press at the New Year, the Common Market bogey is being overworked. The picture of a highly protectionist European union shutting out the exports of developing countries is nothing short of fantasy. Such exports are indeed restricted by import quotas and might continue to be so when the Common Market has a unified trade policy with the rest of the world. But then, the various national economies of West Europe already practised this discrimination, on more or less rsspectable grounds. From the point of view of Indian exporters, nothing is lost and a great deal might be gained when a group of European nations seek to harmonise their stand on the issue. Firstly recent experience shows (at least during a period of expansion) that when governments co-ordinate their various restrictive policies, the solution usually is to choose the most liberal course, because this is the one on which agreement can most easily be reached. Secondly, when a question of restriction of imports is posed on the inter-governmental level, it becomes a political matter that involves the responsibility of Europe, and far-sighted considerati ns at once outweigh the sectional interests that could have their way inside any one nation.

Besides, what is the history of these quota restrictions in the past year? In bilateral negotiations with the two main members of the Common Market, India has succeeded in securing relaxations and, in one case, the grant of the first quotas ever allowed. Japan has managed much better, because her bargaining position (i.e., her importance as a market for European exports) was stronger. The improvement has been modest, perhaps, but there is no sign of the deterioration that we would expect if the Common Market were indeed "protectionist". As from the first of this year, the Common Market countries have no import quotas left on trade with OECD members. This disappearance of quotas was scheduled for some years later, and was intended to refer only to trade inside the Common Market; it has come earlier and has been extended to a wider field. True, developing nations are not part of that field but the new situation is welcome because it poses the question more plainly. It was harder to stigmatise quota limits (or prohibitions) on Indian goods when all Western nations practised them among themselves; now that the only remaining quotas affect nations outside the OECD, the case for their liberalisation becomes easier to argue.

As for the future of European quotas, the drift is plainly toward liberalisation and the sectional interests fighting it realise that when they put up a plan to the ECM Commission for application over the whole Common Market area they have to make it look as generous as possible. Thus, the scheme drawn up by the textile industries of the six countries for joint adoption retains the principle of regulating the volume of Indian and Far Eastern cloth entering West Europe, but proposes annually increasing quotas which would in fact leave to Asian exporters much or most of the yearly increase in European consumption. This might be denounced as miserly but at least it is an advance over the blanket prohibitions that protected each national industry a few years ago. One has the feeling that European textile interests are trying to cover their retreat, to allow time for necessary conversions and to open the tap gradually in order to avoid sudden depreciation of their investments or local pockets of unemployment. Telling me of a new French quota for Indian goods that were previously shut out, an official here said to me lately, "For heaven's sake, don't make a big story out of it. Our people will let this sort of thing pass quietly but you mustn't frighten them". The evolution that has begun in textiles has yet to be started in regard to bicycles, sewing machines and similar simple equipment manufactured in India. Progress might be slow, but if Japan can gain (very gradually, it is true) free entry for her transistors, where the devastating consequences are familiar from US experience, there is hope in other fields.

On import quotas, then, improvement is slow but undeniable, and one sees no evidence for the alarmist statement that the Common Market will oppose removing more barriers to Asian goods than did the separate nations of West Europe. On import tariffs, the case is clearer

because we know where the trend is heading: toward the common external tariff, whose level is already fixed in most cases. The only uncertainty is whether or not this common external tariff will be reduced by 20 per cent; this is almost sure to happen and, in any case, as the Six move toward a common tariff they are assuming that it will be so reduced. That is, French and Italian tariffs are coming down faster than German tariffs are going up. Since the Six made their original offer to cut their common external tariff, Mr. Kennedy has suggested even more ambitious tariff reductions between the Western nations, and of course it is understood that all concessions that these nations make to each other will be extended to all outsiders. The Common Market, therefore, has touched off a universal tariff disarmament from which Indian exporters will benefit. The Six, indeed, have reason to fear that the economic unit they sought to build will be dissolved in a general free-trade area. That is their worry; at least it is clear that from India's point of view there is no trend toward higher tariffs.

Indian comment sometimes speaks as though the common external tariff were some additional customs barrier, when in fact it is what will replace all the previous national customs duties, and is lower than their average. "Under the Treaty of Rome", says a Bombay paper, "the Europeans in the Common Market have framed their common external tariff to protect themselves against third countries". In reality, of course, they were always so protected, by their national tariffs, and the common external tariff will protect them much less. The confusion comes (and the sequel to the above quotation showed that this was what the writer meant) from comparing the common external tariff with the low or zero duties that Indian goods now pay on entering the United Kingdom. What reason have we to compare those two things? None whatsoever for the Latin American nations and the vast majority of developing countries, which have never benefited from Britain's discriminatory favours for the Commonwealth. For most of them, Britain's surrender of her present highly protectionist tariffs on non-Commonwealth goods, for the generally lower common external tariff of the Common Market, will represent an important measure of trade liberalisation. Naturally, Indian exporters are entitled to make this comparison, but they need to see that the question is not about greater or less European protectionism but about the future of the conflicting zones of preference that have survived European imperialism.

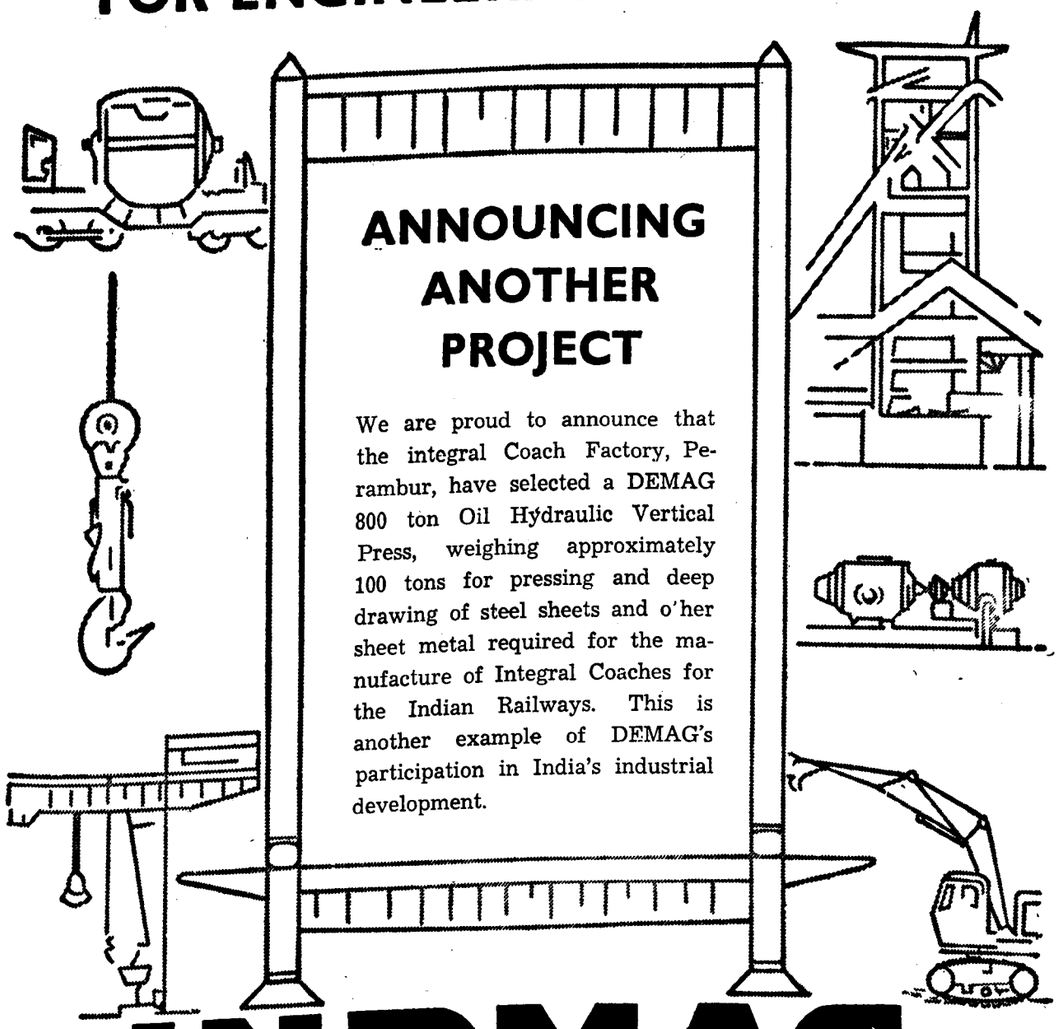
In this regard, the worst that could happen is that the various European ex-imperial powers agreed to put all their favoured clients on one footing. Former British dependents, like India, and former French dependents, like much of Negro and Arab Africa, would lose their special advantages in the markets of the mother-countries, and would get equal entry (which they would share with Latin America and all developing countries that were not lately colonies of Britain or the Six) into the one big market constituted by Britain, the Six and such other European nations as eventually join the union. This solution to the question of harmonising Commonwealth preference with "associate status" has not yet been worked out, but it is clearly the most likely one. Third parties, such as the USA, would be inclined to regard it as the fairest answer and would not see in it any deterioration of the position of developing nations in general. (And of course third parties would benefit from such an arrangement because they would get equal entry to all former colonial markets, without suffering the discrimination of Commonwealth preference in favour of Britain or France.) Particular interests in one former colony or another might suffer from being put on the same footing as competitors in other developing countries, especially if Hong Kong were fraudulently passed off as a "developing country". Yet this equalisation of treatment between West Europe as one unit and all its former colonial possessions will seem to many the normal outcome of the long struggle against imperialism. After all, anti-colonialism played a large part in creating European unity and one must accept among its consequences the disappearance of special favour-zones that are described as "neo-colonialist" by those that do not benefit from them.

That solution would still leave open the question of how generously a united Europe dealt with the trade of developing nations as a whole. This will be decided in the course of this year, as Britain and the Six seek to co-ordinate their respective favour-zones. It is reasonable to expect that agreement will be reached everywhere by adopting the most generous line and extending it to all developing countries. Everything that has happened since the Common Market was set going has shown that there is a sort of dynamic of liberalism, that low tariffs drive out high, and that liberal trade measures are contagious. Why else would the Common Market have grown by attracting new associates, touched off a rival zone of tariff disarmament in Europe, stimulated imitation of its freer regional trade in Latin America and the Communist bloc, secured Britain's conversion to European unity, permitted the Six to make offers of duty reductions inside GATT, and finally prompted the USA to break with its super-protectionist past? There is not one case of the Common Market having caused an increase in tariff protection, except in so far as introduction of the common external tariff involves increases that are more than compensated for by decreases elsewhere. The same mechanism will operate in discussions of common European tariffs on imports from developing countries. The imports in question, it must be remembered, are the raw materials of European industry (and to a lesser extent the food of its workers), and duties on them are an element in costs—and the effect of unification of national markets is to reduce costs.

The crop of scare stories from informed sources in Delhi about the Common Market menace (apart from echoing the chronic xenophobia of some foreign participants at the recent conference on an Asian common market) might have another object: to prepare Europeans for the responsibilities toward India and other developing nations that they must shoulder when they are united in an economic union with a single trade and aid policy. If this is the calculation, I think it is quite praiseworthy. None of the foregoing optimism about the Common Market's impact on India should disguise the fact that, for reasons having nothing to do with the formation of the European trade bloc, the terms of trade are evolving alarmingly in India's disfavour. The reasons are familiar: raw materials are losing markets to synthetics, or are being economised by improved technology, or the goods made from them are less demanded by populations with higher living standards. The Common Market is not the cause of this process, but the upshot surely is that internal European trade is growing faster than trade with developing countries, prices of raw materials lag behind prices of manufactures, and the industrialising economies seem doomed to chronic deficits. This will require energetic action by Western nations, and GATT (which is concerned with 'mutual' and reciprocal exchange of concessions) is not the place for it. Once Britain and her followers are inside the Common Market, "the West" will be represented by two organisms: the US Government and the Common Market, and it is good that responsibility be firmly placed in those two quarters. Because the Europeans are forming the Common Market, it is good policy to insist on the duties of that organisation toward India. This is not because the Common Market is a menace, but because it groups the nations that, in concert with the USA, can reverse the current disastrous trend in world trade.

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Social Security

IN ancient times, risks like death, sickness, unemployment, incapacity to work etc., inherent in a man's life, were looked after by the village community, the joint family or the friendly societies. But this concept of social security has changed with the times. Industrialisation on a large scale, which came first in Europe, changed the structure of society there, sowing the seeds of the modern social security system. That the European countries were first in the field in the development of social insurance stems from the fact that Europeans were also the first to develop an industrial society. The stepping in of the State in the field of social security is based on such considerations as that individuals having small means cannot today stand up to the task by themselves or even in private combinations. The evolution in India of the modern systematised methods of social assistance and social insurance are, of course, the result of the influence and impact of the West, where various experiments have ben made by the Community and the State to provide social security.

The methods can be broadly divided into three parts. First one takes the form of social assistance where the element of insurance is absent and where most of the money comes from the State Exchequer. Second one is that of voluntary social insurance and the third is of compulsory social insurance. India, following the Western European countries, has thrown her weight in favour of the compulsory social insurance. Although various measures have been enacted in the social security field, yet this country is far behind the West European and East European countries where the principle of comprehensive social security has taken deep roots.

One can count on one's finger tips the social security measures that have been enacted in India. They take the form of workmen's compensation Act, 1923, the Maternity Benefit Acts (1929-1948); the Employees State Insurance Act, 1948; the Coal Mines Provident Fund and Bonus Schemes Act, 1948, the Employees Provident Funds Act, 1952; and the Industrial Disputes Amendment Act. Of these, the first three provide security against the risks of employment, injury maternity and sickness, the next two against old age and the last one against retrenchment and unemployment.

GREAT DIVERSITY IN EUROPE

In Europe, there is a great diversity. For example, in almost all the European countries it is the health insurance programmes which boast of the longest history dating back in some instances to the latter part of the nineteenth century. Many of the social security measures were enacted before World War I and many were enacted after World War II. The greater variety of services and the entire coverage of the population was, for instance, brought about in U.K. in 1948. Before that it closely resembled the systems in France and Germany. In Britain now a person is looked after from the cradle to the grave. Western Europe, however, can be divided into three distinct groups in matters of social security. The first group is Greece, Spain and Portugal where social security as an integrated system is still in embroynic stage. The great majority of the population in these countries has not been covered as yet. One finds in these countries certain health and unemployment insurance schemes, pensions and even family allowances organized on corporative lines for a few occupations only, largely paid for by employers but offering a rather limited range of services and benefits. The second group comprised the West Central countries like the Netherlands, Belgium-Luxembourg, Germany, France, Switzerlands, Austria and Italy, though Italy in some respects belongs to the first group. Although in each of these countries quite a full range of social security facilities is offered to the insured worker (and to some extent to his dependents), various categories of the population are left uncovered and are expected to make their own voluntary insurance arrangements. The third group consists of the Scandinavian countries and the British Isles almost all of which possess comprehensive social security systems. The United Kingdom and Sweden are probably the two European countries with the most far reaching social security and welfare systems which provide for not only general medical care, sickness and unemployment benefits, etc., but also for birth, marriage and funeral grants, home services for the bed-ridden and for working mothers, psychologists at child guidance clinics, special homes and schools for difficult children, convalescent homes for the nervously exhausted, retraining for the unemployed or physically incapacitated, welfare programmes for the blind, paralyzed or otherwise crippled and so on. This, of course, does not mean that they spend the highest amounts on social security programmes. An idea of how expenditure on social security has grown in various European countries and in India since 1949 can be had from the following table.

Country	Expenditure as percentage of National Income			Expenditure per capita at constant Prices 1955 = 100	
	1949	1955	1957	1949	1957
1. Austria	7.4	8.5	8.8	88	104
2. Belgium	14.0	14.5	14.8	77	117
3. Czechoslovakia	—	—	—	77	129
4. France	14.0	17.0	17.9	62	120
5. Federal Republic of Germany	17.6	17.6	20.0	52	127
6. India	..	1.1	1.0	—	96
7. Italy	9.5	13.0	14.2	53	117
8. Norway	6.7	9.1	9.9	70	120
9. Poland	—	7.0	7.7	—	135
10. Sweden	9.9	11.8	12.5	70	112
11. U.S.S.R.	—	—	—	—	142
12. U.K.	11.2	11.4	11.4	91	105

Source: Report on the World Social Situation, 1961.

PER CAPITA EXPENDITURE

It will be observed that the per capita expenditure on provision of social security is the highest in the U.S.S.R. Then come Poland, Czechoslovakia, Federal Republic of Germany, France, Italy and Sweden. It is lowest in India and has not changed much during the last three or four years. Expenditure is larger in Belgium and Federal Republic of Germany, because they incur heavy expenditures on payments of pensions, in France because she has large outlays on health and family allowances, in the U.S.S.R. and other Communist countries because there provision of social security is an integral part of the basic social policy. The wide range over which the figures of social security benefit expenditures (expressed as percentages of national incomes) vary reflects the differences in social security development. One fact, however, is clear, that is that there is a general trend towards expansion of social security measures in these countries. The indices of per capita benefit expenditure at constant prices reveal a sharper upward trend, indicating that social security benefits have kept pace with the rapid and sustained growth of real income per capita during the last decade in most of the countries.

Contributions for provision of social security measures vary widely. While in some countries they are tripartite, in some others only employers pay for the social security programme. In certain others workers and employers only contribute. Greek pension schemes and the Italian unemployment schemes are jointly financed by the workers and employers. The Netherlands and Spanish pension schemes are financed by the State and the employers. One fact to be noticed is that the employer contributes in every case because it is considered that he benefits most from the industry. This

view is prevalent not only in India, but in most of the West European countries as well. In East European countries, there is the system of the socialist protection against all forms of insecurity for each citizen irrespective of sex, caste, and religion. Main reference is here to the U.S.S.R. as she dominates the Eastern bloc. Social security in the U.S.S.R. is extended to all workers and employers without exception. Before the launching of the First Five-Year Plan, maximum amount of social security was the slogan in the Soviet Union. In 1938, the principle was abandoned and stress came to be laid on maximum production. But again after some years the slogan of maximum social security was brought to the fore principally because of the reason that incentives provided to the workers in the form of social securities would help the workers to put in their best and thereby bring in greater production. This indeed is quite a high ideal and has been practised in both the Western and Eastern European countries with gusto.

So far as survivors insurance in the Soviet Union is concerned, it is based on the principle that not all survivors of the insured are to be treated as beneficiaries, but only those among them who are unable to work and who are dependents of the insured persons. This condition, however, does not apply to the parents or the spouse if they have reached the age of 60 for man or 55 for woman. One novel feature of social security schemes in the U.S.S.R. is that it is mainly administered by the Trade Unions. Unemployment has been totally abolished in the U.S.S.R., so there is no question of unemployment insurance in that country. Under the system of socialist care, it may be emphasised that as the national income rises, the share going to finance social security measures is raised.

NEED FOR EXTENSION IN INDIA

To what extent social security can be extended in India is now the main point. The large-scale measures as one witnesses in the East and West European countries, of course, cannot be undertaken in this country as our financial resources are limited. An extension of the sickness and health insurance would immediately require a plethora of medical personnel which cannot be provided overnight. However, the question of old age pensions for the workers should be considered in right earnest. A lump sum accruing by way of provident fund on the death of the bread winner is generally meagre and cannot remain as the mainstay of the family members for long. All said and done, what is immediately required is an integration of all the schemes and an improvement in the service particularly at the dispensaries where the Employees State Insurance Scheme is being administered. A study group on social security had recommended the integration of existing social security schemes and the conversion of the various provident fund schemes into a statutory schemes for old age, invalidity and survivorship pension-cum-gratuity. No time should be lost to give an immediate consideration to it. Initial difficulties of administration, of course, there would be, but they ought to be faced boldly and squarely.

Housing

ALTHOUGH construction of new houses in Eastern and Western Europe has been large enough during the last few years, yet it has not been sufficient to overcome the shortages that were brought about as a result of the devastating war, low pre-war housing standards and low priority previously given to housing in some of the European countries. The rate of construction has been quite high in the USSR where it has risen from 7 per 1,000 inhabitants in 1954 to 10.8 in 1957, and 14.8 in 1959. In the year 1957, the USSR Government had set for itself the goal to eliminate the shortages of houses for the industrial workers and accordingly a programme to that effect was launched. This goal implied a further rise in the tempo of construction. During the period 1959-65, nearly 15 million dwellings are to be built in the cities, while an additional 7 million dwellings are to be built by collective farmers and rural professionals and technicians. Completion of this plan is likely to give adequate relief to the housing shortage that still persists in the USSR. It is estimated that the overall increase in urban housing for the period of the current Seven-Year Plan will amount to 650 to 660 million sq. metres. The daily average over 7-year period for urban housing has been set at 587 apartments, while in the countryside about 2,740 houses will be built per day. To put it concretely, three to four times housing construction is envisaged in the next seven years.

CONSTRUCTION ACTIVITY IN EUROPE

The increase in construction activity has not only been rapid in the USSR, but also in the Federal Republic of Germany, where it has been more or less to the same extent. The Federal Republic of Germany is followed by Sweden, the Netherlands, Norway and France where the rate of construction has been as high as 7 or 8 new dwellings per 1,000 inhabitants per year. The countries of Southern Europe, however, do not show the same progress and the favourable trends that we witness in the USSR and some of the other Western European countries. The housing shortages are quite chronic in Southern Europe where average density of occupation of a room is pretty high. It may, for instance, be noted that Portugal and Spain depict a rate of construction below 4.0 per 1,000 inhabitants which is insufficient to meet the housing needs satisfactorily, leave aside the elimination of shortages and needs arising from internal migration. Greece and Italy can be said to have accomplished a better record as compared to Portugal and Spain. In these countries the rates of construction achieved are around 6.0 per 1,000 (or slightly more) inhabitants, but the large portion of the new dwellings are still small rudimentary structures and they by no means can be compared with those of the advanced countries like the U.K. and France. The table below gives the volume of new residential construction by countries in 1950-54 and 1955-57:

TABLE I

VOLUME OF NEW RESIDENTIAL CONSTRUCTION BY COUNTRY, 1950-1954 AND 1955-1957

Average Annual Dwelling Units Completed

Country	Total, (thousands) 1950-54	1955-57	Per 1,000 Inhabitants 1955-1957
Western Europe (a)	1,399.5	1,886.9	6.4
Germany	454.2	542.1	10.9
Iceland	0.8	1.4	8.9
Norway	29.3	28.6	8.3
Sweden	48.6	60.0	8.2
Switzerland	29.6	39.1	7.7
Finland	29.6	32.1	7.5
Netherlands	62.0	73.5	6.7
Greece	50.1	54.4b	6.5b
United Kingdom	273.1	316.2	6.2
Austria	39.0	41.7b	6.0b
France	101.7	240.1	5.5
Belgium	39.5	46.1	5.2
Denmark	21.1	23.4	5.2
Italy	122.5	239.6	5.0
Spain	65.5	110.7	3.8
Ireland	13.0	10.4	3.6
Portugal	19.9	27.5	3.1

a. Excludes Luxembourg, the Saar and West Berlin.
b. 1955-1956.

A notable fact to observe is that there has been an increasing tendency to build houses for families with incomes too low to meet market prices and housing for groups with special needs, both in India and Europe. Subsidies and State credits have been provided on a large scale in Eastern Europe and particularly in the USSR. For instance, out of the new houses constructed covering a total of 80.4 million sq. metres of floor space in the USSR, 58.8 million sq. metres were built by State and Co-operative organizations and 26.6 million sq. metres by urban dwellers at their own expense or with the help of State loans. These figures, of course, do not include the houses constructed by collective farmers themselves.

SUBSIDISED SCHEMES IN INDIA

In India also, there has been a good deal of emphasis in the past few years on subsidising industrial house-building activity. A number of schemes have been drawn up to remove shortages of houses that exist in many parts of the country. Of these, the Industrial Housing Scheme, Low-Income Group Housing Scheme, Slum Clearance Improvement Scheme, Plantation Labour Housing Scheme, Village Housing Scheme, Land Acquisition and Development Scheme, Middle-Income Group Housing Scheme, Rental Housing Scheme etc. are noteworthy. These schemes, no doubt, have made a good deal of progress during the Second Plan period, but still a lot of leeway has got to be made up. Shortages are perennial in many of the Indian cities and most of the houses are below standard. But so far as rural housing conditions are concerned, they have begun to change for the better in at least a few areas. Community development and self-help housing programmes are now reaching an important part of the rural population in India with material assistance and advice in improving the traditional methods of construction provided under the Community Development Programme. Rural electrification programmes are also spreading reasonably well. The distribution of the outlay for various schemes in India in the Third Plan is as given in the table alongside.

The targets for the number of houses or tenements under the subsidised housing scheme, low-income group housing scheme, slum clearance and village housing schemes are 73,000, 75,000, 1,00,000 and 1,25,000 respectively. Not only in the public sector but in the private sector too, there has been an increasing amount of construction in this country, but it is, of course, difficult to assess it in precise items. The net investment on housing and other private construction which was reckoned at Rs. 900 crores in the First Plan and Rs. 1,000 crores in the Second Plan, is now put at Rs. 1,125 crores in the Third Plan. The extent of the housing shortage which exists in urban areas can only be broadly estimated. For an urban population of 62 million there were in 1951, about 10 million houses. The shortage of houses in that year was roughly reckoned at about 2.5 millions. And it was reckoned in the Second Plan that the shortage of houses in the urban areas might increase by 1961 to about 5 million. Although efforts on an increasing scale have been made in housing during the First and Second Plan, the problem still continues to remain acute. The total outlay on public housing during the Second Plan was of the order of Rs. 250 crores and about 500,000 houses were constructed. Public authorities provided during the First Plan about 742,000 houses or tenements. In the First Plan about 600,000 units were provided in the private sector. Thus in the First Plan about 1.3 million houses were added.

THE COST ELEMENT

In regard to construction of houses in European countries, it may be interesting to observe that the cost of materials is in the region of 50 per cent of the total cost, ranging from a minimum of 40 per cent (Austrian house) to a maximum of 63 per cent (USSR flat). The proportion of site, labour costs varies from just over 11 per cent (Hungarian house) to 44 per cent (Austrian house). The percentage of labour cost is significantly lower in Eastern than in Western Europe. The percentage of site costs other than labour are much greater in Eastern than in West European countries. The total indirect costs, i.e. plant and equipment, site overheads and builders establishments overheads are significantly higher in Eastern Europe than in Western Europe.

The common factor amongst all these countries is that construction costs are going up and there is no likelihood of their coming down in the near future. The chief elements in the cost of housing are building costs, land values and financing expenses. The prospect for a decline in building costs cannot be envisaged till building industry completely modernises itself. Pre-fabrication methods and other new modern techniques perhaps could reduce costs to a certain extent. Under the circumstances, it appears that efforts will have to be devoted to bring about an effective check on the rising population particularly in India. Happily the importance of it has been realised in the Third Five-Year Plan. What is now required is a concerted enforcement of the methods that have been talked about for so long.

TABLE II

OUTLAY IN THIRD PLAN — 1961-66

(Rs. crores)

Scheme	Outlay
(1) Ministry of Works, Housing and Supply	
Subsidised Industrial Housing	29.8
Dock Labour Housing	2.0
Slum Clearace, Slum Improvement and Construction of Night Shelters	28.6
Low income group housing	35.2
Middle Income Group Housing in Union Territories	2.5
Village Housing	12.7
Plantation Labour Housing	0.7
Land Acquisition and Development	9.5
Provision for Experimental Housing, Research and Statistics	1.0
TOTAL	**122.0**
(2) Other Schemes	
States' Housing Schemes	2.3
Two Planning including Preparation of Master Plans	5.4
Urban Development Schemes	12.3
Programmes included in the Plan	20.0
TOTAL	**142.0**
(3) Prommes to be financed from the funds expected to be provided by the Life Insurance Corporation	60.0
GRAND TOTAL	**202.0**

BREAK-DOWN OF BUILDING COSTS FOR SELECTED SITES

(Individual Houses)

(Percentage of Total Cost)

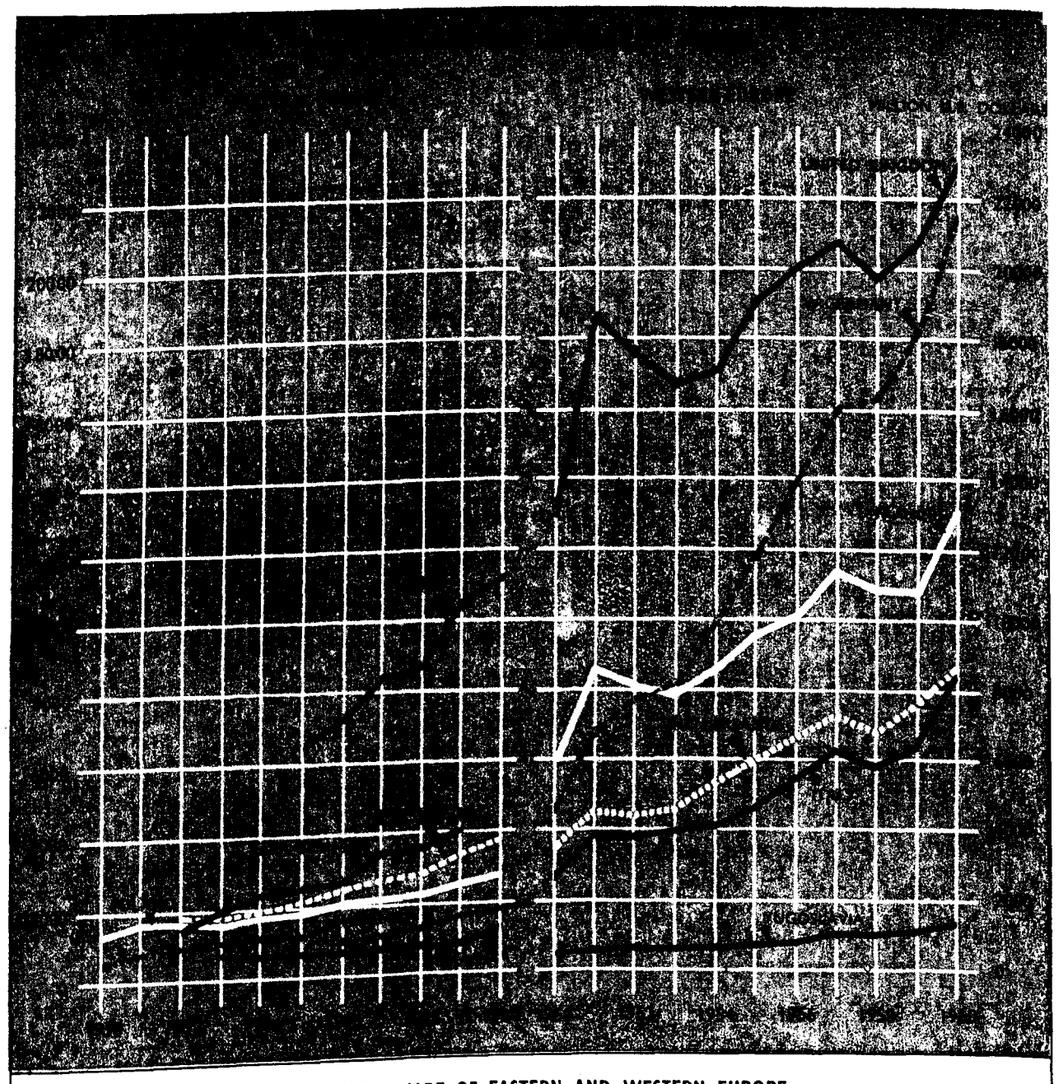
Country and Site A, B or C	Direct Costs			Indirect Costs		
	Materials	Labour	Total	Plant and Equipment	Site Overheads	General Overheads
	(1)	(2)	(3)	(4)	(5)	(6)
Western Europe						
Ireland (A) ..	49.2	39.0	88.2	2.0	2.2	7.6
United Kingdom (A) ..	47.2	37.7	84.9	1.7	4.7	8.7
Ireland (B) ..	55.0	33.0	88.0	2.0	2.5	7.5
Greece ..	48.0	31.0	79.0	0.3	7.8	12.9
France ..	47.0	30.0	77.0	6.2		16.8
Spain ..	56.2	26.8	83.0	2.4	3.1	11.5
United Kingdom (B) ..	59.2	25.9	85.1	2.0	3.2	8.7
Western Germany ..	60.2	24.4	84.6	4.1	3.2	8.1
Sweden ..	57.0	24.0	81.0	3.0	6.0	10.0
Netherlands ..	71.0	18.4	89.4	5.25		5.35
Austria ..	37.0	44.0	81.0	0.5	1.0	17.5
Eastern Europe						
U.S.S.R. ..	56.5	25.5	82.0	3.0	9.0	6.0
Hungary (A) ..	48.8	21.2	70.0	2.2	14.7	13.1
Hungary (B) ..	48.9	21.0	69.9	2.1	14.8	13.3
Rumania ..	54.7	19.0	73.7	1.3	13.6	11.4
Hungary (C) ..	56.0	11.6	67.6	3.9	12.0	13.5
Average ..	53.0	27.2	80.2			

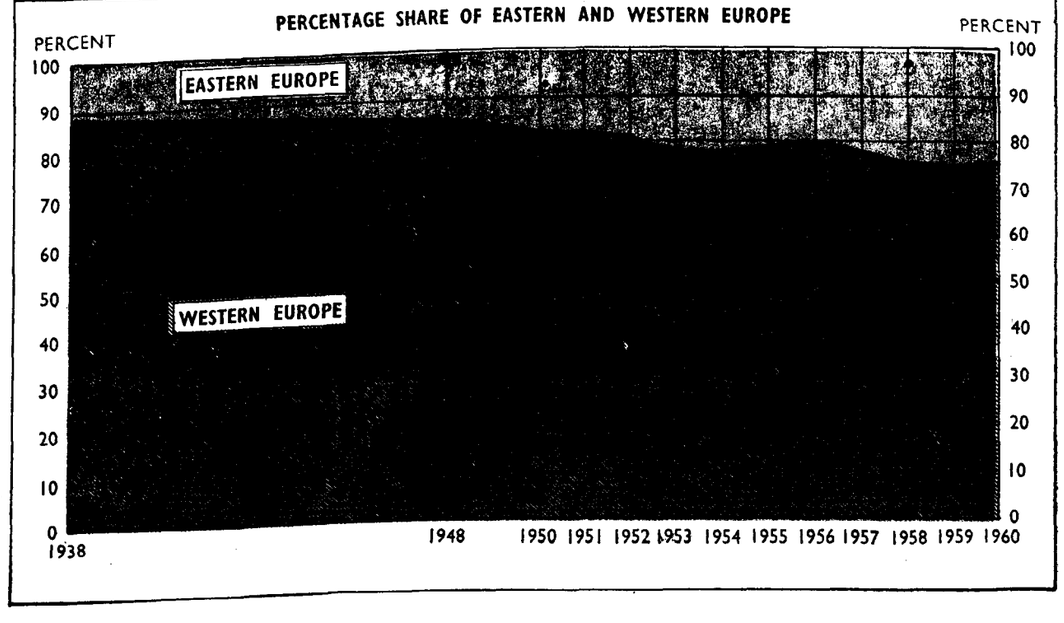
BREAK-DOWN OF BUILDING COSTS FOR SELECTED SITES

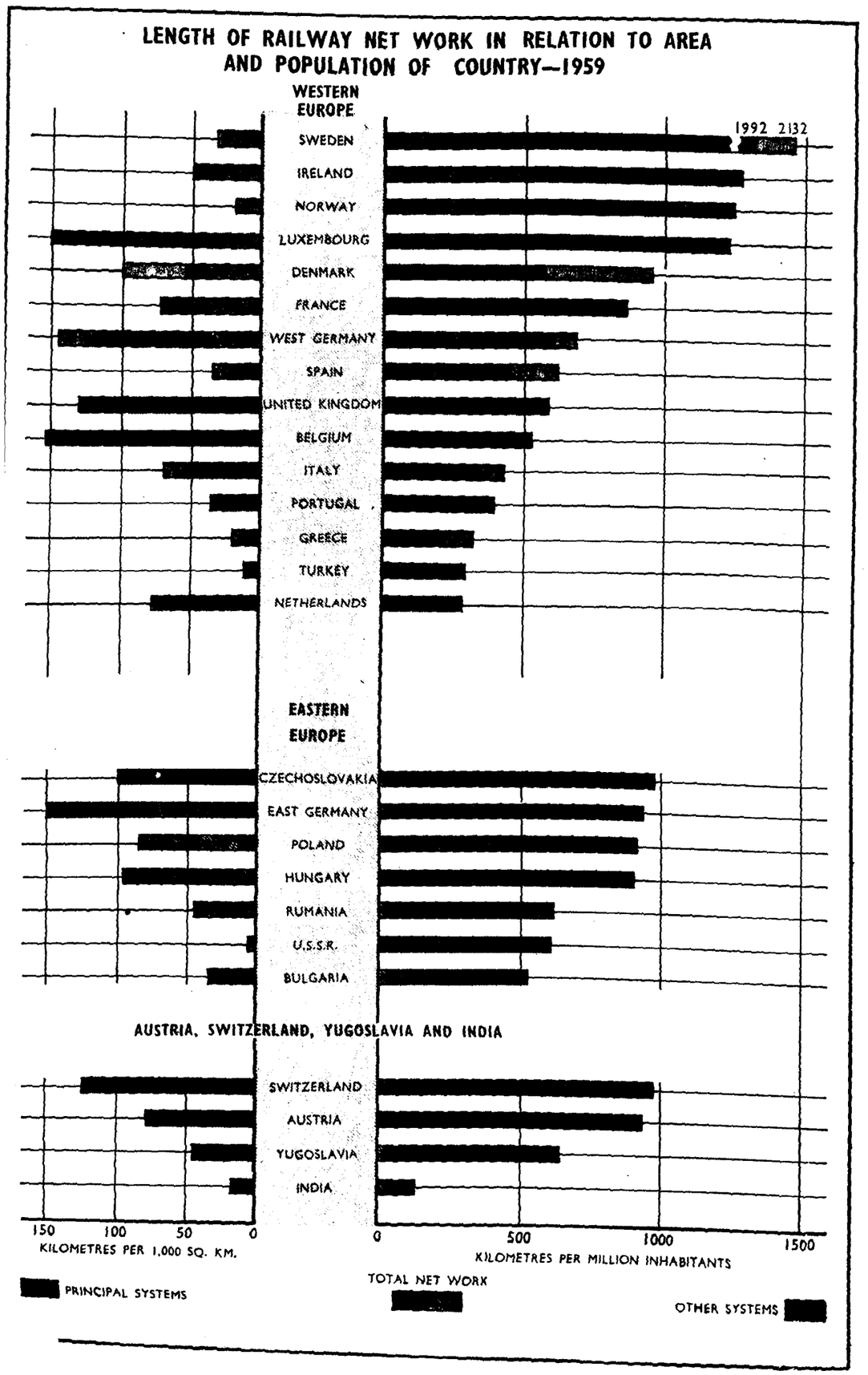
(Multi-family Dwellings)

(Percentage of Total Cost)

Country and Site A, B or C	Direct Costs			Indirect Costs		
	Materials	Labour	Total	Plant and Equipment	Site Overheads	General Overheads
	(1)	(2)	(3)	(4)	(5)	(6)
Western Europe						
Austria ..	40.0	41.5	81.5	2.0	2.5	14.0
United Kingdom (A) ..	44.7	41.0	85.7	2.0	4.1	8.2
United Kingdom (B) ..	44.9	41.0	85.9	2.1	4.3	7.7
United Kingdom (C) ..	45.0	40.0	85.0	2.5	4.0	8.5
Italy ..	49.2	32.0	81.2	3.2	3.8	11.8
Norway ..	48.5	30.7	79.2	1.8	19.0	
Spain ..	52.8	30.8	83.1	2.3	3.1	11.5
Greece ..	46.0	29.0	75.0	1.7	10.8	12.5
Sweden ..	55.0	25.0	80.0	3.0	7.0	10.0
Eastern Europe						
Czechoslovakia (A) ..	46.0	27.8	73.8	3.1	10.0	13.1
U.S.S.R. (A) ..	53.9	27.0	80.9	3.5	9.5	6.1
Czechoslovakia (B) ..	52.3	24.8	77.1	2.5	8.9	11.5
Poland (A) ..	55.5	22.0	77.5	2.9	13.0	6.6
Poland (B) ..	52.4	21.5	73.9	3.7	15.5	6.9
Hungary (A) ..	46.8	21.3	68.1	5.0	13.1	13.8
U.S.S.R. (B) ..	60.1	21.0	81.1	4.4	8.5	6.0
Hungary (B) ..	49.9	20.2	70.1	5.0	13.1	13.8
U.S.S.R. (C) ..	63.3	18.0	81.3	5.3	7.5	5.9
Romania ..	60.7	14.0	74.7	4.0	13.8	7.5
Average ..	50.7	27.9	78.6			







Health

THE cry for a long life with good health is as old as the man and, considering that much of a country's prosperity originates from and depends upon the extent of good health enjoyed by its population, the responsibility for public health and welfare has come to be devolved upon the Government. In assuming the responsibility for public health the European countries have undoubtedly shown the way as also in extending that responsibility to water and sewage systems, pure food laws, industrial hygiene plus, in some countries, a comprehensive health service with free medical care and liberal cash benefits in cases of loss of income owing to illness.

HEALTH INSURANCE

The compulsory health insurance for the majority of working population has for long been the most common way of buying health care in Western European countries and something like four-fifths of all medical goods and services are bought through those funds which include numerous voluntary funds catering to particular occupations or income groups. In India, a beginning has been made in this direction with the provision of health and medical facilities for industrial workers under the Employees' State Insurance Scheme and for the employees of Central Government in Delhi under the Contributory Health Service Scheme.

Now, what is the criterion for gauging satisfactorily the health of a population? It is difficult to select any one, since whichever is chosen the relative ranking of the countries emerges almost in identical order. The infant mortality rate perhaps serves as well as any to demonstrate the relationship between per capita expenditure for health and the general level of health in a country.

When infant mortality rates and per capita expenditures for health and medical care are brought together, most West European countries are found to be lying close to the trend line, extending from Spain to Sweden. Apart from Portugal, with a particularly high rate of infant mortality, the chief exceptions are the Netherlands and, to a lesser extent Finland, countries in which private expenditure for health play a significant role. Among the Eastern European countries, Czechoslovakia ranks high in reducing her infant mortality rate from 27.8 per thousand in 1949 to 18.0 in 1958. In Poland the rate was 56 in 1958 as against 107.1 in 1949. While West Germany has reduced her rate from 58.7 in 1949 to 36.0 in 1958, East Germany has been able to bring down her rate from 78.1 in 1949 to 44.5 in 1958. Compared to the European countries, the rate of infant mortality in India is high and will continue to remain so until per capita expenditure on health shows marked rise. Nevertheless, infant mortality in India over the period from 1941 to 1961 has gone down as is evident from the following table:

Period	Infant Mortality Rate		Expectation of life at birth	
	Male	Female	Male	Female
1941-51 ..	190.0	175.0	32.45	31.66
1951-56 ..	161.4	146.7	37.76	37.49
1956-61 ..	142.3	127.7	41.66	42.06

The collective expenditure for health for the whole of Western Europe—through funds and by the Government—amounted to some $4.4 billion in 1954 and has increased since. Added to this is a further amount of the order of $1 billion, representing the private outlay on medical goods and services. The total Western European outlay on health and medical care in 1954 was probably about $5.4 billion, or about the same as the expenditure on education.

This health bill amounted to $18.4 per capita, or about 2.7 per cent of Gross National Product. In India the total public expenditure on health during the past decade of planning was Rs. 356 crores which amounted to about Rs. 8 per capita. This excludes private expenditure on health incurred through charitable trusts and other welfare bodies.

One visible sign of improvement in a nation's health is success in delaying death by making available to the people a congenial environment for living accompanied by health services. Environment is one that enables people to develop resistance to disease and health services enable them to fight against diseases successfully. In just over half a century death rates have been halved in most of the West European countries, infant mortality cut to a quarter or a sixth and child mortality to one-tenth. As a result of improved expectation of life, an average male child can at birth anticipate living an additional 17 to 25 years. These changes are attributable primarily, though not entirely, to progress in medical care.

During the past ten years, India has made substantial progress in several directions of various health programmes. As a result of the measures taken for the control of malaria, there has been marked decline in the incidence of the disease. Communicable diseases such as filaria, tuberculosis, leprosy and veneral diseases have been controlled to an appreciable extent. The number of subsidiary centres for leprosy in 1960-61 was 135 as against 33 in 1955-56. The number of clinics for veneral diseases was 83 in 1960-61.

An intensive effort is under way for the eradication of malaria and small-pox and the control of filaria, cholera, tuberculosis, leprosy and other communicable diseases where they still persist on a large scale.

INDUSTRIAL HEALTH

Industrial Health in India is by any standard low and considering that good health of industrial workers is as much a precondition for higher productivity as technology, there remains much to be done in this direction. A special aspect of industrial health is atmospheric pollution, occasioned by the smoke from factories, which extends its damage to the entire population of any industrial area. Under certain atmospheric conditions it becomes concentrated in "smog" and tells upon the public health. According to the report of the Committee on Air Pollution (1954) in the U.K. the smog in London in December 1952 caused the death of some 4,000 persons.

Several countries have long had regulations which specify the minimum height of chimney stacks in certain classes of industry, but the Clean Air Act of 1956 in the U.K. was more specific and drastic. The Act empowers the Minister of Health to establish completely smokeless zones and areas where the smoke from certain classes of buildings is subject to control. Smokeless zone in central Manchester having been proved beneficial, similar zones are being created gradually elsewhere in Britain and are under consideration for some German cities in the Ruhr.

Medical Education

In East European countries, public health services occupy an important place under the responsibility of

the State. In Hungary the number of doctors per 10,000 of inhabitants in 1960 was 157 against 153 in 1959, while in Poland in the same year the number of doctors per 10,000 of population was 93. The number of hospital beds in Hungary has steadily increased from 46,922 in 1938 to 71,173 in 1960. In Rumania, the number of beds of medical attendance (including beds in hopsitals, T.B. sanatoria and maternity homes) has increased fairly steadily from 33,763 in 1938 to 133,850 in 1960.

In India, public health services are yet to enlarge substantially so as to cover the larger section of the masses. The provision of general health services to the people has been based on the setting up of a network of primary health centres.

W.H.O.

The World Health Organization is playing an increasing role in the activities designed to assist in the solution of national health problems of under-developed countries, apart from its work of an international nature. The Organization has been rendering increasing assistance to India in her bid to control malaria and tuberculosis, improve maternal and child-health and professional technical training. In Europe the assistance of this organization has been made available in the fields of mental health, nursing, communicable eye diseases, social health and medical care, tuberculosis and public health administration.

The intensified W.H.O. medical research programmes in the period 1960-64 are to deal mainly with communicable diseases—especially those prevalent in the tropics—and with virus diseases, problems of nutrition, cancer, cardio-vascular diseases, health problems arising from the use of ionizing radiations, and studies in human genetics.

MEDICAL FACILITIES IN EUROPE AND INDIA

(In Numbers)

Country	Year	Physicians	Dentists	Midwives	Pharmacists	Population (Thousands)	Inhabitants per physician
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Austria	1958	11,534	3,957	1,690	..	7,021	609
Belgium	1958	11,013	1,296	3,848	5,218	9,053	822
Denmark	1957	5,391	2,190	673	1,271	4,488	832
France	1958	47,872	14,837	10,000	18,980	44,584	931
Germany, Western ..	1958	71,036	30,275	10,005	14,883	52,133	733
Greece	1958	9,691	2,692	..	..	8,173	843
Italy	1956	69,850	..	21,376	26,167	48,279	691
Luxembourg	1957	319	117	65	156	308	966
Netherlands	1958	12,526	2,554	..	..	11,186	893
Norway	1956	3,820	2,000	1,226	..	3,462	906
Portugal	1958	6,627	126	783	2,074	8,981	1,355
Spain	1958	33,337	2,762	..	10,295	29,662	890
Sweden	1957	6,277	4,600	1,850	820	7,367	1,174
Switzerland	1958	7,449	2,154	..	..	5,185	696
United Kingdom	1958	42,500	11,500	16,706	17,100	51,680	1,216
Yugoslavia	1956	10,346	1,323	4,080	2,745	17,792	1,720
Eastern Europe							
U.S.S.R.	1958	361,626	26,724	75,900	17,680	206,900	572
Albania	1958	333	26	197	64	1,507	4,526
Bulgaria	1958	10,243	2,258	2,778	..	7,728	754
Czechoslovakia	1958	21,943	2,392	4,927	4,585	13,474	614
Hungary	1957	14,134	..	3,654	3,172	9,856	697
Poland	1957	22,405	8,011	8,359	7,023	28,300	1,263
Rumania	1956	21,919	..	6,222	4,642	17,582	802
India	1960	77,500	..	31,400	42,000	433,600	5,595

THE PHYSICAL TARGETS PROPOSED FOR THE THIRD PLAN ALONG WITH RECORDS OF PROGRESS IN THE FIRST AND SECOND PLANS

Categories/Unit	1950-51	1955-56	1960-61	1965-66
Hospital & Dispensaries				
1. Institution	8,600	10,000	12,600	14,600
2. Beds	113,000	125,000	185,600	240,100
3. Primary Health Units ..	..	725	2,800	5,000
Medical Education				
4. Medical colleges	30	42	57	75
5. Annual Admissions	2,500	3,500	5,800	2,000
Dental Education				
7. Annual Admissions	150	7	10	14
6. Dental colleges	4	231	281	400
Training Programmes				
8. Doctors (in practice or service)	56,000	65,000	70,000	81,000
9. Nurses	15,000	18,500	27,000	45,000
10. Auxiliary Nurses Mid-wives and Mid-wives	8,000	12,780	19,900	48,500
	521	800	1,500	3,500
11. Health visitors	1,800	6,400	11,500	40,000
12. Nurses-dais Dais	3,500	4,000	6,000	19,200
13. Sanitory Inspectors	..	..	42,000	48,000
14. Pharmacists	..	133	390	390
Control of Communicable Diseases				
15. Malaria Units	..	107	107	497
16. Population covered (Millions)	..	11	48	48
17. Filaria Units	..	15.1	24.6	N.A.
18. Population covered (Millions)	..			
Tuberculosis				
19. T.B. Clinics	110	160	220	420
20. Maternity and Child Health Centres	1,651	1,856	4,500	10,000

Education

WHERE quality counts quantity must necessarily suffer and it is nowhere more true than in Europe. The European institutions of higher education have for long been noted more for their quality than for quantity and, in being so, advancement in all fields of knowledge has been much greater from European seats of learning than from any other. The central problem which lies ahead for the peoples of Europe is how to democratise their institutions and multiply the opportunities for higher training without affecting their qualitative education.

The high degree of selectivity in the European educational structure may be said to have arisen from the attitude that, while a certain quantity of education should be provided by the state to all children irrespective of their capacity, beyond a certain stage, public money should be spent only on those who have proved themselves mentally the best equipped.

Educational structure in India, however, is not as rigidly discriminative in higher levels of education as in Europe, though, lately, there is a growing awareness in many quarters that it should be discriminative in order to save those students from burden who are less gifted and to do full justice to those who are more gifted.

In the U.S.S.R. the expansion of higher education has continued fairly steadily since the end of the Second World War. Over the period from 1914 to 1960 the number of higher education establishments grew from 105 to 753 and the number of college students from 127,000 to 2,395,000. By 1960 there were 140 trained specialists for every 1000 factory and office workers throughout the economy, compared to 77 in 1940.

The proportion of Europe's school-going child population is undoubtedly highest in the span of 7-12 years of age. Below the age of 7 practice varies widely, while above the age of 12 the numbers begin to dwindle, as primary education gives way to secondary education and the period of compulsion ends in a number of countries. In most European countries compulsory schooling runs from 6 to 14 years of age, or from 7 to 15 years in the Netherlands and Scandinavian countries. In Portugal school attendance is compulsory for only five years and in Spain and Greece for only six years.

Under the Constitution of India, education is to be made universal, free and compulsory for the children up to the age of 14 years, but, in view of the huge magnitude of the task and the paucity of resources, it has been brought down to 11 years in the Third Plan to be followed by extension for the entire age-group 11-14 during the Fourth and Fifth Plans.

PRIMARY EDUCATION

During the past hundred years the provision of primary education has become universal in Western Europe. In England and Wales the relatively high ratio of 25 per cent enrolled in "private" primary establishments represents mainly Church of England schools, almost wholly integrated into the State system, and to a small extent the so-called preparatory schools, which admit pupils on a fee paying basis. The pupil-teacher ratio (which is only 17 in the U.S.S.R.) ranges from 23 in Sweden up to nearly 46 in Greece. In India, the ratio is as high as 37 as against 35 in Portugal and 33 in Poland. European average of pupil-teacher ratio is around 30 pupils per teacher. In France, Belgium and most of the Scandinavian countries the ratio is higher than average. Everywhere the ratio is declining throughout the present century.

In India, over the decade 1951-61 the number of students increased from 23.5 million to 43.5 million. The

increase in the number of pupils in the age-group 6-11 was 79 per cent, in the age-group 11-14, 102 per cent, and in the age-group 14-17, 139 per cent. The proportion of children in these groups attending schools rose respectively from 43 to 61 per cent. In the course of the Third Plan, the total number of pupils at schools is expected to increase by 20.4 million, 15.3 million in the age-group 6-11, 3.5 million in the age group 11-14 and 1.6 million in the age-group 14.17 During the ten years of planning, the number of schools increased by 73 per cent from 230,555 to 398,200 increase in the number of primary schools being 63 per cent, in middle schools 191 per cent, and in high schools 128 per cent. Progress in basic education at the elementary level is demonstrated by the increase in the proportion of junior basic schools and senior basic schools from 16 per cent to 29 per cent and from 3 per cent to 30 per cent respectively.

SECONDARY EDUCATION

Secondary education in Europe until the nineteenth century was confined to those who were able to pay fees or those selected by the Church in religious seminaries in which case fees were paid by the latter. The State's responsibility for providing free schooling was limited to those who could pass a fairly stiff entrance examination and at reduced cost to those who could pay part fees, the balance being met out of Government grants. During the last ten years, attempts have been made in the direction of universalizing free secondary education; though no European country has attained the goal of free secondary education, the number of secondary schools is being rapidly increased everywhere. From 1938 to 1955 secondary school enrolment more than doubled in Finland, Italy, Portugal, Spain and Sweden. In almost all other countries the increase was over 50 per cent.

Notwithstanding this progress, it still remains true that an unsatisfactory small proportion of Western Europe's adolescents obtain a general secondary education. In several European countries a significant proportion of the secondary education is still privately controlled and administered, though in most cases these private schools are State-subsidized—almost completely so in the Netherlands and Ireland. In India, while in general education the pupil-teacher ratio is 18 in vocational education the ratio is 20. In Yugoslavia the ratio in general education is 16 and in vocational education 23.

Reorganization of secondary education in India was taken up following the report of the Secondary Education Commission and, accordingly, high schools were converted into higher secondary schools and multipurpose schools providing for a variety of courses were established.

In the first two plans the number of secondary schools increased from 7,288 in 1950-51 to nearly 16,6000 at the end of 1960-61. The number of children enrolled in classes IX to XI increased from about 1.2 million to 2.9 million. Although the number of girls in these classes increased from 200,000 to 520,000 during this period, constituting less than one-fifth of the total number attending secondary schools, at the end of the Second Plan only about 4.2 per cent of girls availed of high school education as compared to 18.4 per cent of boys of the age-group 14-17. In the Third Plan the number of girls in schools will be nearly doubled, but their proportion in the age-group as a whole—at about 7 per cent as compared to about 24 per cent in the case of boys—will remain low.

Educational programmes in the field of technology and engineering have been designed to help in building up the trained technical personnel required for schemes of industrial development, teaching and research. In the Third Plan, therefore, Rs. 142 crores have been provided for schemes of education in the field of engineering and technology. As against 13 and 19 per cent respectively in the First and Second Plans, technical education represents about 25 per cent of the outlay on education in the Third Plan. The number of engineering colleges has gone up during the Second Plan from 65 to 100, the annual admissions increasing from 5,890 to 13,860. In the Third Plan provision has been made to increase the annual admissions at degree levels to 19,140, and at diploma level to 37,390. Over the Second Plan the annual out-turn of graduates has increased from 4020 to about 5700 and of diploma holders from 4,500 to over 8,000. The growing imbalance between the demand for and supply of graduates and diploma-holders is a pointer to the fact that, apart from the lack of teaching personnel, there exists the need for making available the technical education to a larger section of the masses. This will necessarily call for the diversification of technical education in India to meet the growing need of technical personnel in the country. The minimum requirement for admission in an engineering college is a pass in higher secondary examinatio and not as in Western Europe where it represents by far the most post-primary educational activity. A survey published in 1957 by the Economic Commission for Europe has arrived at the conclusion that, notwithstanding the increase in output of science graduates by 50 per cent compared with the late thirties, the rate at which new engineers and other technicians are being trained is too low.

UNIVERSITY EDUCATION

It can be roughly estimated that the proportion of young people of 20-24 years of age attending universities averages some 4.5 per cent in Western Europe as a whole and exceeds 6 per cent in some Scandinavian countries. Luxembourg has no university and half of Norway's university students study abroad. In India, 833,450 students were enrolled in 1957 for university education. Enrolment in institutions of higher education has been on the increase throughout the present century. From 1900 to 1956 the number of students per 10,000 of population rose in France from 7 to 34, in Germany from 8 to 26, in the Netherlands from 6 to 28 and Switzerland from 9 to 23. The comparable figure for the United States was 155 (including college students) in 1954 and for the Soviet Union 64 in 1956.

The rapid increase in the number of students in universities has brought in its wake many new universities which have glorious traditions like those of older universities in Europe. The difficulty they experience in obtaining the services of top quality staff is great. And, apart altogether from quality, staff members have entirely failed to keep pace with the increase in the number of students. The number of universities in India has increased from 27 in 1950-51 to 46 in 1960-61 and about a dozen more are likely to be added by 1965-66. The rapid expansion in the number of universities and colleges in recent years has led to a number of problems which have been reviewed in the report of the University Grants Commission for 1959-60. The Commission has laid stress on the expansion of physical and other teaching facilities corresponding to the increase in the number of students so as to avoid deterioration in standard. The problem is, however, one of large dimensions and, even after taking into account these facilities, the number of those seeking admission to the courses of higher education in arts, science and commerce will be large.

EXPENDITURE ON EDUCATION

That rich countries spend a higher proportion of their gross national product on education than do the poor, is somewhat axiomatic. But before they reach such a stage of prosperity proportion of it on education remains rather small. According to some analysts, the tendency for a rising ratio of expenditure for education to GNP to accompany rising national prosperity reaches a saturation point. It is true that since 1955 the ratio has been stable in several countries but, in view of the ambitious plans which many of them have for

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expanding their educational facilities, the ratio is likely to rise further in the coming decade.

It is interesting to note there is close uniformity in the proportions of expenditure on primary, secondary and higher education. Primary education in recent years has accounted for some 50-58 per cent of the outlay, secondary education for 23-28 per cent (but in Germany and the U.K. as much as 36.38 per cent and in Denmark as little as 10.2 per cent) and higher education for 5-10 per cent.

While the percentage of the total expenditure is falling in the case of primary education, percentage is rising in respect of both secondary and higher education. This demonstrates the great expansion of secondary and higher education enrolments in the past two decades. In the United Kingdom, expenditures for secondary and higher education taken together have risen from 32 to 48 per cent of the total educational outlay.

In India, the total outlay on education, including engineering and technological education has increased from Rs. 153 crores in the First Plan to Rs. 256 crores in the Second Plan ended in 1960-61. It is envisaged that a total outlay of Rs. 560 crores will be made in the Third Plan. The distribution of outlay of schemes of general education under the First, Second and Third Plans, is shown in the following table :

DISTRIBUTION OF OUTLAY

	Amount in Rs. Crores			Percentage		
	1st Plan	2nd Plan	3rd Plan	1st Plan	2nd Plan	3rd Plan
Elementary Education	85	87	209	63.9	41.9	50.0
Secondary Education	20	48	88	15.1	23.1	21.1
University Education	14	45	82	10.5	21.6	19.6

Public expenditure on education in India in 1958-59 was Rs. 218 crores—Rs. 5.5 per capita, or 1.7 per cent of national income. In Finland the percentage in 1957 was 6.5 closely followed by Belgium 5.2 per cent and Netherlands and Norway 5 per cent. Among the East European countries, Poland's expenditure on education as percentage of her national income is 4.2 Yugoslavia 3 per cent and Hungary 2.3. In U.S.S.R. expenditure on education in 1959 per inhabitant was 452 roubles.

Despite all the loud talk about educational reform and improvement of standards, Indian educational system has remained in a doleful state and as far as quality is concerned it is far behind the needs of the time. A qualitative education is the need of the day.

DISTRIBUTION OF STUDENTS BY MAJOR BRANCHES OF STUDY

Country/Year	Total Number of Students	Humanities	Law	Social Sciences	Natural Sciences	Engineering	Medicine	Agriculture
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Western Europe								
Austria (1958)	29,804	4,852	3,536	4,440	2,001	7,429	4,431	965
Belgium (1958)	44,724	3,605	2,936	7,920	3,142	8,707	8,488	1,299
Denmark (1958)	20,554	1,828	1,233	3,088	1,181	2,025	3,233	993
Finland (1958)	19,538	6,955	891	3,417	2,166	2,001	1,907	728
France (1958)	226,173	57,263	34,229	3,010	61,725	15,755	41,182	2,210
Germany, Western (1958)	164,015	37,692	18,996	20,101	23,310	30,923	23,797	3,322
Berlin, Western Sector (1958)	16,546	2,912	1,702	2,447	2,308	3,933	1,858	450
Greece (1958)	25,206	3,768	3,969	4,035	2,003	3,248	2,869	914
Iceland (1958)	750	292	120	85	..	35	218	..
Ireland (1958)	8,676	42	128	765	1,143	691	1,699	847
Italy (1958)	163,945	28,215	33,027	34,848	18,238	20,197	22,354	2,826
Luxembourg (1958)	100	25	23	..	13	..	39	..
Netherlands (1958)	35,131	6,651	2,623	6,249	4,818	6,661	6,502	1,395
Norway (1958)	7,549	2,155	759	256	1,360	1,245	1,187	407
Portugal (1958)	24,091	5,147	2,569	1,445	3,405	2,191	3,786	480
Spain (1958)	111,192	6,207	16,936	5,104	9,757	6,834	24,798	2,136
Sweden (1958)	28,343	11,950	1,886	1,431	3,556	4,423	4,455	642
Switzerland (1958)	18,877	4,164	1,668	2,419	3,182	2,565	3,626	366
United Kingdom (1958)	111,457	34,221	4,042	6,524	24,185	10,739	17,374	2,377
Yugoslavia (1958)	97,323	14,933	12,690	18,123	4,398	15,328	11,396	7,089
Eastern Europe	2,260,400	...	154,400	145,700	...	765,000	184,600	259,200
U.S.S.R. (1959)	2,252	254	82	249	171	582	466	99
Albania (1958)	33,205	2,194	586	4,900	2,130	8,964	5,664	6,720
Bulgaria (1958)	75,306	1,235	1,795	7,612	1,622	27,758	8,744	6,741
Czechoslovakia (1958)	31,178	216	3,290	1,770	575	9,411	6,308	3,997
Hungary (1958)	129,765	9,042	3,869	8,783	7,339	44,764	24,720	11,106
Poland (1958)	87,849	7,370	6,438	5,718	8,742	19,134	8,626	7,328
Rumania (1958)	333,540	432,104	22,695	63,358	218,418	28,340	34,471	9,596
India (1957)								

PART C

A Cultural Comparison

Europe Divided: The Cultural Choice

IN Part A an attempt was made to present what might be described as the politico-economic choice, between Western Europe and Eastern Europe. There the point was made that in terms of India's interests there can be no doubt that while developments were favouring Eastern Europe in terms of rates of current progress, there was no period on our current horizon when Eastern Europe would catch up in terms of its importance, politically and economically, with the West. So far as the cultural picture is concerned, Eastern Europe does not begin with similar advantages and, indeed, it seems to start with a major historical handicap, which arises from the fact that the great cultural waves emerging from Greece and Rome and then the Italian Renaissance and the liberal movements of France and England were almost entirely confined to the West. Eastern Europe received, inevitably, as the waves spent themselves, currents of the cultural vitality of Western Europe, but in total volume, largely because the sources of cultural power were in the West, Russia and even Poland and Czechoslovakia must take a lowlier place in the historical spread of what has comprehensively been described as European culture. In the field of literature, to Indian readers, there is nothing so grand as William Shakespeare in any 'foreign' language. Our own education perhaps has blessed us in terms of English prose or poetry. But it is probably true even without this bias that the volume of Western literature, as well as the volume of Western art has been, in intensity and quality, far greater than anything that Eastern Europe has produced in the past. Compare in the field of music in modern times the tremendous power of Beethoven and Brahms and then place it in balance with the lighter music of Fredrick Chopin of Poland and Chaikovsky of Russia. There have been tremendous artistic creations in the East as well as the West. The Bolshoi Theatre to this day presents a tradition in ballet dancing second to none in the world. But, all in all, an Indian observer looking at the great flood of Western literature and the flood of Western music and, possibly, of painting and architecture might look less appreciatively at what now stands in the world as a monument to the creative capacity of the people there. Much of Russian art is recent and in the Communist world it is necessarily inhibited by its environment though creative genius is unpredictable and one cannot say whether it is related to political systems. From the fact that the great Cathedrals were built in the Feudal Middle Ages and that some of the finest music has been produced under autocracies, and even the Italian Renaissance was the fruit of the patronage of the Italian nobility, one might hesitate to say that freedom in the democratic sense is a condition of creativity. On the other hand, authoritarianism is definitely a bar to creative criticism. Is creative criticism itself an element in the creation of original qualities in culture? The answer is probably in the negative, but who can say?

The brute fact remains that Eastern Europe, notwithstanding the glory of some of its achievements—and Prague and Warsaw today are wonderfully beautiful cities, perhaps no less than some of the great ancient cities of the West—so far as the past is concerned, has shown itself less creative than the West. Today the problem of what effect the political and economic systems prevalent in Eastern and Western Europe have on literature is one on which opinions may well differ. Opinions even differ on the works themselves. Dr. Zhivago by Boris Pasternak might have received the Nobel Prize, but there are some Indians who would argue that it is not in the highest class of the moving literature of the West and Boris Pasternak, even if not inhibited in his writing, was persecuted to the point of having to refuse the Nobel Prize. These are powerful elements in the view that the seed for literary creation is probably not as good in Eastern Europe today as it is in the West. A somewhat mechanical educational system, spaciously deployed, is tending to produce far more quantity than quality. The original genius, largely because he has to conform, inhibits himself at the start and tends to lose his original quality. This is not, indeed, a criticism exclusively applied to Eastern Europe. The view has for some time been presented that the mass culture of the West is producing what, in W. H. Auden's phrase, is called "the horizontal" man—a "brotherly type" absorbing all the popular arts, notably, movies, jazz, journalism, all of which are diffused with a skill which, whether in Western or in Eastern Europe, grows day by day, but does not produce the original lone genius who has made cultural history down the ages.

It is probable that Europe's old class system produced more of the "vertical" man who could stand on his own feet on the basis of the quality of his own mind and the quality of his own creation, but who, again, can tell that the lone wolf provides better soil for culture than any other? Nevertheless, one might perhaps hazard the guess that for a sheeplike culture, forming everywhere in Europe today, there is more congenial ground in the East than in the West. For the West has room for great eccentricities as it has for outspoken criticism. It has, indeed, even outside Oxford University, many homes of lost causes. Popular breezes ventilate cultural angularities, and the very process of individual democracy tends to breed a ferment in which it is possible that both political and economic factors, controversies, lend themselves to a ferment in the cultural environment. All in all, one might hazard the guess—and it can be no more than a guess, since we do not know the springs of original culture—the climate is better set in Western Europe than elsewhere for the great movements of the human spirit which, when they come together massively, create a Renaissance and, when they come singly, constitute what we call genius.

Humanism and the Liberal Test

THE DARK AGES

THE "creative" character of the environment is not the only test by which the Indian people will judge of systems external to themselves. It is natural that, with the great tradition of tolerance which has spanned Indian history from Asoka to Mahatma Gandhi, that one should look in systems abroad for that practice of tolerance and ready acceptance of other views which is often, in secular terms, described as humanism or the liberal current. So far as the West is concerned, liberalism is of comparatively recent growth. Indeed, one might argue that, notwithstanding a fine religious tradition and the overwhelming power of the Catholic Church, liberalism was the exception, rather than the rule, until the early 19th century. Both the State and the Church were authoritarian in character, decreeing that their mandates should be carried out often with punishment which was exemplary. Those who displeased the authorities were often, as in Tudor times, beheaded or later in the Spanish Inquisition and elsewhere, burnt at the stake for heresy. Scientific enquiry was to a great extent inhibited by the fear of displeasing those in authority, and whilst controversy existed

down the ages, the broad current of European thinking, whether in the West or in the East, was authoritarian and not liberal. In the East, particularly under Peter the Great, cruelties of the State tended to be even more severe than in the West. All these are, in fact, now looked upon as exhibitions of the Dark Ages in European intellectual thought.

FREEDOM OF EXPRESSION: THE LIBERAL TEST

The central elements in liberalism have now become one of the major factors of our times. It is a fact that their absence in Eastern Europe implies that Humanism, in one of its central features, is not present there. One must recognize, however, that the volume of tolerance tenable in any society, in Bernard Shaw's phrase, is directly proportionate to the stress under which it is preserving its cohesion. We often talk as though the Fundamental Rights of the Indian Constitution were based on principles of "natural rights" deemed obvious by all. What the American Declaration of Independence set forth as "self-evident" principles in the equal rights of all men as natural gifts of their Creator, is by no means an axiom of political life, although it came, in its high-sounding prose, soon to be accepted as a commonplace slogan or what we call the Age of Enlightenment. But slavery existed for a long time thereafter and Jeremy Bentham, the utilitarian philosopher, who had so much to do with the widening character of liberalism in Britain, often called the natural rights idea "nonsense upon stilts".

The natural rights of men form, in the Indian mind, a convenient base for mass democracy. It is doubtful whether either Western or Eastern Europe looks upon them except as means of expediency in the twentieth century; the one to proclaim its doctrine of democratic equality of men by a vote, the other, by its doctrine of people's democracy, implying the protecting of the masses from the classes. Into these great confusions it is not necessary to enter, but the fact remains that Indian sympathy will tend to be with those societies in which the freedom to vote, based on the doctrine of the equality of men, is allied to a freedom of expression in which men can join other parties or group themselves against the ruling party in the State. In other words, Indian tolerance would tend to be Western democracy, rather than Eastern "democracy", in outlook.

The elements of democracy itself, however, in the humanistic age need careful consideration. The fact that the vote is generally spread in Western Europe is not an indication that there is equality of opportunity or, indeed, any economic equality which can be seen as such. The unequal base of property rights, which a socialist state is supposed to have abolished by vesting practically all property capable of production in the hands of the State, is itself a great maker of inequality. This is deemed consistent in Western Europe, as in India, with the progressive recognition of the power of common men to decide the political apparatus in which the country should live. How free the vote can be in unequal societies is a question on which opinions may well differ. But there is something in the criticism that the greater political privilege given to a voter in Western democracies is offset by the greater privilege given to the "classes" in terms of property rights and the use of higher incomes for the purpose of securing privileges. 'U' and 'non-U' today may not have the same significance as in the nineteenth century where the "classes" were separated powerfully by the character of the economic stratum to which they belonged; in the twentieth century expenses accounts have produced a new rich class with moderate incomes in terms of that fraction subject to tax. Nevertheless, privilege for the masses under our present democratic societies in political terms might well be described as a compensating clause for the lack of their economic privilege.

The position in Eastern Europe is, from the humanistic point of view, obviously far less attractive. There is no freedom of expression as we understand it and, broadly, the sense of tolerance in politics is small with no alternative vote possible, even if one differs markedly from the Communist Party ruling in each State. On the other hand, it is claimed that in terms of welfare—education and the core of economic uplift—there is more association of the poor with the State as beneficiaries than there is in Western Europe. It can be contended that marked improvements have been made, and when one recognises that under the Czars in Russia the position was chaotic in both political and economic terms, one can look sadly at the loss of political freedom, while conceding at substantial benefits that have been conferred on workers as a result of the Revolution. The balance, however, still remains markedly in favour of the Western world, and we Indians cannot cease to be Indians without making an act of personal choice in favour of the liberal and humanistic currents that are in evidence in the Western world today.

Religion and the Moral Order

VOLTAIRE is credited with the remark that 'if God did not exist, it would have been necessary to invent Him'. Not, indeed, that while Voltaire acknowledged the existence of the Creator, he accepted the God of Christianity with the doctrines of the Atonement and the Resurrection or ultimate salvation implicit in Christian teaching. He saw the image of God as a powerful element in maintaining political patience and in exercising control over society by an inner discipline which, in his view, it was impossible to avoid. He saw expediency, rather than faith, in religion. Before the Enlightenment, of which he was one of the great spearheads, culture had been essentially religious. It is true the Enlightenment itself sought to make culture essentially secular. But just as Alexander Pope had said that the proper study for mankind is man, the proper study of society had previously been "the will of God." The great philosophers were often, like Diderot, frankly atheistic, but this was not so of the great majority of the great men of science, including Newton and Galileo. Nor was the Enlightenment to detract anything from the deeply religious power of the Renaissance. It was religion which liberated the creative energies of those great masters of art and it may be that this is what led to the view—probably mistaken—that the world's greatest art was fundamentally religious at core.

Whether this is so or not, the issue has been raised whether we in India, who have a deep attachment to a religious conception of life based in its essence on a principle of Natural Law or Karma, leading eventually to rebirth and a merging with the Infinite, can avoid a spiritual approach in even political or cultural matters. Mahatma Gandhi saw in his 'Experiments with Truth' a new appreciation of this spiritual, or mystical, approach of life. This is not, indeed, shared by Jawaharlal Nehru, and one might wonder whether India's political leaders, at this moment, have any basic religious approach to problems, though a great mass of the Indian people look on atheist or agnostic administration as somewhat repugnant to their way of life. In this sense, Western Europe, which is still predominantly Christian—Catholic or Protestant—will probably commend itself more to the great majority of the Indian people than does Eastern Europe, tending under its new rulers to be agnostic or atheistic, even while permitting some religious freedom. The real issue is not, however, in respect of religious freedom. This can be very large.

In Poland where 99 per cent of the people are Catholics, the Catholic Church has a tremendous power. The point arises here whether or not the State should be guided by religious ends. One such is the teaching of religious education in schools and the right to propagate worship in particular forms even if it should conflict with the views of the rulers involved. A balance has had to be struck. In this balance currently Western Europe is liberal; Eastern Europe much more restricted. In the Indian Union, in our Constitution, the right of freedom of worship is conceded. The exact extent to which the Secular State and the religious freedom granted in the Constitution conflict has not been proved. But few people would look upon the Indian Constitution, or the Indian background of the Constitution except against a religious approach. By and large, the Indian social order is based on the fact that the various leading religions have powerful followings by reason of religion. The Sikhs, the Muslims and the Christians, apart from the militant Hindus, would be unable to accept Atheism as a background for the social or the moral order.

Thus one might have expected, at first sight, some repugnance in the Indian mind to the acceptance of Eastern Europe as a friendly and understanding partner in many cultural problems. For a deeply spiritual country as we are supposed to be, the somewhat materialistic presentation of programmes of action in the Eastern European countries might seem to imply a different world. In point of fact, the differences in religious background between India and the U.S.S.R., in particular, are of almost no consequence in producing support or opposition. Apparently the Indian spiritualism in the East and the materialism of Socialism in Eastern Europe can march well together. It may well be that the current is, in the secular State of India, to be less and less religious, and possibly more and more agnostic in its governing classes.

It is not necessary to argue here whether or not a sound moral order can be based on Atheism or Agnosticism. A view of the universe, which does not postulate an act of creation and a Creator, has been possible in the Western Age of Reason; but for the great masses of the Indian people the Age of Reason has not yet dawned and political patience is more easily imbued with religion than into the agnostic mind. There are dangers in Atheism as there is an element in the creation of deep religious consciousness. Not, indeed, that religion should be, as Marx described, the opiate of the people. But the time may come when, in a crisis, the Indian people will need their religion. It will endure to the extent that it is true over the long period; it will lapse where it falls. All in all, one might view the rising materialism of the Indian Union with some serious misgivings. For the present purpose, however, one might argue, that it is making easier an understanding with Eastern Europe and the time has come when Agnosticism and Atheism seem to trouble little those who feel they need every support in a world in which only the fittest are deemed to survive. The conclu ion seems to be that spiritual India does not find any contradiction in free and even enthusiastic partnership with atheists or agnostics in the modern world.

The Consolidation of the Revolutions

NOT a small portion of the cultural environment in which both Eastern Europe and India are now placed is affected by the fact that they are both emerging from their revolutions into a state of "normalcy". In theory, the Communist revolution is still very much in force, and the 22nd Session of the Communist Party was designed to show that there is, in fact, a new revolutionary horizon in that the U.S.S.R. is committed so to raise the standards of living of its people that it can abolish all direct taxes and draw level with the Capitalist world in the standard of living in the next fifteen years. The coming of an affluent society in Eastern Europe is, in fact, a revolutionary idea, although now that it has been achieved so fully in the West, one might wonder how revolutionary the idea will be to Indian audiences. But a state of normalcy is descending on the Soviet Union in at least three respects. Firstly, from being in a state of seige, at least psychologically, the Soviet Union is now forcing the pace in terms of megaton explosions, an East German Treaty and, a much more provocative line, on international commitments. The use of the Russian veto in the United Nations on India's side is just one part of an offensive in a new context. A state of normalcy, in which the Russian state is playing a "natural" hand in international affairs, is a concomitant of the feeling that the fierce international struggle for world revolution has currently ended with the decline of the Stalinist group and the rise of Khrushchev. Exactly how stable or co-existensional the Kremlin is, it is difficult to say, but it is probable that Russia's modern rulers have become more liberal by reason of the fact that they are not facing elimination at home. In this sense too, therefore, the revolution might be deemed to have been consolidated in the direction of the pursuit of an economic race against the problem of political influence or survival.

India, too, after a period of Gandhian moderation in international affairs, has now imparted what might be described as an aggressive element to her international image. What was revolutionary in the Indian situation was not, in fact, the revolution itself which merely transferred power from the civil servants to the politicians, but the Gandhian doctrine which stood behind the philosophy which was supposed to be the spearhead of the Indian Revolution. The Gandhian doctrine was not obviously the whole prime-mover and now that on Goa we have shown that it is not necessary to resort to Gandhian teachings all the time, one might say that our external relations are assuming a more normal situation, in the sense, we have secured release from the revolutionary Gandhian heritage.

"Normalising", as this process might be called, is a two-edged weapon. While we might, in fact, have lost revolutionary fervour on the Gandhian stage, we may perhaps have found more ferment in forging a new industrial society. This has been concealed by what looks like a change on the political front. At this time, there is some doubt as to whether or not the action on Goa is, on balance, going to leave our Revolution stronger or weaker as an instrument of international peace. It is probably true that the Prime Minister's intention was not to reduce our influence in the international affairs. The United Nations, in particular, has obtained a significant proof of India's willingness to commit her forces to international tasks. But the internal revolution is burning low. One sign of its return to normalcy is the fact that popular enthusiasm has to be whipped up by a call to the country not merely to face economic hardships, but to embark on military operations outside the cease-fire line in "Azad Kashmir". The session of the Congress at Patna, mounting it seems on the base of popular enthusiasm in Goa, has tended not merely to reverse Gandhian doctrine, but to place a much more questionable purpose on our military priority. In a sense, therefore, India's revolution might be said not to have consolidated itself so much as to have sought a new direction.

Whether or not the internal changes by which Indian industrialisation is transforming the countryside are a factor in the abrupt change from the Gandhian doctrine of non-violence is a question which may be asked. It is possible to hold the disturbing view that this is not consolidation so much as a new restlessness which follows on the end of one age and the beginning of something new. Consolidation implies only that the revolutionary fervour should cease to be revolutionary and the Governments of the day should be based upon consolidating their philosophy as well as their successor. In the current consolidation of Indian industrial societies there is, in fact, a struggle between the old and the new, between the urban urge for development and the stagnant countryside, between the Gandhians and the non-Gandhians, and possibly, between groups inside the Congress Party, some of whom wish the State to dominate the individual in the development of the new society.

This is a restlessness which Eastern Europe shares in a somewhat different way. The hard core of authoritarian planning is giving place to more and more recognition of the place of the individual in the modern Soviet State. Individuals and professional persons are vigorous in many portions of Eastern Europe. It may be that in the current trend of consolidation in the Indian Union we are tending to rely more and more on the State as against the individual. This is, however, not a position of permanence. It may be said that the social restlessness, which is now apparent almost everywhere in the Indian Union, is, in fact, the result of the oscillations between Gandhian and an Ancient Hindu society to a vigorous and modern society attempting, under industrialisation, to begin a brave new world pursuing materialism above the fruits of the spirit. One of the great contradictions of Indian social thought at the present time is that the disciple of Mahatmaji should be the instrument of a revolution designed not to consolidate but to destroy the Gandhian Age.

Company Meeting

THE CONSOLIDATED COFFEE ESTATES (1943) LTD.

Registered Office: POLLIBETTA, Coorg, S. India

Chairman's Speech

Speech delivered by Mr. C. I. Machia, Chairman of The Consolidated Coffee Estates (1943) Ltd. At the Eighteenth Annual General Meeting of the Company held on the 29th December, 1961.

Ladies and Gentlemen,

It is with great pleasure that I welcome you to the Eighteenth Annual General Meeting of the Company. The Directors' Report and the Audited accounts for the year under review have been in your hands and with your permission, I propose to take them as read.

The year's working has resulted in a profit of Rs. 21,93,249 after taxation as compared to Rs. 13,08,089 in the previous season. The increase in profit is mainly attributable to the record crop harvested. The Coffee crop for the season amounted to 2,585 tonnes of Arabica and 1,633 tonnes of Robusta or a total of 4,218 tonnes as against 1,451 tonnes of Arabica and 998 tonnes of Robusta or a total of 2,449 tonnes in the previous year. The total crop of 4,218 tonnes exceeded the blossom and revised estimates and the possibility of such an increase has been referred to in my speech last year. The Arabica and Robusta crop for the season under review is the highest since the inception of the Company and is nearly 988 tonnes more than the previous record crop of 1956-57. The average yield per acre of Robusta at 626 kilograms or nearly 12½ cwts, per acre is a record. The average yield per acre of Arabica is 553 kgs. or about 11 cwts. and is slightly lower than the previous record of 575 kgs. or 11½ cwts in 1956-57.

Your Board has considered it prudent to adopt a valuation of Rs. 1.90 per point in view of the present falling prices of coffee, particularly in respect of exports. This valuation is considered reasonable and it is possible that the final return may exceed this figure slightly.

The income over valuation for 1959-60 received into this year's accounts is the lowest since 1948. I had indicated in my last year's speech that the surplus over that year's valuation would not be much. We have finally received only 4 naye paise per point or a total of Rs. 2.24 per point and with the lower crop of that year the amount received on account of 1959-60 coffee was only Rs. 1,58,579. During the year under review, we also received a small Bonus payment of about 2 naye paise per point amounting to Rs. 87,036 on account of 1956-57 coffee crop. Against these receipts from previous season's coffee crop, we have had to set off a loss of Rs. 12,613 incurred on the 1959-60 season's pepper stock over the previous year's valuation, a loss due to the steep fall in pepper prices.

I will now refer briefly to our subsidiary crops. The total income from subsidiary crops such as pepper, cardamom and oranges was Rs. 7,40,433 and was a little higher than the income of the previous season.

PEPPER

The production for the year was 74 tonnes as against 58 tonnes in the previous year. The income from pepper this year on a crop higher by 16 tonnes was only Rs. 2,66,731 against Rs. 2,83,047 for the previous year's crop. This lower realisation was due to a marked fall in prices. Due to constant fluctuations in the pepper market, we have not disposed of our entire yield, but have carried forward much of our current season's crop. Pepper is a very highly speculative commodity and the prices have recently been subject to wide and erratic variations.

CARDAMOMS:

The income from cardamoms at Rs. 97,409 is the highest since the inception of the Company and the total yield of 6 tonnes is a record.

ORANGES:

The income from oranges was Rs. 70,807 higher than the record income of Rs. 1,23,469 received for the previous year and was due to a larger crop and better prices.

PADDY AND STRAW:

Our income from paddy and straw has gone down considerably due to a very low yield of 560 cartloads of paddy against 733 cartloads in the previous year.

TIMBER SALES:

Our income from timber sales is much lower. In view of the large coffee crop it was considered unnecessary to effect any sales on a large scale. Such sales as were made were limited to the removal of trees affecting cultivation.

It is proposed to sell a fair quantity of timber this year to supplement the income from our very much lower coffee crop.

In keeping with the policy of increasing our subsidiary crops, we have planted during the year 20 acres of oranges and other citrus fruits, 7 acres of cardamom and 11 acres of arecanut. We have also planted about 10,000 pepper vines and we expect to improve our cultivation of paddy.

The income from our Curing Works was lower than that of the previous year due to their curing a lesser crop than in the previous season and to the increase in the labour Wage Bill.

The income from trading is also lower and is due to the delay in obtaining nitrogenous fertilisers owing to scarcity of wagons and to import restrictions on Power Sprayers etc.

Our production, trading, selling and administrative expenses show an increase of Rs. 10,75,201 over that of the previous year and is accounted for as under:

(1) To an increase of 1,769 tonnes of Coffee over that of the previous season, resulting in a corresponding increase in crop charges such as gathering, curing, transport etc.

(2) The application of extra manure to heavy bearing areas resulted in an increase in cost under the heading 'Consumption of Stores and Spare Parts.'

(3) The Wage Agreement entered into with labour with effect from the 1st August, 1960, which accounted for nearly Rs. 3 lakhs increase in wages, Provident Fund etc.

The Dividend at 20 per cent on the Ordinary Share Capital recommended by your Board is consistent with the need to allocate larger amounts to reserve and to provide for a big carry forward in anticipation of a lower income in the coming year.

During this year the total capital expenditure

(Continued on page 241)



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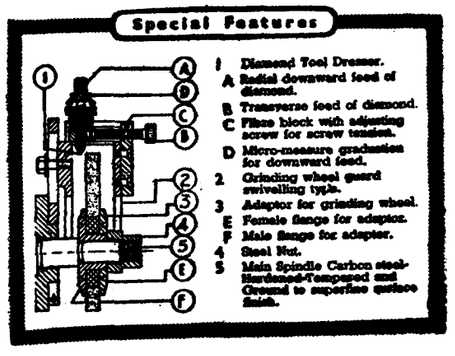
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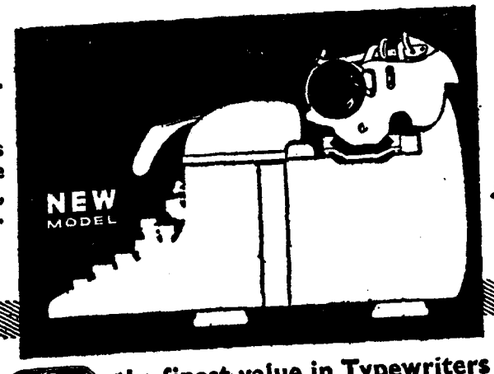
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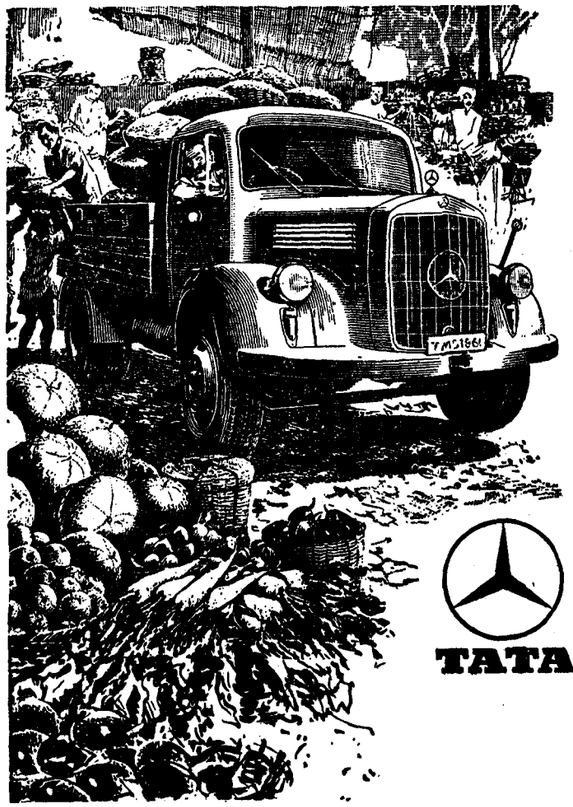
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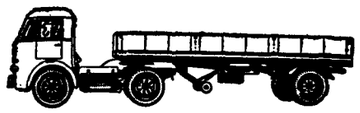
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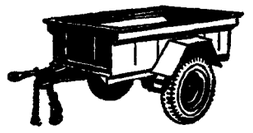
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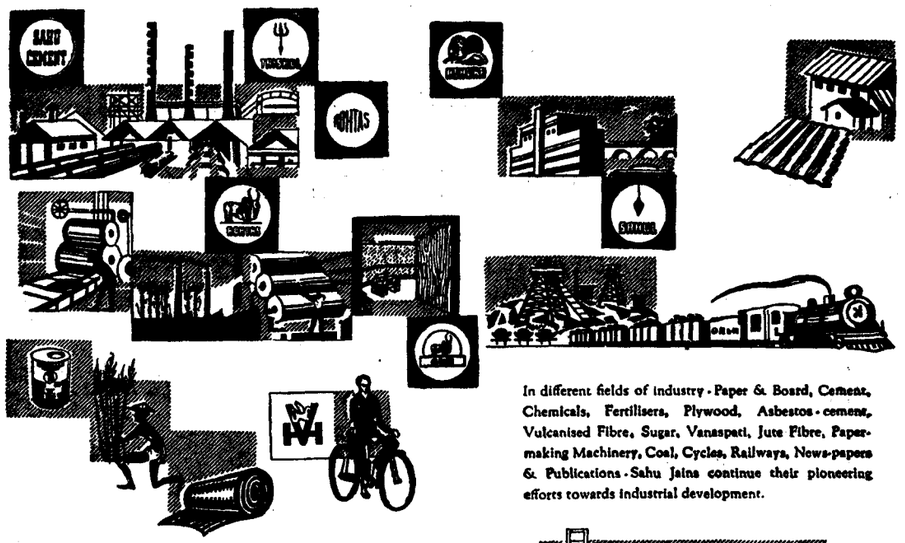
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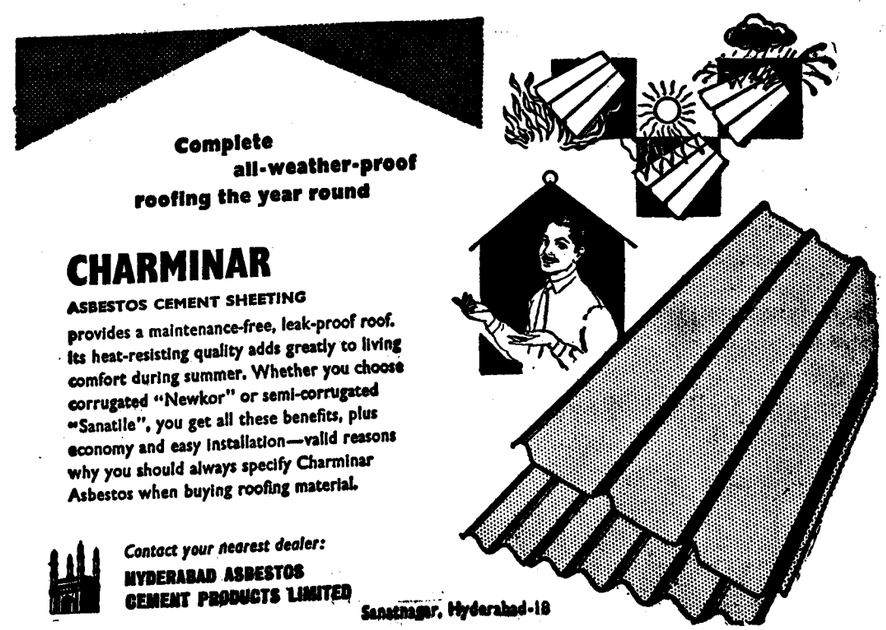
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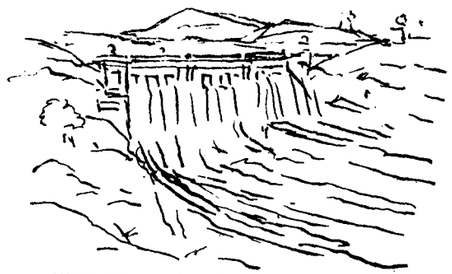
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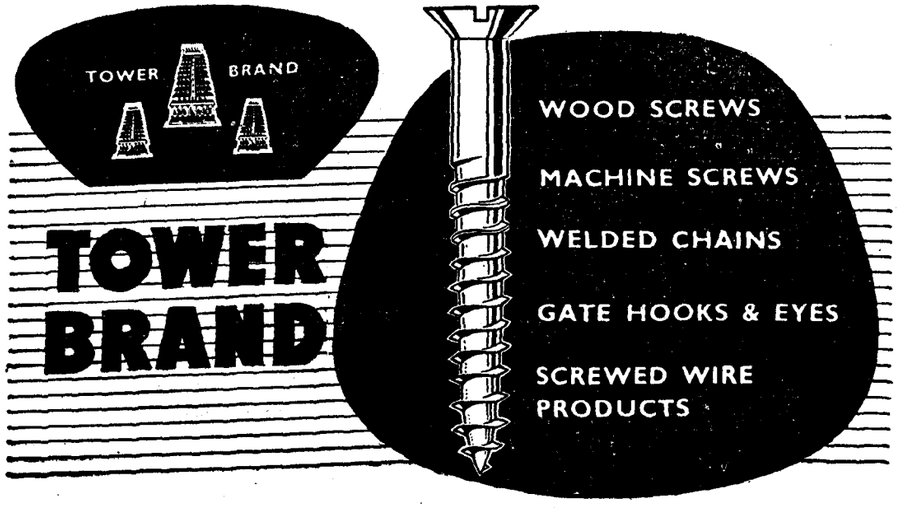
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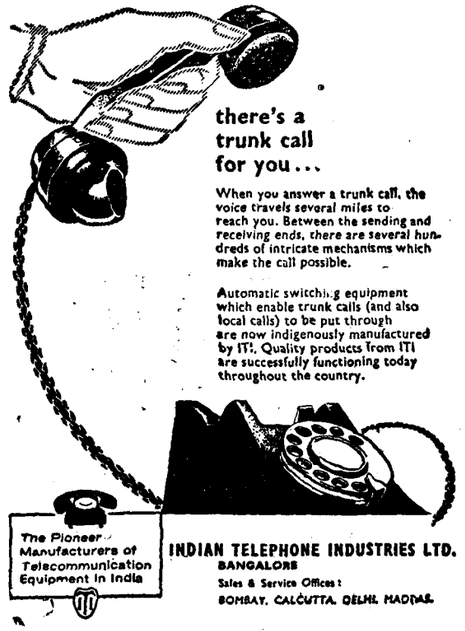
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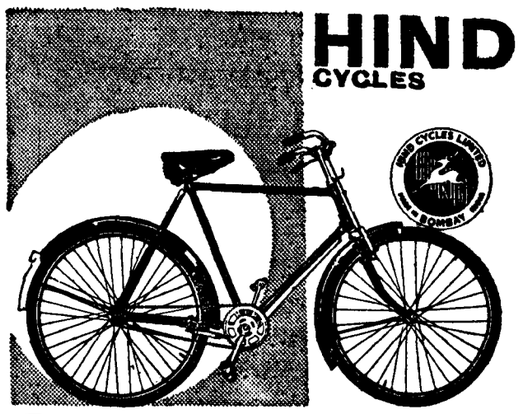
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Company Meeting

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SHRI R. VENKATASWAMY NAIDU'S ADDRESS

Speaking at the Twelfth Annual General Meeting convened on the 15th of December, 1961, at 11 a.m., Shri R. Venkataswamy Naidu, Chairman, said:

I welcome you all to this Twelfth Annual General Meeting of the shareholders of this Corporation.

The accounts have been circulated to you, as also the Directors' Report. Although we closed our accounts on the 30th June, we were unable to hold our Annual General Meeting earlier because of the fact that our accounts, after being audited by the commercial auditors are subject to a test audit by the staff of the Accountant-General and under Sec. 619 of the Companies Act, the Annual General Meeting cannot be held without placing before it the comments of the Comptroller and Auditor-General of India. The Office prepared the balance sheet and profit and loss account on 13th July, 1961. The auditors completed the audit by 31st July, 1961 and the balance sheet and profit and loss account were signed by the Directors at the Board meeting on the 10th of August, 1961. After these were signed by the auditors it was sent to the Accountant-General on 21st August, 1961. The test audit by the staff of the Accountant-General's Office was conducted between 25th September, 1961 and 21st October, 1961. The Office has been urging the Accountant-General's Office to send the comment of the Comptroller and Auditor-General, for being placed at this meeting. Actually the comment has not yet been received and consideration of the balance sheet has to be postponed. I refer at length to this matter because one of the shareholders, at the last Annual General Meeting complained about the delay in our holding the Annual General Meeting. It is rather anomalous that the Companies Act prescribes the time for the holding of the Annual General Meeting by companies and has imposed severe penalties for non-compliance with the provision; at the same time makes the holding of the meeting dependent upon the co-operation of the Audit Department, on whom no statutory duty has been imposed.

REVIEW OF THE WORKING OF THE COMPANY

You will see from the accounts that during this year we have made a net profit of Rs. 13,60,638 as against Rs. 8,89,368 for the previous year. As much as Rs. 8,12,500 is accounted for by underwriting commission on the considerable underwriting business which we did during the year. Although we may not do the same amount of business every year, underwriting has become a part of our normal business. Among the State Finance Corporations we are alone in taking to the business of underwriting of shares. We find that in some States, Development Corporations have been started for the purpose of underwriting and equity participation in new issues. We think it was a wise decision on the part of the Government to entrust this new line of financial activity to our Corporation. This has resulted in considerable saving in administrative expenditure, while the knowledge gained by our staff in long-term loans over the last twelve years and the administrative set up built up over the years have proved equal to the new responsibility.

I am glad to inform you that the ordinary shares of new issues which we have underwritten have all been fully subscribed involving no financial commitment for the Corporation. The investing public appear to prefer ordinary shares because of the prospects of capital appreciation and they do not go in for preference shares to the same extent. In the case of one company, for which, we had underwritten ordinary shares for Rs. 10 lakhs and preference shares for Rs. 5 lakhs we have had to subscribe for preference shares for Rs. 3,34,000 in fulfilment of our underwriting agreement. All the same, as preference shares are more or less assured of a fixed return and at an earlier time, the Corporation chooses to underwrite preference shares to some extent along with ordinary shares which are more popular with the investing public.

In this connection, I wish to deal with some stray criticism that by investing in such large measures in the shares of new issues with funds obtained mostly by way of deposits for which we have to pay interest all the time, our working results will be badly affected Reference is also made to the depreciation on our investments. The essential of capital formation is the ability of the investor to wait. With the pursuit of egalitarian ideals by the State and with the gradual disappearance of large private investors who can afford to wait for a long time without a return on their investments, new industrial ventures cannot be started without institutional support on the scale which we in common with other financing institutions have undertaken. In every case of our underwriting or subscription, institutions like the Industrial Finance Corporation, the Industrial Credit and Investment Corporation and the Life Insurance Corporation and in some cases leading commercial banks have also taken financial interest in a large way. The risk of industrial venture is thus shared between a number of institutions. We are living in an era of planning and with Governments — Central and State — taking interest in rapid industrialisation and giving necessary assistance and protection against unfair competition from within and without, industries started these days and under such circumstances have every prospect of success so far as it can be humanly predicted. The depreciation on our investments is only a temporary feature due to irrational market sentiment and it is not a matter over which we should be alarmed.

During the year, the Refinance Corporation included us among the institutions eligible for refinance. We have obtained refinance in respect of one loan for Rs. 15 lacs during the year of account; subsequently refinance has been sanctioned in respect of a loan for Rs. 5 lakhs. Last year, I mentioned that the facility of refinance which is repayable over a period of seven years and in exceptional cases over 10 years it may suit well-established industries which take loan for expansion and that it will not be suitable to new industrial ventures which take two to three years for being established and not have sufficient margin of profit to repay the loan within the limited period envisaged under the scheme. After dealing with the Refinance Corporation for some time, we find that although the Refinanc Corporation looks to us primarily for repayment, elaborate scrutiny of the borrowers' position is done by the Refinance Corporation and the procedural details also entail a good deal of delay. We are representing to the authorities of the Reserve Bank and the Refinance Corporation for Industry Ltd. to cut out needless formalities and to sanction refinance in all cases where by the accepted canons of industrial finance, the applicant companies should be given aid.

INTEREST RATES FOR DEPOSITS

During the year, the commercial banks not only raised their interest rates for deposits but have gone

in for deposits upto five years. Inspite of the fact that our deposits are guaranteed by the Government, we cannot attract deposits unless we give slightly higher rates than the leading commercial banks because commercial banks, by the nature of their business can offer powerful incentives, whereas we, who do an entirely different type of business will never be able to offer the same incentives. Therefore, with effect from 15th April, 1961, we raised our interest rates for our deposits as under:

1 year and above	..	4½%
2 years and above	..	4½%
3 years and above	..	4½%
4 years and above	..	5%
5 years to 20 years	..	5½%

On 30-11-1961 our deposits stood at about Rs. 4 crores and 20 lakhs.

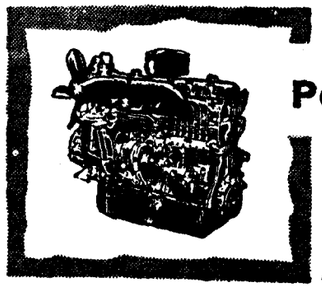
In this connection, I must mention that there is really no conflict of interests between us and the commercial banks. The success of institutions like ours resulting as they do in the development and growth of industries will benefit banks who get increased business in the shape of demand for working capital. Our rates have been adjusted to our demand and we have never gone in for deposits for the purpose of flaunting our resources or in a spirit of unfair competition. The fact that leading commercial banks have given sizable support to our bonds and even to our deposits should set at rest any doubt about clash of interests between us and the commercial banks.

Last year we amended our Articles enabling us to receive deposits for less than one year and also short-notice deposits. These short-notice and short-term deposits are obtained at comparatively lower rates of interest and result in considerable saving in interest charges. They are not treated as part of our resources for our lending or other business. On 30-11-1961 the amount of such deposits stood at a little over Rs. 50 lakhs.

Total guarantees given by us on behalf of our constituents to machinery suppliers and counter-guarantee to banks on account of machinery purchased on deferred payment terms amounted to Rs. 26,61,082.71 on 30-11-1961.

We continue to receive a good number of applications both for long-term loans as well as for underwriting of new issues. As the funds at our disposal are not sufficient to undertake fresh commitments, we are arranging to float bonds in the market which will be guaranteed as to principal and interest by the Government of Madras. Our Corporation continues to grow in size and usefulness to industrialists of all types.

Note: This does not purport to be the proceedings of the Meeting.

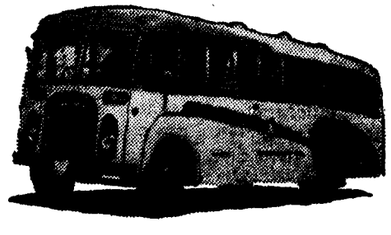


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(Continued from page 228)

amounted to Rs. 7,30,904, Estate Machinery, Pulphouses, Barbecues etc., accounting for nearly Rs. 2,11,380.

Labour housing has been completed on all our Estates excepting two which still require about 50 new units and the conversion of 26 substandard houses to prescribed standards. Our main capital works in the future will be the modernising of about 4 pulphouses, building of barbecues, construction of reservoirs for storage of water for pulping and spraying etc.

PROSPECTS:

It is feared that the estimated crop for the coming season given in the report may not be harvested, as the setting of the Robusta crop has been poor throughout Mysore State.

Last year, I referred to the prevalence of a malady in coffee. At the initiative of the Bombay Burmah Trading Corporation Ltd., Dr. F. J. Nutman of Kenya, one of the foremost Coffee Scientists in the World was invited to India, and your Company also shared in the expenses of his visit. He visited the properties of the Bombay Burmah Trading Corporation Ltd., and our Estates and his report has proved to be of great interest. His general conclusion was that the Die-back did not appear to be caused by a pathogen but was likely to be due to a certain combination of circumstances such as over-bearing, shade, debility due to leaf disease etc.

As Dr. Nutman is a recognised authority on coffee leaf disease, his advice on this subject was taken and a series of experiments are now being laid out by the Company's Scientific Officer, who is in regular correspondence with him. On your behalf, I should like to record our grateful thanks to Dr. Nutman, for his kind and very ready advice and help.

LABOUR:

Our relations with labour were generally cordial. A disquieting feature is the increase in the number of Labour Unions who are not truly representative of labour. In many cases, the new Unions are confined to a single estate and the leaders of such Unions also demand the right and are allowed to attend Conciliation proceedings instituted in respect of industry-wide demands. Exaggerated claims far beyond those put in by long existing and established Unions are made, and most attempts at conciliation and settlement are obstructed. It may be necessary for the Labour Department to investigate the representative character of such Unions.

As you are aware, the Government of India has constituted Wage Boards for Tea, Coffee and Rubber.

The Wage Boards are to consider among other matters the question of paying a Fair Wage and also whether the wage should be based on a single wage earner per family or on family earnings as at present.

There is little doubt that the wages will be increased and this will naturally affect the Coffee industry vitally, geared as we are to a high cost per acre.

It is to be fervently hoped that the examination of the subject of wages will be related to output. We accept as inevitable a certain amount of absenteeism as peculiar to any agricultural enterprise, but when labour insists on having all the benefits of industrial employment, we have a right to expect less laxity in attendance and a greater exertion to earn the wage. As enlightened employers we cannot be against a rising wage level, but we are fast approaching a stage when we have to make much better use of our labour or we and our labour will suffer together.

I reported to you last year that despite the International Coffee Agreement, the world coffee situation is likely to deteriorate further. This has unfortunately come true and our export sale averages reflect the depression in the world Coffee market. The average prices realised at the export sales from July 1960 to June 1961, for the two main varieties of coffee, are noted below:

			Plantation A 50 Kgs. Rs.	Robusta Flats 50 Kgs. Rs.
1960	July 7	..	208.34	—
	August 4	..	201.11	95.02
	September 8	..	200.11	91.14
	October 14	..	184.24	88.20
	November 9	..	176.62	84.43
	December 15	..	—	81.09
1961	January 25	..	190.56	—
	February 23	..	175.95	—
	March 23	..	166.07	—
	April 11	..	164.71	73.20
	May 5	..	164.50	73.33
	June 8	..	172.09	67.96

There has been a discernible weakening of coffee prices despite the strong and world wide effect of the International Coffee Agreement and its regulated exports. Apart from the erratic and substantial fall in our export prices, what has further depressed our return per point has been the excessive weight of our export in relation to our total crop.

The world coffee situation is not likely to improve for many years and it would be imprudent to plan our future marketing policy on the assumption that world prices would improve. The Government policy is markedly in favour of increased export. For the first time in twenty years we were forced to export a greater proportion of our total crop than is consumed here. If we can export an increasing volume of selected coffees, there is the advantage of familiarising the foreign market with the particular characteristics of our produce. But if coffee is dumped abroad at whatever price it will fetch, in the interest of an export drive which is unfortunately being forced upon every commodity without due regard to their individual economy, nothing but loss can result. It is very important to us all that Government should think over its coffee export policy with great care and that the Coffee Board should advise the Government with clarity and truthfulness even if it is contrary to the avowed policy of the Government. The Board owes this duty to both the Government and the coffee industry, whose welfare is the Board's first responsibility.

This year the producers have made attempts to represent a case for a new marketing policy and several reforms in marketing procedures. As the largest single coffee producer in the country, your Company is naturally interested in helping to devise a sound and helpful coffee policy. It is my view that an export policy which merely looks to an immediate increase in physical volume of export without understanding or accepting its long term effects on the Indian coffee industry is not only short-sighted but dangerous.

There are two conditions which are essential to improve our capacity to export more. One is that the return to the grower could be such that he will continue to be in business. The other is that the export drive should be realistically linked to creating a preferential acceptance for Indian coffee in the world market. Otherwise, export promotion becomes a purely mechanical operation of diverting larger quantities of Coffee from the Pool over which the Government, through the Coffee Board, exercise statutory control.

It is to be realised that not all coffee produced in this country is of export quality and it is essential in the interests of the industry that only the very best quality which is capable of earning a premium should be exported.

A sound internal market expansion programme is vital to the increasing production of coffee and we trust the Coffee Board will be able to persuade the Government to accept such a policy.

We constantly make every effort to effect economies in our cost. We have always worked on the basis of a high unit yield and our level of expenditure has been related to that policy. There is no advantage to be gained from lowering our standards for doubtful economy but there is always the need to exercise vigilance that each rupee we spend is put to the best use. Every care is being taken towards that end. You will doubtless appreciate that for producing 72 per cent or 1,769 tonnes more crop, the expenditure of the company increased by 11 per cent or by less than Rs. 11 lakhs. What we are, however, faced with is that a prospective fall in Coffee production without any compensating rise in prices would leave us in the position of having to spread the same weight of expenditure over a smaller crop.

This brings me to the problem of increasing costs and declining prices. After my intimate association with the coffee industry over the past fourteen years, I have no doubt that the ultimate solution to the present problem lies here in our home market. We must expand this market to absorb at least 2|3 of our increasing crop so that the loss on the export of the remainder can be maintained at a tolerable level. I do not envisage a lowering in the quantities for export—in absolute terms — since the size of the 1|3 reserved for export will increase in proportion to the expanded production. The first and foremost step to be taken is to assure the producer of a fair price at which his interest in improved production can be maintained.

In simple terms, the position is that with the selling of coffee for exports at whatever price it may fetch the Board is unable to pay to the grower even the so called minimum return.

There are four specific measures immediately open to the State and Central Governments to afford reasonable relief to coffee. One is to abolish excise duty altogether and to maintain the existing minimum release price so that the benefit accrues to the grower. Another is to offer a direct subsidy to coffee by making up the difference between the cost of production and the export price. The third is to reduce the rate of Agricultural Income-tax on coffee and to liberalise the rules relating to depreciation, New clearings etc. The fourth, to revise the excise duty on an **ad valorem** basis. Perhaps a judicious use of all these four measures should be adopted so that the fall in revenue from coffee is not unduly heavy on any particular account. Encouragement given to coffee now is bound to pay the State and Central Governments handsomely, as our production and sales in the internal and export markets expand.

In 1951, on a production of 1481 tonnes of coffee, this company recorded a profit of Rs. 22,39,598. The amount available for disposal after tax was Rs. 17,17,598. Taxation absorbed slightly more than 23 per cent of the profit whereas for the year under review, on a production nearly three times greater, the profit was only Rs. 37,44,249 and after taxation which absorbed nearly 41 per cent, the amount available for disposal was Rs. 21,93,249. In spite of this heavy taxation and the requirement of a higher working capital, your Company added to its fixed assets by incurring Rs. 7,30,904 in capital expenditure.

The burden of direct taxation is heavy enough, but the cost of indirect taxation adds considerably to our costs. For example, a standard farm tractor with all duties and taxes now costs over Rs. 19,000 to a planter, whereas his competitor in Kenya could buy such a tractor off the show room for a little below Rs. 11,000. Such comparisons are possible in a wide range of Estate machinery, affecting materially our ability to compete in exports.

A matter of great concern to your Company has been the passing of the Mysore Land Reforms Bill in its present form. We are the largest single coffee interest in the country, with a record of intensive development of our properties, a reputation for maintaining our workers. The many representations made to the State Government pointing out the consequences of some of the measures of the Bill on organised plantation industry and the relatively liberal provisions made in the neighbouring States in regard to plantations have gone unheeded. We are greatly disappointed at the restrictions placed on the reserve land that can be held and the disruption of the entity of compactly managed units. For instance, it is provided that the land that may be held as reserve for expansion should not exceed 100 acres, irrespective of the present size of a property. A company like ours with about 8,000 acres under cultivation will therefore be allowed only 100 acres as reserve, the same extent as is permissible for say a 5 acre or 10 acres cultivator. The bill also contains a proviso that the 100 acres should be planted up within five years, a condition of little advantage to the small grower due to the heavy finance required. The Bill does not also provide for the replacement of unsuitable and spent land by planting on new land—a continuing process essential to maintain the maximum productive efficiency of the planted area.

In regard to Agricultural land interspersed in Plantations, a plantation owner may retain only one ceiling area or 18 standard acres of such land.

By these provisions your Company which under the Act is treated as a person will be entitled to retain only one unit of 18 standard acres of paddy land out of its present holdings of some 600 acres, and 100 acres for development, out of about 2000 acres of Reserve land. The balance is to be surrendered.

The Act has failed to take account of the difficulties a Company such as yours will have to face. All water sources required for labour, pulping and spraying are situated in the low-lying paddy fields and the difficulty that must result in outsiders controlling these sources can well be imagined. Some of our reserve land is not suitable for cultivation, but requires to be maintained, as such land serves as windbreaks, as sources of fuel to labour, as grazing grounds for estate and labourers' cattle, as sources of jungle soil for coffee nurseries and many other uses so essential for running a coffee Estate. The position becomes more difficult when it is realised that our reserve and paddy lands are distributed over some 13 estates.

Your Company is owned by about 3000 shareholders, mostly of the middle class and the justification for the imposition of ceiling in this context is difficult to understand.

The long-term effect of this Bill will be to cause a gradual deterioration of the industry and of its revenue earning capacity with attendant unemployment. These points are being forcibly brought to the notice of the Union and the State Governments by the United Planters' Association of Southern India and the Mysore State Planters' Association. It is hoped that the Government will at least realise that the imposition of restrictions on plantations in Mysore is unjust especially when compared to the position of plantations in Madras and Kerala.

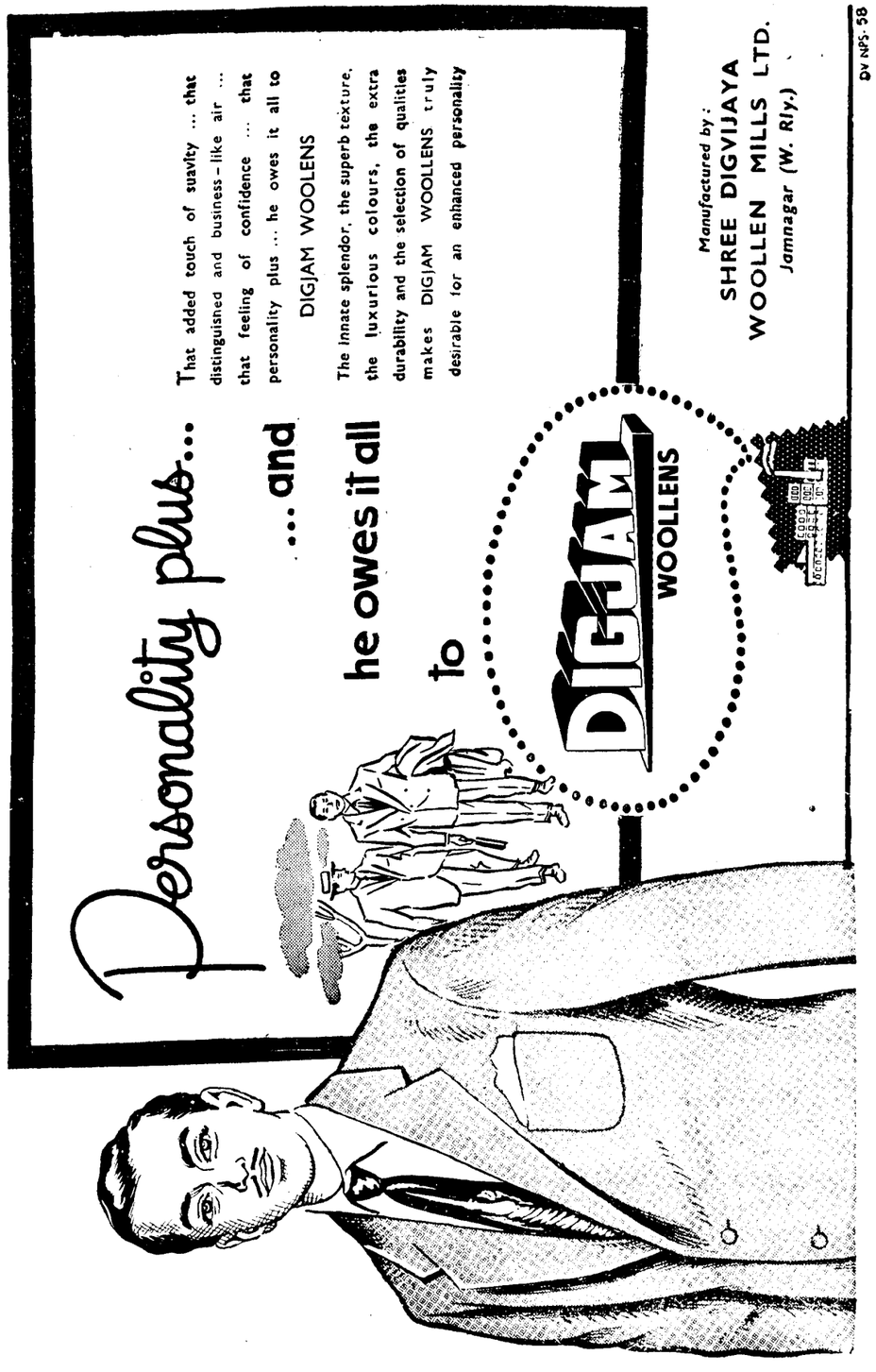
The development of Tea, Coffee and Rubber is governed by Central Acts, but the Mysore Land Ceiling Bill will certainly affect the development of plantations particularly coffee in this State contrary to the aims of the Central Government.

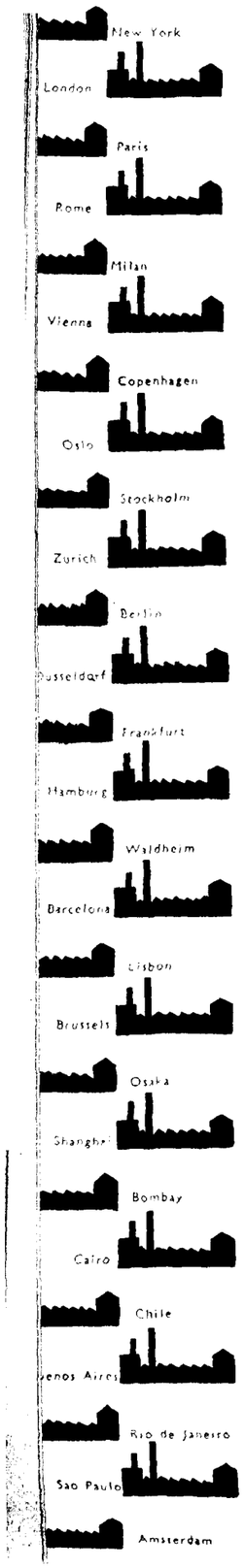
The matters I have touched upon are matters which will affect the expansion and production of coffee and it is to be hoped that these problems will be dealth with expeditiously and that the position of coffee growers will to some extent at least be ameliorated.

I must now thank all our Managers and members of our staff both at Head Office and on the Estates and at the Kushalnagar Works for another year of hard and efficient work.

Finally, I must thank my fellow Directors for their wise guidance and help.

POLLIBETTA, C. I.MACHIA.





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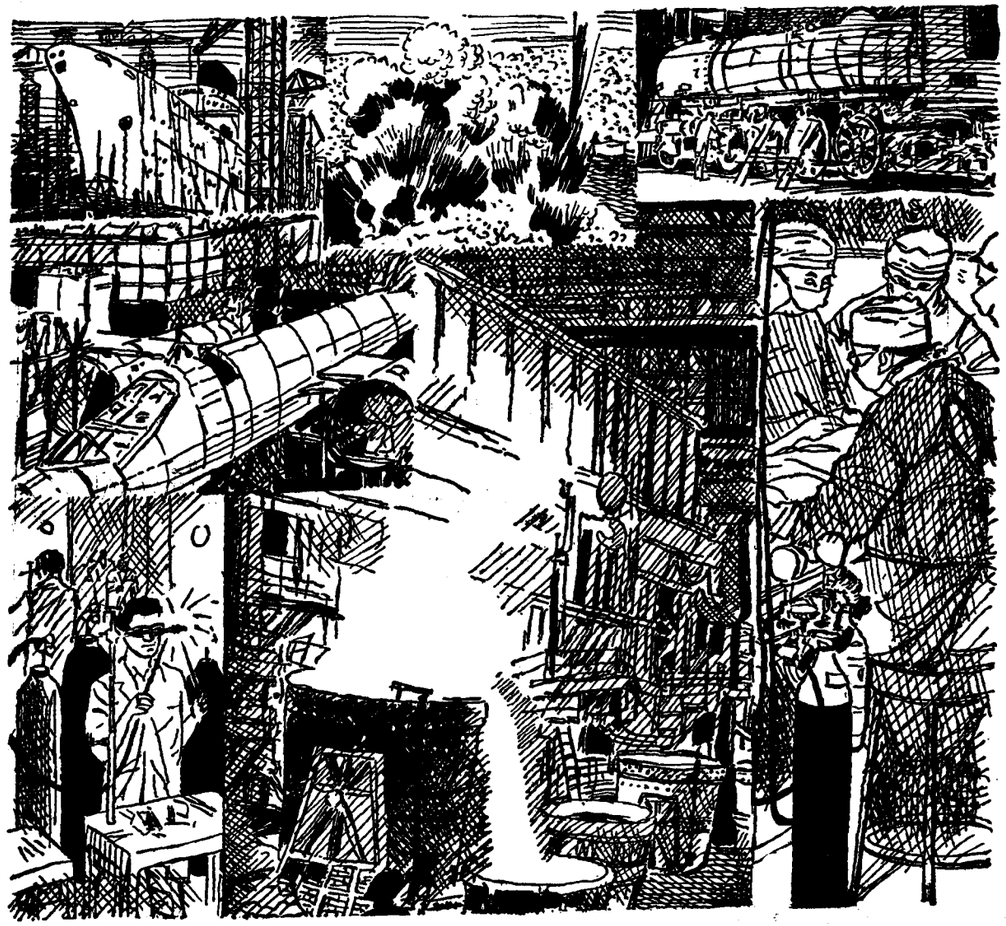
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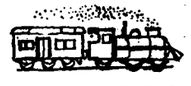
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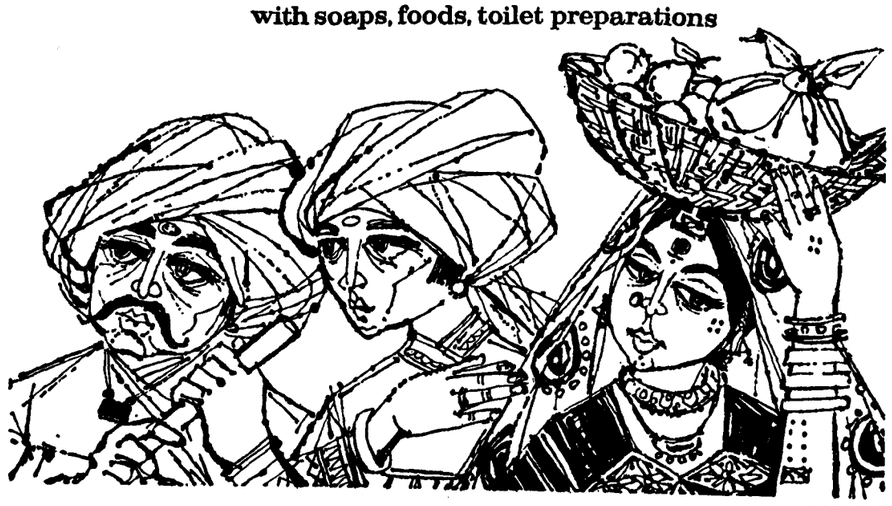


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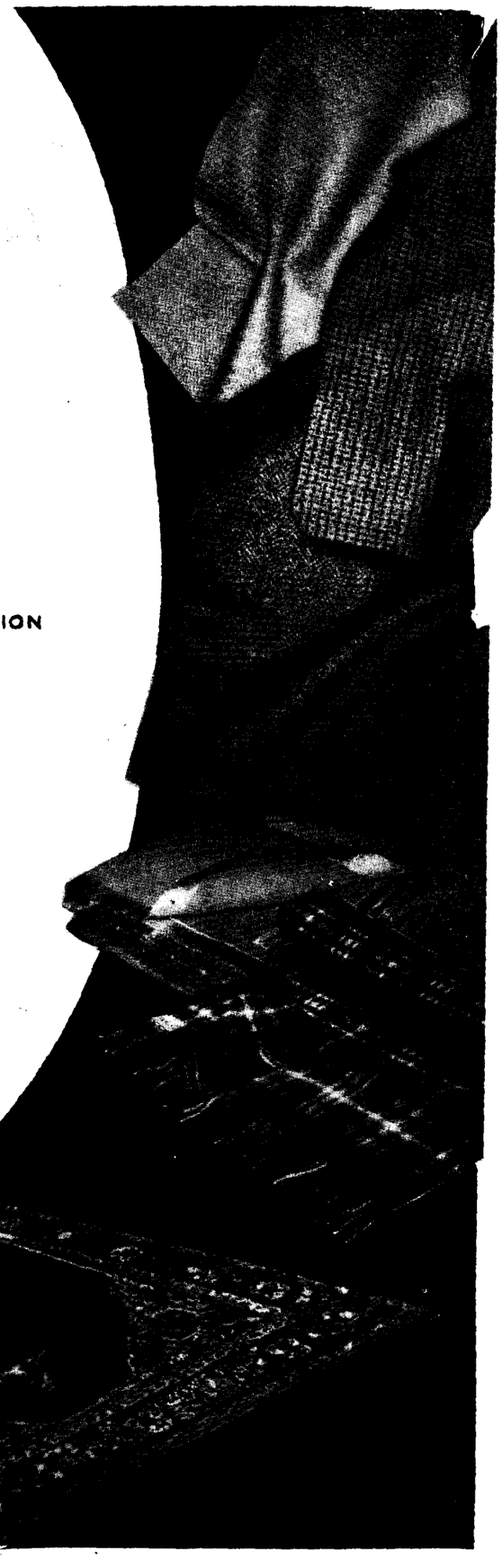
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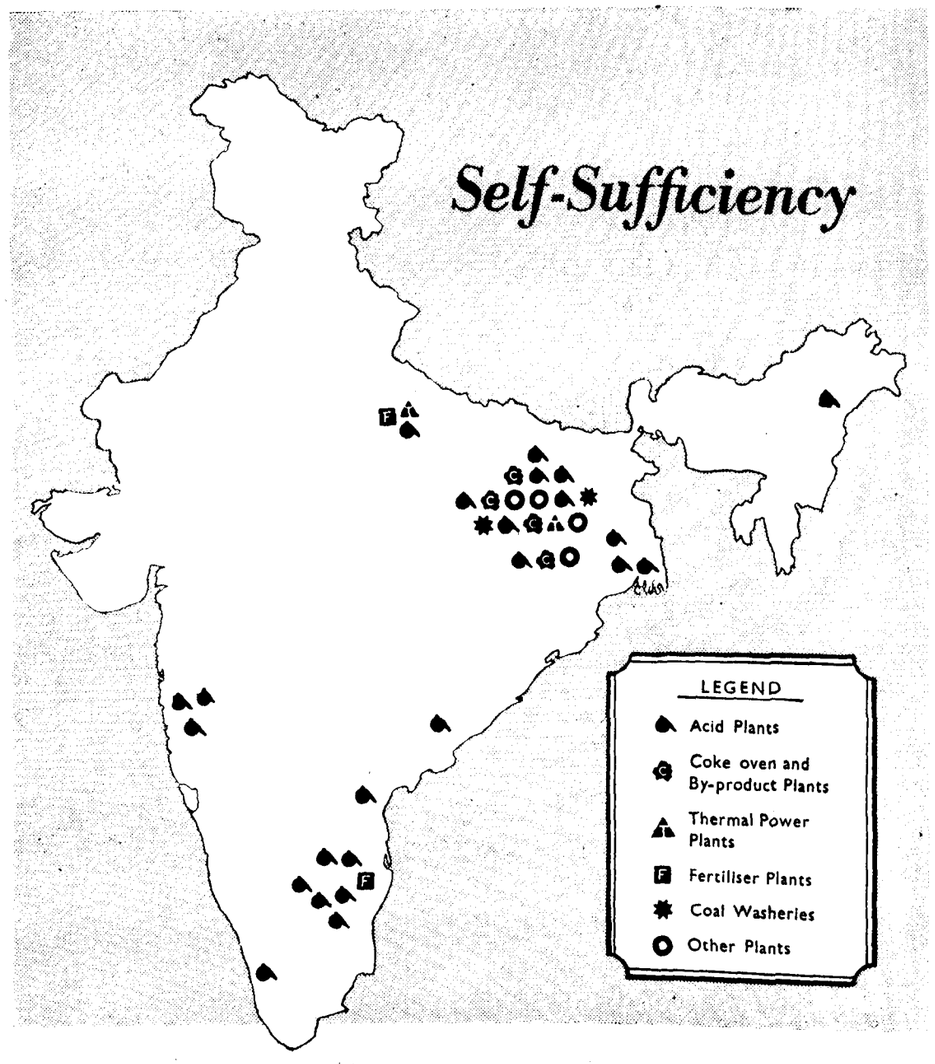
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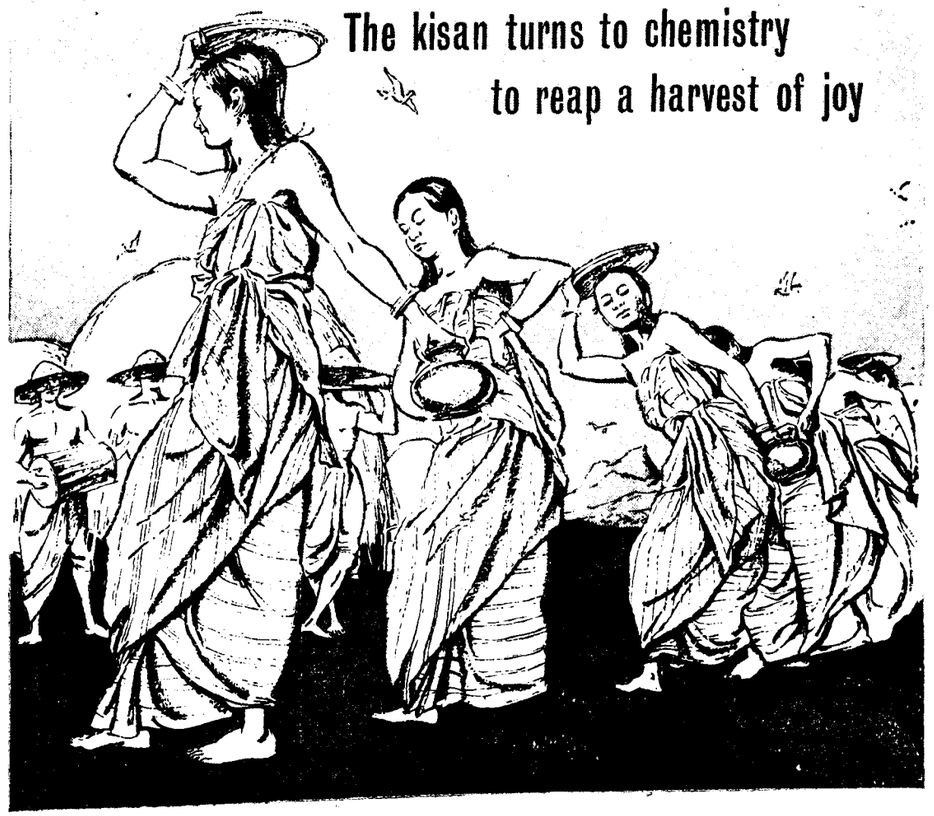
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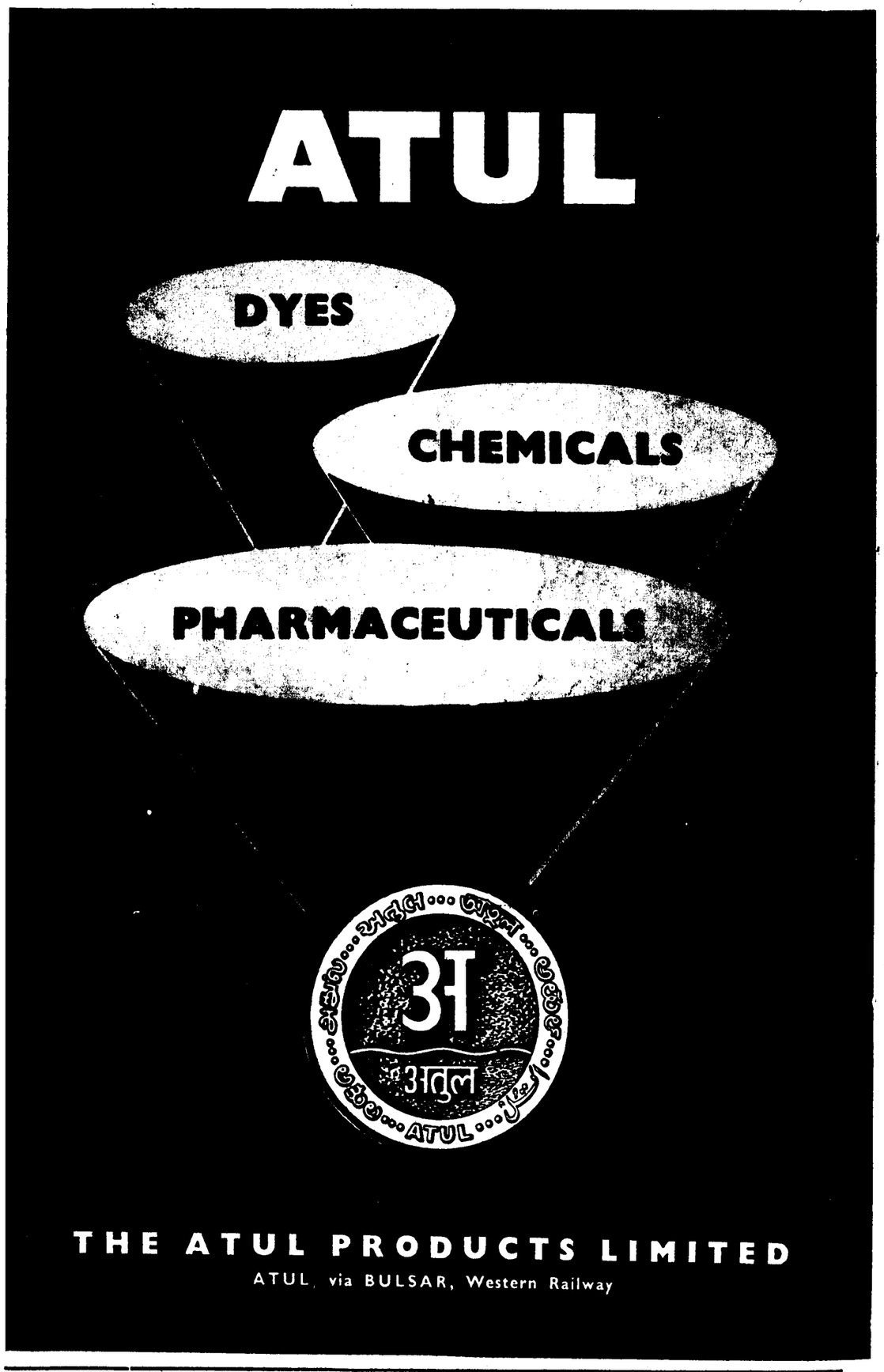
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THE EASTERN ECONOMIST

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The Congress: Dropping the Compass?

THE Patna Session of the A.-I.C.C has acquired some quick notoriety which, it would appear, will be difficult for the organisation to live down in a hurry. Quite apart from the unseemly stampede which broke up a whole Session—which suggests that the organisation was unable to exercise the necessary self-control over its own meetings from which the authorities of law and order seem to have been carefully excluded—there is the larger question of the pronouncements at this meeting, many of which seem to have been very ill-considered. It is natural that many of the speeches on foreign policy and on Goa should have been designed to justify Indian action there. Much of this reiteration seems unnecessary because there can be no question that the Indian people as a whole are fully convinced that this action was right. The small minority who hold that this was a great lapse from Gandhian teaching will not be converted; that, perhaps, is one of the glories of the Gandhian teaching that it has left a permanent residue of conviction which cannot be blown back and forth by political pronouncements even by the Prime Minister himself, however painfully reiterated and however convincing they might appear to those already convinced. The speeches seemed to show a loss of nerve; seeing how popular action on Goa was, it seems a mood of military bravado was encouraged. The necessity of action on Goa seems to have prompted important speakers to draw the conclusion that vacating the aggression across the Cease-Fire Line in Kashmir would be equally "popular". The prime responsibility for this very bad sense of proportion, which has serious international consequences, must rest with the Congress President, Mr. Sanjiva Reddy, who first declared that India was committed, presumably at no distant date, to the vacation of Pakistan's aggression in Kashmir. The placing of Pakistan and China in the same bracket was militarily and politically unwise; it is obviously unnecessary for us to increase our problems by leaving the impression that we are to attack both the problems at the same time. The immediate effect has been greatly to strengthen the hands of President Ayub Khan in arguing that India has "aggressive" intentions. Public opinion in Pakistan has only been too willing to work itself into a new frenzy on India's "aggressive" designs. To argue that this was exactly our policy in the past is a total misrepresentation, since India has accepted the Cease-Fire Line for the time being and the Prime Minister has even given an indication of some "adjustments". Both the Prime Minister and Mr. Sanjiva Reddy seem to have yielded to Mr. Krishna Menon, whose favourite theme has been to place Pakistan's aggression before China's so as to defer action on the latter.

Quite apart from the fact that we will now be militarily extended on two long fronts, India stands to gain nothing by this new declaration of intention which, as every one knows, is not to be implemented and is merely for the consumption of the Indian public on the eve of the elections. Undoubtedly, in the Security Council Pakistan will receive sympathy on Kashmir, and possibly we will be in the odious position of using the Russian veto a second time in order to avoid an adverse vote. The West as a whole is now reconciled to a position of stability in Kashmir in which vital Indian interests in the valley will be secure. If, however, it is seen we are threatening to cross the Cease-Fire Line, it will be extremely difficul. for the West to support an Indian move; and the fact that high authorities in the Congress Party have lent colour to the view that we intend to take some military action across the border can only lead to a further deterioration of our relations which need to be repaired at this time.

The placing of Pakistan in the same bracket as China is designed to produce more uncertainty in the Sub-Continent, and eventually to strengthen only the forces which are working for further ill-will between the two neighbours, whose friendship and goodwill is vital for healing the wounds of Partition. The only possible beneficiaries of hostilities between the two countries must be those who wish to profit by the fruits of disorder and revolution. Almost no one in India agrees with the *Dawn* of Karachi, but at least the analysis of that paper that the weakening of India and Pakistan is only favourable to the Communist cause will be accepted with very little demur.

It cannot even be that the Congress *demarche* at Patna will assist the Congress Party in the elections. The Muslim vote in the Indian Union is still extremely significant and could be in many constituencies decisive. The feeling that some action is being contemplated against Pakistan is bound to raise in the Muslim mind the idea that this is an attempt to weaken Pakistan; it is not unlikely that in certain important areas in the country the Muslim vote will be turned against Congress, instead of being attracted towards it. On the other hand, the Jan Sangh and the Hindu Mahasabha vote will not be appeased by the proposal to equate Pakistan and China, particularly as there is a general feeling that the Minister of Defence is seeking to work up feeling against Pakistan in order to defend our inaction against China. There may or may not be justification for the view that this is part of the Defence Minister's strategy. Again, even after Goa, the country is not attracted by the somewhat belligerent line taken by the Congress President on this issue. It is the course of wisdom—now that a serious error has been committed—for the Prime Minister to declare that there is no current intention whatever of departing from the undertaking that the Cease-Fire Line represents a stable situation so far as India is concerned. India has no current intention of crossing the Cease-Fire Line and none of Pakistan's fears on this account are justified. This will at least show that we have in no way changed our basic policy and have not lost both radar and compass in the rough seas which, it seems, the 1962 General Elections have unaccountably produced.

West Irian

THE precipitate developments which took place in the past few days over the West Irian dispute show that Dr. Soekarno's desperate strategy of creating a sudden sense of crisis to hasten an immediate solution will not turn to be miscalculated. The battle cry and the preparations for mobilisation to execute the threat of launching the offensive were inevitable consequences of the extreme tactics he consciously chose to adopt. They could not, therefore, be burked once the initial step was taken. But although the crisis thus appeared to be heading towards the brink, there was time to prevent a plunge into a war, so long as none of the parties was averse to negotiations. President Kennedy urged Dr. Soekarno not to resort to the use of armed force and with equal earnestness he used his influence with Holland to abandon her insistence on the condition that the principle of self-determination for the inhabitants of West Irian be accepted as the basis for transfer of power. A substantial shift has taken place in the relative positions held by the two parties following this move to facilitate settlement by discussion. The gulf between the two has been narrowed down in a marked degree. But this provides only a brief spell for effecting an immediate settlement.

If Dr. Soekarno considers himself driven to the course of action he has chosen, the explanation may be found in the unfortunate and protracted history of this dispute. In 1950, the second year of Indonesia's independence, she made a demand for the transfer of West Irian on the strength of the treaty for the devolution of sovereignty to the people of the archipelago. The Dutch had their own interpretation of the treaty in so far it concerned West Irian. It is of little avail for Holland, in the interest of peaceful and friendly relations between the two countries, to prefer technical interpretation (assuming it is correct) to the spirit of the treaty. To insist that the Papuans are entitled to self-determination because they belong to a different racial stock is to hang the claim on a slender thread. It is to ignore the basic fact that in an archipelago, comprising myriads of islands, a wide diversity is but natural. But the real objection to the Dutch contention goes much deeper. West Irian, infested with dense forests and sparsely populated by about 700.000 persons, cannot be given any pretence to viability. To insist on self-determination in such a case is to create suspicion, even if unwittingly, of using subtle tactics to set up neo-colonialism. But Indonesia's claim to West Irian as her integral part rests on sound ground. In the matter of the territorial integrity of a State there can be no bargaining.

In giving up its insistence on self-determination as a condition precedent to the transfer of power over West Irian, therefore, the Dutch Government has made a concession to realism and removed the big hurdle in the way of a settlement by negotiation. But the shift in this original position has not been made in a language free from equivocation, for the Prime Minister, Professor Jan de Quay, announcing the change in policy in the Lower House, added the qualification that in the proposed discussion for transfer of power the interests of the population would be entitled to their first consideration. Probably, the qualification is intended to make the retreat from the original position look dignified. It is of the essence of fruitful negotiations that the parties should be enabled to reach an agreement with dignity and grace. Indonesia has shown the inclination to be helpful in expressing her readiness to agree to de jure transfer at a later appropriate occasion, provided de facto transfer is effected without delay.

If Indonesia is giving publicity to her mobilisation operations — rather an unusual course to follow — the intention would appear to be to emphasize the supreme necessity to settle the dispute at the earliest. But in the midst of this publicity has come the Dutch military in elligence report from Hollandia, capital of West Irian, that Indonesian troops have not been deployed within striking distance of the disputed island. They could be, but probably Indonesia implies a gesture of a fair chance for talks. The ultimatum, or more precisely the deadline, of "one week to ten days" for diplomatic efforts to be carried out by friendly powers also seems to be intended more as a renewed accent on the urgency of early settlement than a decision to fix zero hour. Dr. Subandrio, Indonesia's Foreign Minister, disclosing the fact of the ultimatum, was not dogmatic in his explanation that action shall follow the expiry of the time limit. And Dr. Soekarno has chosen to clarify in his public speeches at Macassar and Jakarta that liberation would be brought about "this year". It may be that the 17-nation Committee on Colonies, to be set up early under the directive of the General Assembly, may be of help, or the good offices of Asian neighbours — Thailand and the Philippines are hinted as acceptable — may be utilised. The chances for a peaceful settlement are thus brightening up. But the basic fact cannot be ignored that the crisis has been worked to a pitch where indiscreet irritants and delays may touch off a war.

Guest Editorial

Britain in Deficit

By PAUL BAREAU, Editor, 'The Statist'

AS Britain steps into 1962, there is no question as to which of its many economic problems should be placed at the top of the list. It is that of the balance of payments. It justifies its priority because it comprehends all other important elements of economic policy. Unless that problem can be tackled with sufficient vigour to yield success in the coming year, the prospect before Britain must be deemed gloomy indeed.

The facts are not in doubt. Britain began to slide into balance of payments deficit during the closing months of 1959. In 1960 it was to plunge so deep that the final figure for the year showed a current deficit of no less than £344 million. The situation has improved slightly in 1961 but not sufficient to establish anything like equilibrium. The figures for the first three quarters of the year show a deficit on current account of £118 million. The final quarter of the year normally shows a deficit even in a good balance of payments year because of the substantial interest payments that have to be made on December 31st on the money borrowed from the United States and Canada immediately after the war. It can thus be assumed that for the whole of 1961 a deficit of nearly £200 million will have been incurred. There is as yet no evidence in the trade figures or in what is known as the invisible items in the balance of payments to suggest that 1962 will do other than yield yet another, though it is to be hoped very much smaller, deficit.

Britain will thus have been in consecutive balance of payments deficit for more than three years. This suggests that the forces at work are deep-seated and more chronic than those responsible for previous monetary dips of the balance of payments into "the red".

The position is rendered more serious and the performance more reprehensible because the terms of trade during this period have been more favourable to Britain and other industrialised countries than at any previous period in history. Allowing for the depreciation in the value of money, it is probable that the terms of exchange between raw materials, including foodstuffs and manufactured products, are even more unfavourable to the primary producers today than they were during the great depression of the 1930s. In those days it could be said that the industrialised countries, however hard hit they may have been, maintained their standards of well-being at the cost of the much poorer primary producers. The same accusation can be made today.

Part of the damage to the British balance of payments has been caused by the virtual disappearance of those sources of net invisible income which used to keep Britain in external solvancy in spite of a substantial adverse balance of merchandise trade. There does not appear to be much hope of improvement on this front. Britain, the great maritime nation, is actually spending on foreign shipping services more than overseas traders pay Britain for shipping freights. The balance on overseas interest and dividend account, which used to be a massive creditor item in the British balance of payments, is rapidly nearing vanishing point. The position in this respect is likely to get worse rather than better by the very fact that Britain's balance of payments deficit is in large part being covered by short term borrowing incurred on extremely expensive terms. It would also seem that the foreign capital which has recently been invested in Britain, has yielded higher dividends for its holders than the capital invested abroad by British companies and through official channels.

To add a final coat of black to this sombre picture, it should be stressed that Britain is not alone among members of the sterling area in running a deficit. Most other countries in the sterling family are doing likewise—either on current or capital account. The gold and convertible currency reserve which must take the main strain of the whole sterling area's balance of payments deficits, is therefore bound to be severely tested. One cannot depend in 1962, as one did in 1960, and 1961, on the balance of payments deficit being covered by massive inflows of hot money. That inflow, in fact, did Britain a grave disservice by veiling the harsh realities of the situation and blunting the keenness of the urge to put remedial measures into effect.

If exceptional help is required in the coming year it will be made available through the International Monetary Fund whose resources are again to be reinforced by the recent acceptance of the so-called Jacobsson plan. The ten major industrial countries of the free world have undertaken to make available to the Fund credits amounting in all to $6,000 million. It should not be assumed from this, however, that the Jacobsson plan has been agreed to intact. The opposition to irrevocable credits which became apparent at the I.M.F. meeting in Vienna and was very effectively led by the French representatives, has won the day. The International Monetary Fund will not be able to call on these facilities and use them at its own free discretion. The countries which make these credits available will retain their right to control and even to veto their use. In the final resort we may yet see the French Minister and the Governor of the Bank of France sitting in judgment on the economic policies that may have led the United States or Britain to require this particular form of assistance from the Fund.

It is to be hoped, however, that this form of assistance will not be needed for sterling and that Britain will be able to move out of its chronic deficit position by the appropriate expansion in merchandise exports. In order to achieve this three conditions will have to be satisfied. The first is that some restraint will have to be maintained on domestic demand. It is the greed of that demand which has hampered Britain's export drive, rather than uncompetitive British prices. The second is that the British economy will have to move once again into a phase of expansion that will at one and the same time be rapid and yet consistent with stability of prices. If that is to be secured, the Government's plans for setting up a National Council for Economic Development and for securing the loyal co-operation of the trade unions in the activities of the Council, will have to prove successful.

Thirdly, more selective help will have to be given to British export trade, whether by fiscal or by credit facilities. A great deal of thought has already been given in Government departments to ways and means of giving tax concessions to firms with a specially good export performance. The problem, however, bristles with difficulties of demarcation and also of adherence to international agreements such as those of GATT. More hopeful progress is being made on the credit front where a scheme is being devised to provide for effective collaboration between the banks and the insurance companies, to satisfy the demand for medium term export credits. The recent performance put up by British exports to Western Germany, now the most competitive of all markets, suggests British industry can make good use of special credit facilities of this kind.

Unless the export drive succeeds 1962 will be grim for Britain and may lead to the climax of another run on sterling in the latter part of the year.

A DELHI DIARY

A HAPPY NEW YEAR!

THE year 1962 has begun on a somewhat cheerless note. Not that this will prevent any of us from wishing our friends the greatest happiness possible in the best of all possible worlds. My fan mail has noticeably subsided since I expressed some doubts on the means employed to liberate Goa. But I am still wishing all my readers the most non-violent year in their experience. I see that my naughty cartoonist has singled out some international figures in a special form of numerology. I append this without any comment. May I also express the hope that all the gentlemen concerned will escape their serious intestinal troubles within the year?

What a Life!



A new year?

Courtesy: "The Hindustan Times"

I have not yet been able to come to a firm conclusion on the subject of what the stars foretell between January 16 and February 12—the days when, I believe, eight planets are entering Capricorn or whatever seems to suggest tidal waves, rising mountains or, perhaps, world catastrophe in general. In Delhi last week we were treated to a long process of chanting with a number of Sadhus participating in a 'Yajana' designed to protect this unfortunate world from the malevolent (is it maleficent?) operation of the said astrological conjunction. Whether we are actually rid of the maladies involved or not, it does seem a little odd for the stars to relent so easily because of the cries of those in Delhi, many of whom, it seems, were put up at considerable expense and who drew to themselves crowds far outnumbering the significance of their personalities. I thought the stars were made of sterner stuff, but perhaps more things are really wrought by prayer than this world dreams of. Only one wonders whether the prayer has to be organised with such a show of storming the heavens in order to prevent the evil designs of the planets from descending on the earth by an act of supernatural intervention.

I leave this cheerful subject of what is to befall us within the next month to deal with a matter which was, unfortunately, not in the astronomical calendar, or even in the agenda of the Congress meeting at Patna. I refer to the extraordinary stampede in which a very large number of persons were injured, and which resulted in the breaking up of the Congress session under circumstances which reflect no great credit on the Congress. I think it is quite wrong to blame the members of the Reception Committee when, in our truly non-violent way, to which we have now grown so accustomed, the official police are not permitted to use force. There were curiously many mutual congratulations on the last day because things were not much worse. But may I make a humble attempt to express myself through my naughty cartoonist, who refuses to be suppressed on these, as well as other, matters!

What strikes me as odd is the extraordinary manner in which only Congress meetings get broken up. The Prime Minister, it seems without any specific evidence, has complained that the Opposition has been responsible for this particular disaster. Surely, it should now be possible to investigate this point and find out whether, in fact, the Opposition has employed such a clever trick by which it encourages people to surge forward to fall upon one another in order to have a view of the Prime Minister which, in any case, was always available from a distance. Almost any stick at election time seems to be good enough with which to beat the Opposition dog. But it seems unnecessary that the Congress Party should indulge in this kind of recrimination, seeing, as the latest poll of the Indian Institute of Public Opinion makes clear, that its popular vote, although it has some ups and downs in some particular States, notably Kerala, the Punjab and Rajasthan, stands pretty firm. Do not ask me whether or not this means that the Congress Party will have the same number of seats. I gather through some mysterious application of the Rule of Three that this is not likely. But mere arithmetic, of course, has little to do with politics. It all depends on Alliances!

THE NORTH BOMBAY ELECTION

Meanwhile, it does seem to me that election fever has caught the Congress Party badly even outside North Bombay. In North Bombay, Mr. Krishna Menon on Tuesday seems to have had another altercation with the Press. I have not yet gathered exactly what the point of dispute was and, to tell the whole truth, I am going to Bombay in order to acquaint myself with this and other highly important matters. Curiously, after the first flush of victory the reports that are coming from Bombay are to the effect that Goa has not made any difference. People on whom it should have exercised some kind of fascination seem to be curiously fickle; others say that for an election purpose a miscalculation of thirty days took place. Can it be that Acharya Kripalani's campaign, which is now gathering force, is in fact terrifying top brass in the Congress? Was it necessary for Mr. Sanjiva Reddy—and the Prime Minister by implication—to strengthen Mr. Krishna Menon's hand by raking up the problem of vacation of aggression by Pakistan, meaning that area of Kashmir which was to be held by Pakistan temporarily until the plebiscite could be arranged? It seems a somewhat inopportune moment to have raised this question of vacation of agression, but politics is an exacting mistress and, I suppose, North Bombay is an environment in which she can play her mischief quite effectively.

What a Life!



I think they were saying something about avoiding all kinds of internal strife . . .

Courtesy: "The Hindustan Times"

ARGUS.

THE WEEK'S NOTES

Laos

THE END OF THE DEADLOCK?

HOPES RAISED three months back, when the Geneva Conference unanimously agreed on a neutral government for Laos, to the effect that Laos would be enabled to return to peaceful life, have not been realised so far. It is paradoxical that a deadlock should be created by one of the three parties in Laos itself. Prince Souvanna Phouma was the obvious choice for premiership in a neutral Government and not Prince Boun Oum, Premier in the Rightist Government, or Prince Souphanouvong, the Pathet Lao leader. The latter readily agreed to the formation of a coalition under Prince Souvanna Phouma.

Prince Boun Oum, however, adopted an uncompromising attitude and, although he did not press an outright claim to the leadership of the neutral government, he made specific proposals apparently to obstruct the formation of the neutral government. He insisted on the portfolios of Defence and Interior being allotted to his nominees. This was nothing short of asking for the substance of practically the whole power to be vested in the rightist group, thereby reducing the neutral character of the government to a shadow. A solution was found in the offer of Prince Souvanna Phouma to take over both these portfolios himself. This offer was calculated to allay the fears of the rightist group that the control of any key portfolio would pass to the Pathet Lao. Meantime, the Geneva Conference continued to be seriously handicapped by the absence of an agreement between the three princes. The latest appeal issued by the two co-chairmen on Friday last week, summoning the three princes to Geneva, underscored the consequences of a failure of the efforts of the Conference after the problem was very nearly solved, if a plenipotentiary could not be appointed on behalf of the neutralist Government of Laos to participate in the deliberations and enter into commitments regarding the conduct of the government.

Evidently, a good deal of pressure was necessary to be brought to bear on Prince Boun Oum, since he seemed to treat very lightly the grave consequences of the resumption of civil war. With developments taking an ominous turn in South Vietnam, America could not brook Prince Boun Oum's obstructionist attitude. As we go to Press comes the report that he has agreed to fly to Geneva. This is good news. But the solution of the subsequent problems cannot be taken for granted. The integration of the armed forces of the three groups and the disbandment of the irregulars will not see the end of the military reorganisation. The continuance of Laos in SEATO after neutrality will be an immediate issue for solution. But these problems need not be deemed insuperable since the Big Powers are agreed on neutral Laos.

Mysore-Maharashtra

CENTRE MUST INTERVENE

THE FAILURE of the committee appointed towards the close of 1960 to settle the border dispute between the Governments of Mysore and Maharashtra was formally announced at a Press Conference held at Bombay on January 2. The representatives of the two governments on the committee tried to impress upon the conference that they met in a spirit of cordiality and discussed the eight issues referred to them in a spirit of understanding. This white-wash is unlikely to mislead anyone conversant with the history of this unfortunate dispute. The truth of the matter is that there is very little common ground between the two governments and so far there is little evidence of agreeing to a formula governing the readjustment of the disputed areas, much less of accommodation. The areas involved are not very large and one full year is by any test too long a time to settle the merits of the claims. It is obvious that a solution based on the consent of the two governments is hard to evolve.

It is significant and no less curious that, instead of the committee tendering its report to the two State Governments, with whatever number of notes of dissent that individual members may choose to append, the abnormal course of the representatives of the two governments submitting their reports to their respective governments has been reportedly followed. This is another proof of the remote possibility of the governments coming to an understanding. At the last meeting of the Southern Zonal Council, Mr. Lal Bahadur Shastri exhorted the two governments to emulate the example of the Andhra and Madras States and settle this thorny question to pave the way for cordial relations. Mr. Shastri specifically pointed out that the solution could best be found on the basis of certain clear principles. This suggestion was, perhaps, addressed to the Mysore Government. The matter cannot rest there. Technically, it is Parliament which can act in this matter; but Parliament cannot act unless it is moved by the Central Government. The initiative seems to have passed to it. The Centre stands in the position of a disinterested authority seeking to decide the issue on the basis of broad equitable principles. It is to be trusted that the two governments would invoke the Centre now, but, in the event of their omission or reluctance to do so, the Centre should assume responsibility to give finality to the delimitation of the border.

Nagaland

PROGRESS WITH CONFIDENCE

THE TRANSFORMATION of Nagaland to statehood gathered momentum with the New Year. This is a direct reflection of the waning influence of the rebels notwithstanding their sporadic act of terror in this strategic frontier area. The extreme elements among them are finding themselves severely embarrassed by reason of Dr. Phizo's adoption of British citizenship. This has accelerated the process of the rapid decline of their influence and undermined their morale. Meantime, Mr. Shilu Ao and his colleagues on the Executive Council are proceeding with their de facto responsibilities with a noticeable degree of confidence. At the beginning of this month, Mr. Ao was here in the capital city for talks with the Ministry of External Affairs on the subject of changing the administrative set-up during the period of transition to transfer of power to the new State Cabinet and the Legislative Assembly. The appointment of Colonel G. S. Puri, Commissioner of Nagaland, as Chief Secretary to the Nagaland State, is likely to be the first major change.

On January 17, the interim body is to hold its session. The main agenda it will consider is the formation or reorganisation of local bodies. This, in fact, demonstrates that the Executive Council and the Interim Body are functioning as the de facto cabinet and legislature. The confidence with which the moderate and realistic elements in the Nagaland are proceeding in their task has been greatly strengthened by these developments. Mr. Ao had also discussion with the Planning Commission a direct outcome of which was to raise the original allocation to Nagaland for development programmes during the financial year 1962-63 by nearly half a crore of rupees to Rs. 2.31 crores. Priority is being given among the development projects to roads and communications which are not only of strategic importance to the new State but essential prerequisites for stimulating economic activity. The Executive Council is to take simultaneous action to raise internal resources by means of taxation.

The World Abroad

THE BIGGEST NONSENSE IN THE WORLD

BY ODYSSEUS

ONE OF THE MOST striking contributions to "Agenda For A Free Society" (Hutchinsons for the Institute of Economic Affairs. London. 1961. Price 25 sh.), an assessment by ten leading philosophers, lawyers, and economists of F.A. Hayek's monumental work "The Constitution of Liberty" (Routledge. London. 1960), is that on agriculture by Mr. E. F. Nash, Professor of Agricultural Economics at Aberystwyth University, of which I will give a brief account, because it seems of particular interest to India and other developing countries.

Hayek observes in his "Constitution of Liberty" that the basic problem is to extricate governments from a system of agricultural controls in which they have become entangled, and to restore the working of a free market. We have reached a state of affairs in agriculture in which the authorities no longer ask which would be a rational policy to pursue but only which of the courses that seem politically feasible would do least economic harm! Agricultural policy in many countries is dominated by ideas which are not only self-defeating but, if generally applied, would lead to totalitarian control of all economic activity.

WHY INDUSTRIAL INCOMES ARE HIGHER THAN AGRICULTURAL

Agricultural incomes tend to lag more and more behind incomes from industry. Why? Because as living standards rise, consumers, with stomachs of limited capacity, spend a decreasing proportion of their higher incomes on rural produce, and an increasing proportion on the infinitely varied products of industry. Normally, therefore, as standards rise, one would expect to see that movement of workers from agriculture into industry, which it is the object of most developing countries to promote.

If the rate of increase in output per worker in agriculture equals the average rate per worker in industry, the total supply of agricultural products must increase more rapidly than the demand for them, unless the number of the national labour force engaged in agriculture is simultaneously decreasing. If the number remains constant, or decreases with insufficient speed, there will be an over-supply of agricultural products, leading to a fall in their prices relative to the prices of industrial products, and to a similar fall in agricultural, relative to industrial, incomes.

The world-wide disparity between agricultural and industrial incomes is evidence of the continuous tendency for agriculture to over-supply its markets because the transfer of workers from the land to industry habitually takes place too slowly. One important reason for this is the contrast, between life on the land and in industry and the reluctance of the average rural dweller to adapt himself to so big a change. But too slow a rate of transfer results not only in a reduction of individual agricultural earnings below the level that they would otherwise have attained, but also in the sacrifice by the whole population of the increased industrial output that it would have enjoyed if agriculturalists had moved more quickly into industry or other non-agricultural pursuits. "Agriculture in the World Economy" (Food and Agricultural Organisation. Rome. 1957) says the percentage of a country's population engaged in agriculture is thus usually (though not invariably) an index of its people's standard of living — the greater the proportion of agriculturists, the lower the standard of living. Mr. Nash points out that wealthy countries can afford to use most of their workers outside agriculture because agriculture (their own and/or foreign) is productive enough to supply their needs with few land-workers. Countries with large agricultural populations are usually poor because most of their workers are required to supply basic needs and few remain available to produce the machinery, amenities, or luxuries, without which living standards cannot rise much above subsistence level.

THE VICIOUS AGRICULTURAL CIRCLE

The inference to be drawn from these facts supports Hayek's main argument, for Mr. Nash brings out that the reason why programmes of government aid to agriculture are nearly always harmful is that the relationship between agricultural and industrial incomes is not merely one of the effects of the operation of a free market, but is also one of the governing forces required to enable a free market to multiply wealth. Government aid to agriculturists starts a vicious circle because it almost inevitably makes it less profitable for them to move to other occupations, and more profitable to remain on the land, where they increase the volume of agricultural output, which adds to the initial excess of their production, which evoked government aid in the first place!

Even if we count as a social gain the lessened disparity of income which may follow government aid, we must set against it the failure to transfer resources required if the best use is to be made of them, and the loss of income due to the sacrifice of alternative industrial, or other, production of greater value. What is more, we must not forget the marketing boards and the mass of regulations so widely imposed on agriculturists, which constitute a substantial loss of individual freedom and initiative.

From the world point of view, agricultural protection is equally harmful. An exporting country which aids its agriculturists, tends, by thus stimulating production, to create surpluses which are difficult to sell, except at a loss which leads to dumping, and to subsidies to compensate for the losses. To farmers of agricultural importing countries, their difficulties seem to arise from the competition of imports rather than from the increasing volume of domestic agricultural output, and most of the aids to agriculture in importing countries seek to limit this competition and to replace imports in some measure by domestic output. An agricultural importing country, which reduces its imports by protecting its home market, may thus lower the prices that it has to pay abroad for its agricultural imports, and because the volume of its manufactured exports required to pay for agricultural imports is likewise reduced, it may sell its manufactures more easily and at higher prices.

In fact, most countries decide their agricultural aid policies for political reasons, and I doubt that any consciously use protection to secure better terms of trade. However, this side effect of such policies must be noted, and also that they invite retaliation. If many countries adopt them, all suffer.

Does agricultural protection economise foreign exchange? The implication of this argument is that world agricultural products are highly priced, but the agricultural surpluses of all kinds which are wandering round the world in search of buyers quickly answer that argument. World agriculture is not suffering from a shortage of supplies but of markets, and any protectionist country is merely adding to the shortage. Since for the reasons outlined above, world agricultural prices, at any rate for as far ahead as one can see, are likely



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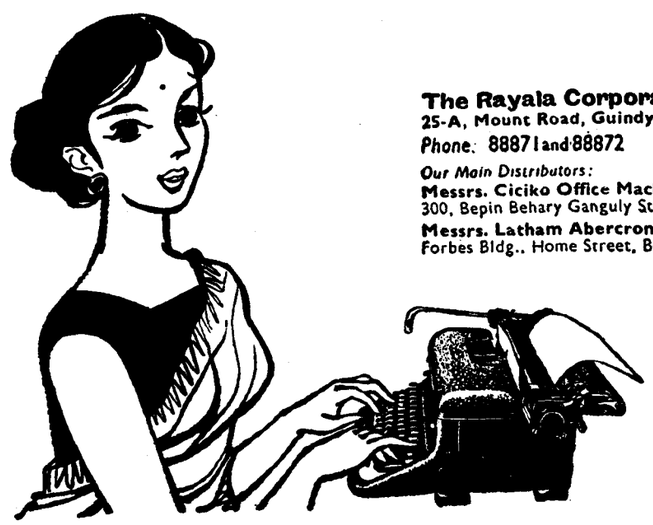
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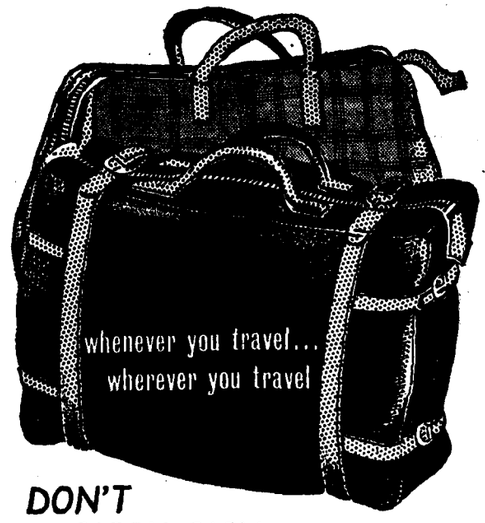
to fall rather than rise, the balance of payments arguments in support of increasing domestic production is untenable.

Most aid programmes assume that protection can be combined with measures to improve domestic agricultural productivity and a reduction in the cost of government aid. This explains the multiplication of educational and advisory experts to improve methods. But, as Mr. Nash shrewdly insists, increased yields per acre, or per cow, or volume of output per worker, have no meaning unless markets exist in which the higher output can be sold. When markets are dominated by the competition of lower-priced imports, together with the inelasticity of consumers' demand for them, an increase in the physical output per domestic agricultural worker does not improve economic efficiency if the value of that output is simultaneously reduced by its bigger volume. Even if the rate of subsidy per unit can be reduced because average costs are lowered, the increased volume of output may still prevent reduction in the total subsidy. The fact is that nothing can reduce agriculture's dependence on aid unless the number of its workers is reduced as their output rises.

What is wanted to end the world nonsense in agriculture is not bigger and better plans worked out by bureaucrats, but the recognition that agriculture flourishes in a free market in the same way as any other industry. The fatal defects of protection of agriculture, and of any industry, is that it hides from farmers, and industrialists, the information needed to decide what kinds of output are most valuable and which productive methods the most efficient.

If free markets were introduced, the initial repercussions on agriculture in many countries might be severe, but governments could legitimately give massive aid in the transition period. Mr. Nash suggests that all redundant agriculturists could be compensated by a life annuity, not transferable to their heirs. A scheme resembling this has in fact been carried out in the U.K. cotton industry. There is ample room to discuss the details, but the ingenuity of officials would be more profitably employed in working them out, and in promoting the required re-organisation of the agricultural and industrial structure, than in elaborating existing schemes of subsidy and protection. One of the biggest benefits from such a reconstruction would be to end the present disparity between agricultural and non-agricultural incomes.

Do I hear someone observe, whether sadly or sarcastically, that this is all very logical, but that the agricultural vote throughout the world is too strong to allow governments to "put the clock back" to a free market? The answer is that there are fashions in opinions as in all else, and that fashions can be changed by determined leaders of thought. Hayek himself points out that the argument that clocks cannot be put back "expresses the fatalistic belief that we cannot learn from our mistakes, the most abject admission that we are incapable of using our intelligence." Ten years ago any criticism of welfarism in the U.K. was equivalent to blasphemy. The rising tide of criticism in the past five years supports Hayek's rejection of fatalistic acquiescence in nonsense simply because it is fashionable.



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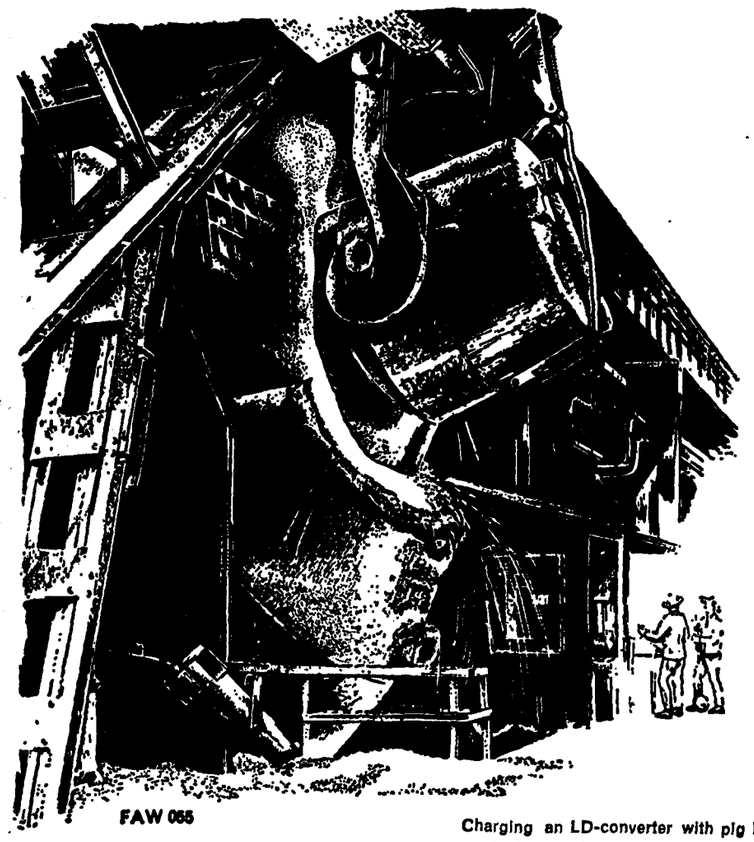
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Economic Report from the U.S.

AUGMENTING I.M.F.'S RESOURCES

By GUY SIMS FITCH

WASHINGTON, January 9.

THE free nations have achieved a measure of co-operation in the field of international finance that exceeds the hopes of many an expert. There were few economists 15 years ago who really expected to see the kind of progress that has been made towards stabilizing currency flows and easing potentially disruptive effectives of balance of payments inequities. The latest evidence of this progress is the formulation of final plans for a standby 10-nation pool of convertible currencies to augment the resources of the International Monetary Fund (I.M.F.) and help meet pressing international financial problems. The pool will be administered through the 73 nation, I.M.F. which was created — largely as an outgrowth of the dislocations engendered by World War II — precisely to help its members cope with financial difficulties. The standby arrangement was agreed to in principle at last fall's meeting of the I.M.F. and the World Bank, its sister U.N. body.

The 10 nations participating in the special pool include the world's leading commercial powers. Assuming final approval by their legislative bodies, they have agreed to lend up to a total of $6,000 million to the I.M.F., over and above their existing quotas. The Fund then could relend these additional resources to any of the 10 participants which might need it to meet international accounts, subject to agreement by the other participants. Of the $6,000 million total, the United States has pledged the largest amount, $2,000 million, and the other nine an aggregate of $4,000 million. These nine are the United Kingdom, the Federal Republic of Germany, France, Italy, Japan, Canada, the Netherlands, Belgium and Sweden. Actually, there is little likelihood that the United States would have to make its $2,000 million available in the near future. That is because the I.M.F. and the other industrial countries, by and large, already have plenty of dollars and are not likely to need more as long as the United States is running a balance of payments deficit.

Furthermore, the other 9 countries in the standby group for the most part have relatively low I.M.F. quotas, dating back to the early post-war period when they were short of dollars and needed financial and economic help. How, however, their economies are in good shape, their currencies are convertible in world markets, and their international payments balances are generally favourable. Thus, although the largest potential contribution to the new plan would be in dollars, its main advantage at this time would lie in its build-up of the I.F.M.'s access to additional marks, francs, and other foreign currencies. It should be borne in mind, of course, that conditions could change, and the standby pool would be available for use by any of the 10 participating nations if necessary. The United States has been a driving force behind the new plan, which U.S. Treasury Secretary Douglas Dillon says carries out the U.S. policy in the strengthening of international operation and resources. In addition, Mr. Dillon gives much of the credit for the new plan to the initial sponsorship of I.M.F. Managing Director Per Jacobsson. The new standby pool will not affect the continuing use of the I.M.F.'s existing resources. The United Kingdom, for instance, drew $500 million from the I.M.F. last year to help meet its international accounts. The United States, the major contributor to the I.M.F., has not as yet made any drawings despite its balance of payments difficulties. This new standby plan, one of the most significant steps of its kind ever taken, represents the culmination of steady and substantial progress in stabilizing international currency flow.

There have been a number of important bilateral moves within the last year involving such countries as the United States, the United Kingdom, Switzerland and Germany, to stem the flow of speculative funds — notably the U.S. dollar and the British pound sterling. Of particular interest was an agreement at Basle, Switzerland, whereby heads of major central banks would hold each other's currencies in emergency situations. Principal beneficiary has been the United Kingdom, but any member of the Bank for International Settlements, which has its head-quarters at Basle, conceivably could receive similar emergency assistance.

The new Organization for Economic Co-operation and Development (O.E.C.D.) also can play an important part in helping to stabilize the international financial situation. It brings together officials of the United States, Canada, and 18 West European countries, and one of its principal endeavours is the co-ordinating of economic policies. Its potential effectiveness in the field of international finance is enhanced by the fact that with the exception of Japan, all nations in the I.M.F. standby plan also are members of O.E.C.D. In these ways, leading commercial nations are working together to counter any disruptive attacks on the world's key currencies. They are helping to strengthen the international monetary mechanism on which all nations rely, and are making it more responsive to the need for orderly economic relationships and growth around the world.

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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: Reta Picker & Co. Ltd.
Royal Exchange Assurance.

THE OUDH SUGAR MILLS LIMITED

Registered Office: Industry House, 159, Churchgate Reclamation, Bombay-1.

NOTICE

NOTICE is hereby given that the Twenty-ninth Annual General Meeting of the Shareholders of The Oudh Sugar Mills Limited will be held at the Registered Office of the Company at Industry House, 159, Churchgate Reclamation, Bombay-1, on Tuesday the 30th day of January, 1962 at 2-30 P.M. to transact the following business:

(1) To consider and adopt the Report of the Directors and Audited Accounts of the Company for the year ended 31st July, 1961.

(2) To sanction the declaration of dividend on ordinary shares.

(3) To appoint a director in place of Shri Kamalnayan Bajaj who retires by rotation and is eligible for reappointment.

(4) To appoint a director in place of Shri P. R. Jhunjhunwala who retires by rotation and is eligible for reappointment and to consider and, if thought fit, to pass the following resolution as a Special Resolution, in respect of which Special Notice as required by Section 261 of the Companies Act, 1956, has been received by the Company from some members:

"RESOLVED that pursuant to the provisions of Section 261 and other applicable provisions if any of the Companies Act, 1956, Shri P. R. Jhunjhunwala who retires by rotation and who is a partner in the firm of M|s Shriram Ramniranjan which firm is a co-sharer in the Managing Agency Commission received from the Company by the Managing Agents, The Cotton Agents Private Limited, be and is hereby re-appointed a director of the Company

(5) To consider and if thought fit to pass, the following resolution:

RESOLVED that the Company hereby approves of and accords its consent to the appointment of the following parties as Distributors of the products of Berar Oil Industries, Akola, a proprietory concern of the Company commencing from the dates, and for the products and areas respectively set out against the name of each party and on the terms and conditions contained in the agreements entered into by the Company with each of the said parties:

(6) To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting.

By Order of the Board,
for THE OUDH SUGAR MILLS LIMITED.

Managing Agents,

THE COTTON AGENTS PRIVATE LIMITED,
S. G. NEVATIA,
Director.

BOMBAY, Dated 2nd January, 1962.

Notes: 1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.**

2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses registered with the Company.

3. The Dividends when sanctioned will be made payable on the United Commercial Bank Ltd., Churchgate Reclamation Branch, Bombay, from 12th February, 1962 to those shareholders whose names stand on the Register on 30th January 1962, to whom dividend warrants will be posted.

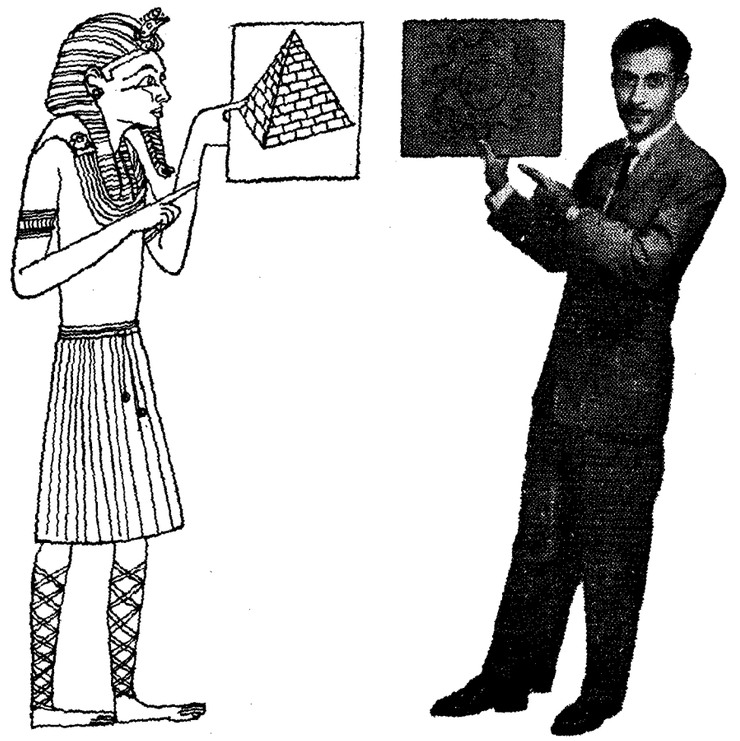
4. The Register of Members and transfer books of the Company will remain closed from 15th January, 1962, to 30th January, 1962 both days inclusive.

5. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 has been posted to all the Shareholders along with the notice of the aforesaid meeting.

	Name	Name of products	Area	Date of appointment
M|s.	Hanumandas Mall, Purulia	Vanaspati, Refined Oil and Soap	Purulia proper	1-4-1961
,,	Sri Shankar Vegetable Store, Gaya	— do —	Gaya proper	,,
,,	Bihar Trading Co., Patna	— do —	Patna proper	,,
,,	Vishwanath Omprakash, Ranchi	— do —	Ranchi proper	,,
,,	Jutharam Ranglal, Tatanagar	— do —	Tatanagar proper	,,
,,	Jugalkishore Rameshwardas, Delhi	— do —	Samalkha, Palwal and Delhi	,,
,,	Shankardeo Company, Bairagarh	Vanaspati Only	Bairagarh proper	,,
,,	Maheschandra & Co., Mhow	— do —	Mhow and Ujjain	,,
,,	Purshottamdas & Co., Bombay	Vanaspati, Refined Oil and Soap	Bombay City and Suburbs	,,
,,	Deokinandan Birendrakumar Private Ltd., Calcutta	— do —	Calcutta proper	,,
,,	Jeetmal Kalloomal, Allahabad	— do —	Allahabad proper	,,
,,	Bihar Trading Co., Banaras	— do —	Banaras proper	,,
,,	Vanaspati Agents, Kanpur	— do —	Kanpur, Lucknow and Unnao proper	,,
,,	Vegetable & Oil Agents Private Ltd., Calcutta	— do —	Calcutta proper	

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Special Article

GOA AND ITS MINERAL ASSETS

By R. K. SINHA

GOA, covering an area of 1,301 sq. miles, lying between latitude 15° 44' and 14° 53' and longitude 73° 45' and 74° 26' on the western coast of India merged with Indian Union on December 19, 1961 after 451 years of foreign domination. This small enclave is important for its mineral assets like iron and manganese ores. These are the two chief minerals produced in Goa at present besides salt recovered from sea water. There are as many as 500 salt works in Goa (besides Daman and Diu where also salt is recovered) engaging more than 2,000 men. There are more than 100 concessionnaires for iron and manganese ores and nearly 200 important working mines. Most of the iron ore mines are mechanised. Machinery like bulldozers, shovels, air compressors, belt conveyors, jaw crushers and screening plants are maintained by every important mine owner. The spate of mechanisation of mines was started only after 1951 when it entered into long-term contracts for exports of iron ore to Japan and Germany and manganese ore to the U.S.A.

Out of a total area of 1,301 sq. miles nearly 75 sq. miles are covered under mining lease having nearly 200 mines. Besides iron and manganese ores, occurrences of asbestos, bauxite, china clay, copper, gold, mica, ilmenite and ochres are reported. But the extraction of these minerals has not been reported so far; may be that the reserves are insignificant. With all its mineral resources and advantage of nearness to sea, the possession of excellent natural harbour namely Marmagoa is an added asset for its export trade. The harbour lies on the mouth of Juari river. It has a long break water and is sheltered from storm and wind. It is accessible to shipping throughout the year. Marmagoa is connected by a metre-gauge railway line for a distance of 31.2 km. to the east Castle-Rock railway station of the Southern railway. Prior to putting embargo on export of commodities through Marmagoa about 6 to 7 years ago, most of the manganese and iron ores originating from Hospet, Bellary, Shimoga and Hubli areas were finding outlet through Marmagoa. In fact Goa has two anchorages, one the famous port Marmagoa situated near the mouth of Juari river and the other in north known as Aguada at the mouth of Mandavi river. Aguada is not connected by rail and iron and manganese ore deposits worked north and north-east of Aguada are brought to this port through rivers or by trucks.

GEOLOGY

There is no official report available regarding the geology of Goa. Its geology can, however, be guessed from the geology of surrounding areas. Two types of rocks are exposed namely gneisses and schists of Dharwar age and the other laterite of Pleistocene age. These rock types are well seen along the railway line between Castle-rock and Marmagoa. They form the usual strike of N.S. and N.W.-S.E. of Dharwar. At a number of places they have been intruded by the mica bearing pegmatites. As the geology of the area is obscure, it is difficult to say precisely about the potentialities of mica pegmatites. Thick beds of hematite schists are found under the mantle of laterite. Hills of both low and high levels have been encountered containing good bands of hematite. Iron ores and manganese ores are found as concentrations in the laterite and also in the schistose rocks. Both iron and manganese ores occur together as in many other areas in the country. The average iron content in the iron ore varies between 55—65 per cent. Manganese ores found are of low to medium grades containing 36 to 44 per cent. The occurrence of high grades containing 46—48 per cent manganese is patchy.

MINING CENTRES

Sanguem and Quepem districts situated in the south of Marmagoa-Castle Rock railway lines, Ponda and Bicholiom districts in the north are the four important districts where mining of iron and manganese ores is extensively being carried out. Most of the villages under these four districts are covered under mining leases. Varlem, Nuem, Vadem, Darbandora, Colomba, Patiem, Rivona, Netorlim, Sigonen, Vichundram etc. in Sanguem district; Malcarnem, Sulcorna, Caurem, Maina, Udorna etc. in Quepem; Candola, Tiurem, Siroda in Ponda and Cudnem, Carapur in Bicholim are the important villages where mines are situated. Working of mines is also reported in Bardez, Satari and Pernem districts.

Dobolim, Margao, Sanvordem, Kalay and Collem are the important loading stations for manganese and iron ores on Marmagoa and Castle-Rock line. But due to increasing trade it has not been possible for the railway to meet with the situation of handling transport by rail to port. The mine owners have therefore taken an alternative recourse of sending the ores by trucks. The farthest mining areas are hardly more than 40 miles from the port. A number of navigable rivers and rivulets close to many mining centres greatly facilitate transport and solve the problem of ore movements. The ores are transported by country-craft or power barges to be unloaded and stacked at the yards or loaded directly into ships in mid-stream. More than 50 per cent of the minerals shipped are carried through rivers.

HISTORY OF MINING

Systematic mining in Goa started only around 1906 when some Bombay industrialists acquired mining concessions for manganese ore in Rivona, Curpem and Naturlim near Marmagoa. Six concerns obtained licence and as many as 21 mines were opened. Iron ore mining was also started during the same period by a French firm and leases were acquired in Bicholim, Sanquelim, Collera and Kalay areas. The mining activities in Goa have waxed and waned according to international situation. There were boom periods in mining during 1908-1913, 1924-1929, 1937-1942, and after the end of World War II till now. The actual mechanisation of the mines and large scale production started only after 1951 when Japan and West Germany showed interest to enter into long-term contracts to import large quantities of iron ore. The production of manganese and iron ores which were of the order of 40,000 tonnes and 1,00,000 tonnes annually during 1951 and 1952, rose to nearly two lakh tonnes and six million tonnes during 1960. Out of six million tonnes of export of iron ore in 1960 Goa has supplied 2.5 million tonnes each to Japan and West Germany and remaining quantities have been exported to France, Italy, Belgium, Sweden and Holland. Bulk of manganese ore export was made to U.S.A. Mining activities were helped by foreign technicians especially from Japan and West Germany.

MINING LAWS

Grant of mineral concessions were governed by the rules 'Disposicoes Regulamentares Solore a Pesquisa e laora de minas nas provincias Ultra marines'. According to these rules all mineral deposits belong to Government. For working of minerals prospecting licence and mineral concession is required from the Government. But a person can prospect a mineral in his own land without obtaining a prospecting licence. Prospecting licence is obtained after making a 'Manifest' to Government and by paying the sum of Rs. 150 for each Manifest or claim. Mining concession is obtained by paying the fees varing from Rs. 5,000 to Rs. 8,000. The period of mining concessions granted is unlimited. No royalty is probably charged but the mine owners are required to pay fixed taxes each year depending upon the area granted. These mining leases are different than the one prevalent in India as per the Mineral Concession Rules, 1960.

DEVELOPMENT PROGRAMMES NEEDED

No definite geological record of the area is known so far and thus it would be of interest to rapidly survey and assess the mineral deposits. The production of six million tonnes of iron ore and nearly two lakh tonnes of manganese ore per year indicate the richness of this tiny area in these resources and high standard of mechanisation. There is no metallurgical industry in this area, the development of which will depend upon harnessing hydro electricity for which many rivers and rivuletes in Goa have the necessary potentiality. It is learnt that no waterfall in this area has been harnessed for generation of hydro-electricity. Most of the mines have their own generating plants for electricity. Volume of export trade in recent years through Marmagoa port is already so large that it leaves little scope to increase additional exports. Moreover, the railway also is unable to handle all the mineral traffic in Goa. Taking this situation into account, our efforts to develop other ports like Karwar, Hannavar etc. in South and Vengurla, Redi etc. in the North of Goa should not be slackened to meet the growing export trade in the country.

ANOTHER YEAR OF ACHIEVEMENT

DENA BANK

Figures speak more than words

AUTHORISED CAPITAL	Rs. One Crore
SUBSCRIBED & PAID-UP	Rs. 50 Lakhs
RESERVE FUNDS	Rs. 75 Lakhs
DEPOSITS (as on 31st Dec.) EXCEED	Rs. 43 Crores
WORKING FUNDS EXCEED	Rs. 48 Crores
NO. OF ACCOUNTS EXCEED	2,40,000
NO. OF OFFICES	107
SAFE DEPOSIT VAULTS	29

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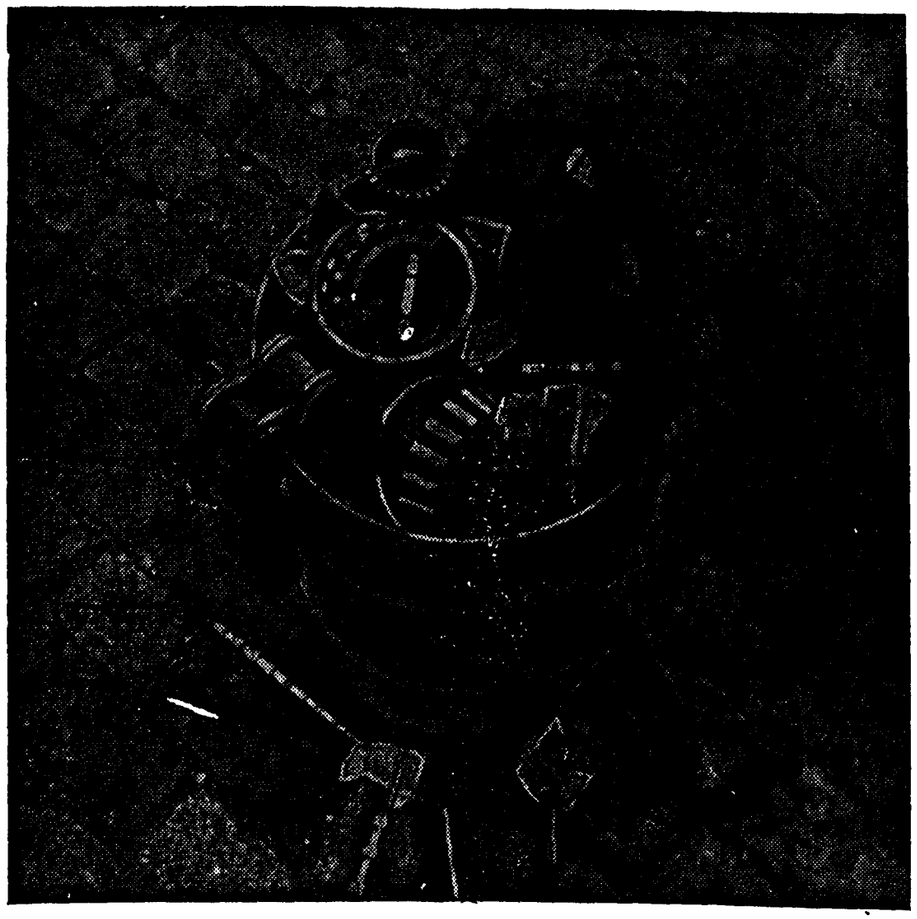
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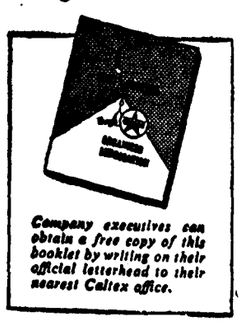


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THE BUSINESS WORLD

Crisis in Brick Kiln Industry

THE Chief Commissioner of Delhi has extended to the Union Territory of Delhi the East Punjab Control of Brick Supplies Act, 1949 according to which the ceiling price of bricks (1st class) has been fixed at Rs. 30 per thousand. According to the spokesmen of the brick kiln industry, the Administration has imposed this control at an extremely low price level without regard to the economics of brick making in the Capital. It is feared that this drastic step is likely to put most of the brick kilns out of action.

The root cause of the crisis lies in the paucity of coal. The brick kiln manufacturers have agreed to provide bricks even at the price of Rs. 30 per thousand if coal is supplied at controlled rates continuously. The history of coal supplies to the brick kiln industry is significantly disappointing because most of them have not been given even 1/10th of their total needs of coal. In these circumstances, the owners of brick kilns had no alternative but to buy coal in the open market paying a premium of about Rs. 1,000 per wagon. This naturally enhanced the cost of brick making in the Capital.

The brick kiln industry is willing to provide bricks at the fixed price against all the coal provided at the controlled rates. In the recent past a formula was evolved whereby one wagon of coal was deemed to be enough for "firing" 100,000 bricks. According to this rule of thumb, the brick kiln owners would provide the Administration with bricks at the controlled price for every wagon of coal provided to them at controlled price. Beyond that, the industry has three alternatives; either to burn other fuels such as wood or to buy coal from the free market or to carry coal from coalfields by private carriers. All these courses will raise the cost structure by Rs. 10 to 12 per thousand of bricks. In the neighbouring State of U.P., two prices have been fixed—one for bricks fired with coal and the other fired with other fuels. The difference between the two rates is about Rs. 12 to 13 per thousand. The brick kiln industry feels that if the industry is given a free hand in the manufacture of bricks by making use of "other sources of fuel" in the absence of coal, the premium on these bricks which currently rates at Rs. 13 per thousand could be reduced further. The present policy will not only continue the famine of bricks in Delhi but will also create a scarcity which will last longer than a year.

It is legitimate that the "fair" demand of regular supply of coal to 250 kilns in the Capital be met. If the Government is not in a position to provide them with coal, then the industry should be allowed to tap other sources. A higher price should be fixed for the bricks manufactured through coal imported by other means at higher cost.

The claim made by the Bharat Sewak Samaj that it can offer to the Administration and to the public bricks at the controlled price has no elements of surprise; if the brick kiln industry is also given the same facilities which the BSS enjoys, the industry could perhaps offer bricks at a slightly lower rate. The comparison between the two is unfair in the sense that BSS has not only received financial assistance from the Government but has also been promised continuous supply of coal. The 4 kilns to be set up by the BSS will not provide more than 2 per cent of the total needs of the construction industry in the Capital. All the time lost in this useless debate is going to be reflected in chronic shortage of bricks in the coming months. It is not usually known that brick-making is a seasonal industry and after the onset of the rains, the kilns will have to suspend all their activities. It is in the fitness of things that a workable formula should be evolved whereby the supply of bricks is not hampered. Any prolonging of the "crisis" is likely to be reflected in the widespread unemployment of labour engaged in brick kilns and also thousands of other artisans who are employed in the construction activity in the Capital.

Business Notes

Power

ELECTRICITY INDUSTRY IN LUCK?

THE SPECTACULAR rate of increase in the demand for power owing to the rapid growth of industries in the absence of a commensurate rate of increase in power generation in the country has been instrumental in creating the recurring power shortages in several parts of the country in recent years. Pinpointing this anomaly in the country's plans for power generation, Mr. S. M. Zubair, Chairman of the Federation of Electricity Undertakings of India (F.E.U.I.), told its general body meeting (in Bombay) recently that the present situation demanded that the power system in the country—whether operated by State Electricity Boards or Licensees —should continuously anticipate and plan for the needed expansion. But the attitude of the Government does not appear to be equally catholic. Its policy so far has been one of favouring only the State Electricity Boards, which have the advantage of being subsidised by the Public Exchequer whenever they run into losses, while holding out threats, at the same time, of premature acquisition of licensee-held power undertakings even when they are reasonably well run. The policy of unwarranted delays in liberalisation of the Electricity (Supply) Act to boot which has only served to bar the doors for raising any development finance by privately-owned public utility undertakings, is yet another hardship.

Commenting upon the short-term remedy suggested by the Government, namely, of installing diesel plants as nursery units for power development by industrial undertakings, Mr. Zubair observed that installation of uneconomic steam plants or diesel sets by them would be a self-defeating policy; even if they should afford some short-term relief for the pressing power shortage

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SUBSCRIPTIONS will be received in cash or cheques. Applications will be received at the State Bank of India at Calcutta, Bombay, New Delhi and Madras from 15th January, 1962 to 20th January, 1962 both days inclusive. But the list may be closed earlier without notice if the total subscription is reached.

Copies of loan prospectus and application forms are available at all the offices mentioned above and at the Head Office of the State Electricity Board, 1, Hastings Street (7th Floor), Calcutta-1.

problems, he went on to say, such a policy would be less enduring as compared to plant installed by private-owned public utility undertakings in the region. As such, the F.E.U.I. Chief pointed out, the answer to the problem lay in permitting electric supply undertakings to instal the types of plants that are needed and best suited to the region. To enable these undertakings to proceed in this direction, Mr. Zabair called for certain immediate changes in the Act, such as (i) elaboration of the permissible appropriation ("all taxes on income and profits") to cover all forms of taxation, including the tax at the prescribed rate deductible from the dividends (the object being that all tax liability or tax relief should redound to the consumer's account); (ii) an increase in the "Standard Rate" by at least one per cent (so that the return to an investor could be on a level at least approximating to the cost of money), and (iii) addition of specific provision in the Act to enable undertakings which are obliged to raise loan finance at rates of interest above the level of the "Standard Rate" to charge up the actual rate of interest plus half per cent.

Contrary to expectations or, rather, unlike last year, the Union Minister of Irrigation and Power, Mr. Hafiz Mohammad Ibrahim, who was present for a second time at an annual meeting of this body, also seemed to be in agreement with a major part of the Chairman's observations. Perhaps this is an indication—unless it be, as some uncharitable critics would have it, a pre-election gesture or a parting gift—that the Government is at present more alive to the problems of Electricity Undertakings. In any case, the Union Minister's assurance that no private Electric Supply Undertaking would be taken over by the Government so long as it functioned satisfactorily and rendered efficient service, is a refreshingly welcome one at this juncture. Apparently the electricity industry is in luck.

ICICI

A SEVEN - YEAR STORY

THE INDUSTRIAL CREDIT & INVESTMENT CORPORATION OF INDIA, (I.C.I.C.I.) completed seven years of working last week—on January 5, 1962, to be precise. Completing seven years for an institution is more or less the same as traversing the traditional seven paces —'Sapta padi'—by an individual. Just as, in the case of an individual, the seven paces mark the start of a new status, so also, in the case of an institution, the passing of seven years postulates that it has reached maturity. Well may it be said of the I.C.I.C.I. that it has attained maturity, considering its achievements during this brief seven-year spell. The institution has, indeed, played an important part in accelerating the tempo of industrialisation in India.

The subscribed capital of this truly international financial institution—28 per cent of it is owned by the British, the Americans and the Germans—is only Rs. 5 crores. And this share capital too is widely dispersed, in that, at the end of 1961, there were over 1800 shareholders on the ICICI's Register. But the resources of the I.C.I.C.I. are not limited to these five crores of rupees only. Three foreign exchange loans from the World Bank, amounting, in all, to 40 million dollars, a five-million dollar grant from the Development Loan Fund, and a sum of Rs. 17.5 crores borrowed from the Government of India have served substantially to augment these resources. Thus, the total capital and borrowed resources of the I.C.I.C.I. at the end of 1961 amounted to Rs. 44 crores, not to speak of the sizeable reserves built up by the Corporation over the past few years.

The net assistance of all types extended by the ICICI to private industry, i.e. by way of loans, direct subscription and underwriting, by the end of 1961 amounted to approximately Rs. 42 crores, and it is significant that, out of this amount, as much as Rs. 19 crores was in foreign exchange, undoubtedly a great boon in these days of acute shortage of foreign exchange.

The number of companies to which financial assistance was sanctioned was 166, out of which 91 sought rupee assistance and the remaining 75 foreign exchange loans. Some of these companies—33—were granted both rupee and foreign exchange assistance.

On the underwriting front, from January 1, 1956, to June, 30, 1960, of the total amount of newly issued capital of Rs. 35.2 crores underwritten, the share of the I.C.I.C.I. alone was no less than Rs. 6.92 crores, that is nearly 19 per cent. This makes it easily the largest single underwriting institution in the country today. Besides all these forms of help, the I.C.I.C.I. has also played a key role in introducing and familiarising our people with new forms and concepts of term finance, but its great value to this country lies perhaps in the fact that it has been instrumental in arranging participation loans and other operations in which Indian and foreign financial institutions alike combine together to meet the capital requirements of the private sector in this country. How valuable this service is will be appreciated only when it is remembered that, in the scheme of resources for financing our Five-Year Plans, nothing much is stated about how the finances required by the private sector to fulfil its share of the Plan targets have to be garnered.

New Issue

HINDUSTAN OXYGEN TO RAISE RS. 19 LAKHS

HINDUSTAN OXYGEN GAS COMPANY LIMITED is entering the market next week to raise from the public, capital to the tune of Rs. 19 lakhs. The list opens on January 18 and will close on January 27 or earlier at the discretion of the Directors, but not before January 20. The issue, if fully subscribed, will raise the issued capital of the company to Rs. 30 lakhs, out of an authorised capital of Rs. one crore, consisting of 30,800 equity shares of Rs. 100 each, 4,200 cumulative redeemable preference shares of Rs. 100 each and 6,500 unclassified shares also of Rs. 100 each. The capital being offered to the public is all in the form of equity shares.

The proceeds from the issue along with the Rs. 11 lakhs already subscribed or agreed to be subscribed by the promoters, directors, their friends and associates, will be utilised for meeting 75 per cent of the capital outlay on the company's factory proposed to be set up at Ahmedabad. The remaining 25 per cent of the requirements are envisaged to be financed through bank and other borrowings. The plant is expected to go into production by the end of the current year.

The company has been formed mainly with the object of manufacturing industrial oxygen and dissolved acetylene gases to the tune of 2,81,16,000 cubic feet of oxygen and 70,29,000 cubic feet of dissolved acetylene. Technical collaboration has been arranged with two U.S. manufacturers — Messrs. Superior Air Products Co., New Jersey, and Messrs. Rexarc, Ohio, who will be supplying complete design and layout for the Ahmedabad factory as also equipment and machinery for it. The technical collaborators will as well train Hindustan Oxygen's engineers at their works and may even depute one of their trained engineers, in case of need, to erect and commission the plant at Ahmedabad. Cylinders are proposed to be imported from rupee payment countries. The necessary sanction for the import of plant and cylinders has already been received from the Government of India.

The chief raw materials that will be required by the company are caustic soda, calcium carbide, acetone and calcium chloride which are easily available and indigenously manufactured.

With the rapid industrialisation envisaged under the Third Five-Year Plan, the demand for industrial gases is bound to increase stridently. At present, there is only one company—The Indian Oxygen Co., Ltd.,—producing such gases in this country. The products of the new company, thus, should have a ready market. In view of this, there should be little difficulty in the new issue being fully subscribed.

Electric Meters

A NEW VENTURE

A NEW company, Messrs, Electro-Equipments Corporation Ltd., Bombay, is likely to put on the Indian market, by March next, its house service electric meters, single phase, produced at its works in Mulund, in technical collaboration with Messrs. Cekop, Warsaw (Poland). The company has plans to manufacture for the present 60,000 meters a year on single-shift basis. In course of time, production is envisaged to be increased to 1,20,000 meters a year and ultimately to 1,80,000 meters a year on double-shift basis.

Messrs. Cekop are providing not only technical know-how, but also plant and equipment on deferred payment basis. Unlike the other house service electric meters manufacturing units in the country, which mostly assemble these meters from imported components (the indigenous components in them being only small), the Electro-Equipments Corporation intends to progressively raise the indigenous content in its products in the least possible time.

The total outlay on the project, including the working capital requirements, is estimated at Rs. 50 lakhs. Of this, Rs. 35 lakhs will be available from the share capital of the company (the promotors, directors, their friends, associates and nominees are subscribing Rs. 17.85 lakhs and capital worth Rs. 17.15 lakhs was offered to the public for subscription at par in the form of equity shares of Rs. 10 each this week), Rs. 10 lakhs through a loan from the Bombay State Financial Corporation and the remaining Rs. 5 lakhs from a loan from the company's bankers.

The company is negotiating with its Polish collaborators manufacture of poly-phase meters as well at its Mulund works. An application has been submitted to the Government of India for the grant of the necessary permission.

Nickel

A REVIEW OF THE INDUSTRY

FROM A review made by Mr. Henry S. Wingate, Chairman of the Board of Directors of International Nickel Company of Canada Limited, it is apparent that the 1961 nickel producing capacity of the free world, exclusive of Cuba, attained a new all-time high estimated at over 625 million pounds. At this record, capacity exceeded 1961 consumption of nickel by about 125 million pounds. This new high in nickel producing capacity established in 1961 is fully 15 per cent above the industry's capacity in 1960 and is more than 100 per cent over that of ten years ago.

Consumption of nickel from all sources by countries of free world for the year 1961 is estimated as follows:

Country	Percentage of Total
United States	44
United Kingdom	16
Common Market Countries	36
Japan	9
Sweden	4
Canada	2
All Others	5

It is interesting to observe that the most significant factor contributing to this increase was the completion of International Nickel's new nickel project at Thompson, Manitoba, at which commercial production was begun before mid-1961. Its annual capacity of 75 million pounds brought the company's total capacity from operation in Canada to over 385 million pounds. Another encouraging factor during the year under review has been that the industry continued its research and marketing activities aimed at increasing the use of nickel in new and existing fields. Various programmes were launched in the U.K. and France to promote wide use of nickel stainless steel. Keeping in view the recent production trends, it can safely be said that increasing quantities would be available to satisfy the ever-increasing demands of a growing scientific world.

Engineering

RISING COSTS—A SERIOUS PROBLEM

AT THE 19th Annual General Meeting of the Engineering Association of India, Mr. K. L. Chowdhary dwelt at length on many of the problems facing the engineering industry. The most crucial problem, Mr. Chowdhary pointed out, was rising costs which were a great handicap in giving a fillip to the export promotion drive. It may be noted that as a result of increasing prices of pig-iron and steel, shortage in supply of fuel and power and rising wages without adequate productivity, costs have been rising over a long period as can be seen from the following figures:

Year	Input	Output	Input as % of Output
	(In crores of rupees)		
1956 ..	86	134	61.6
1957 ..	104	162	64.3
1958 ..	112	174	63.7
1959 ..	128	199	64.5
1960 ..	159	239	66.0
1961 ..	181	267	67.5

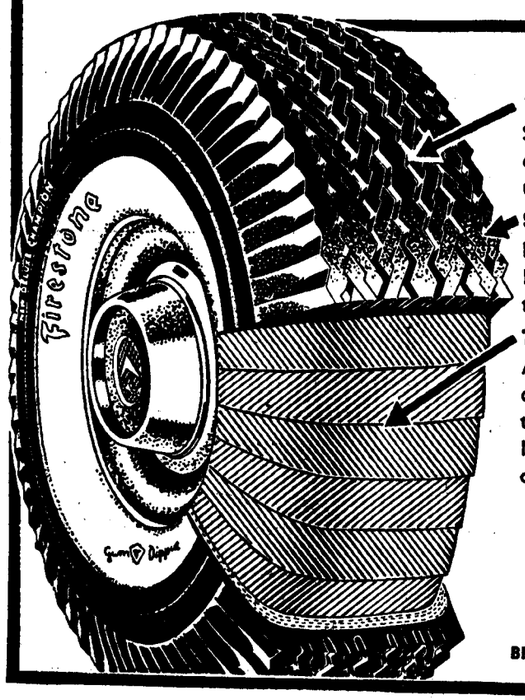
From these figures it would be observed that there is a steady rise in the input factor with consequent increase in its ratio to output. As cost of production increase, the profiability of the industry declines, even though it expands and develops, and its competitive position gets adversely effected. The object of export promotion cannot be realised in the face of rising production cost. It is, therefore, essential that prices must be held in check and productivity of labour increased in order to make the engineering industries compete in world market. It is the need of the hour that the Government should augment the facilities which they have granted for export promotion work by additional measures of relief such as granting of price preference in Government contracts to exporting industries.

The other problems referred to by Mr. Chowdhary related to shortage of raw materials (coal and coke) and bottlenecks in transport. Mr. Chowdhary made the plea that for the successful growth of the engineering industry in this country immediate steps should be taken to do away with these shortages. Since there was a shortage of coke, Mr. Chowdhary suggested that a commission should be appointed to examine how far oil can be used as alternate fuel to coal in general, except for industries using very low grade coal and industries requiring coal essentially for technical processes, and at what reduction of prices oil can be offered. The Commission may also enquire into the position of indigenous manufacture of oil burning equipment.



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Canada's Economy

A REVIEW AND PROSPECTS

A CLEAR picture of how the Canadian economy has been shaping in 1961 is provided in a review released recently by the Trade Publicity Branch of the Canadian Department of Trade and Commerce. In the review it is succinctly depicted by Hon. George Hees, Minister of Trade and Commerce, that exports kept on increasing at a faster pace than imports, resulting in a further improvement in the merchandise trade balance. National output increased sharply from the beginning to the end of the year. There was more employment and industrial production showed further signs of growth. Personal income accelerated and corporate profits reversed their decline. Housing activity took a sharper turn and a resurgence in sales of automobiles and other durable goods occurred in the year. New federal measures of a far-reaching character were implemented to help Canadian producers extend their markets and expand production. Of major importance was the change in exchange rate policy, resulting in a lesser external value of the Canadian dollar. This provided an important lift to the wide range of Canadian industries competing with foreign goods, both domestically and abroad. Other new measures contributing to business growth included the provision of guaranteed bank loans to small business; extension of the operations of the Industrial Development Bank; the provision under income-tax regulations of accelerated depreciation for specified categories of capital outlays; and the establishment of new arrangements providing for increased attention to product design.

So far as outlook for 1962 is concerned, the Minister for Trade and Commerce is on sure grounds when he says that an upward trend will be maintained. Information available on investment plans for 1962 indicates distinctly a sustained level of business outlays for new plant and equipment, and a further growth in institutional and public building. Besides, there is much to show that Canadian producers have made a good start towards achieving the kind of competitive strength and resilience necessary to extend their position in the present day competitive world. Since the economy is based on a solid footing, further achievements in the years ahead can naturally be expected. This, however, does not mean that efforts should be relaxed to give a further tempo to the economy. A positive action is the need of the hour without which there can be many slips between the cup and the lip. This applies not only to Canada but to India as well where there is greater need to act with initiative, enterprise, energy and enthusiasm to make the Third Five-Year Plan a success.

I.M.C.'S NEW PRESIDENT

IT IS very rare to get elected as President of a Chamber of Commerce at a young age. This distinction now goes to Mr. Pravinchandra V. Gandhi who has been unanimously elected as the President of the Indian Merchants Chamber for the year 1962. Only 39, he is well-known in the banking circles for the prominent part he has played in initiating schemes for making available a varied banking system. To him goes the credit of sponsoring the idea of promoting a training college for bankers in addition to the one that has been functioning under the aegis of the Reserve Bank of India. The experience that he has gained during his visits abroad, he is trying to utilise fully and is pioneering in introducing in the Indian banking system some of the methods practised in the West. The Indian Merchants Chamber is bound to make a swift advance under his dynamic leadership.

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FROM THE CAPITAL'S CORRIDORS

TARIFF COMMISSION'S REPORT 1960-61.

According to its Ninth Annual Report for 1960-61, the Tariff Commission examined the cases for the continuation of protection to fourteen industries, namely:

1. Automobile Hand Tyre Inflators,
2. Wood Screws,
3. Calcium Lactate,
4. Piston Assembly,
5. Engineers' Steel Files,
6. Automobile Sparking Plugs,
7. Power and Distribution Transformers,
8. Sheet Glass,
9. Plywood and Tea Chests,
10. Aluminium,
11. Bare Copper Conductors, A.C.S.R. and A.A.C.
12. Ball Bearings,
13. Cotton Textile Machinery and
14. Bicycles.

Cotton Textile Machinery: It will be recalled that "on the recommendation of the Tariff Board the Industry manufacturing spinning ring frames, spindles, spinning rings and plain looms was granted protection in 1950 by a levy of a protective duty of 10 per cent **ad valorem.** The protective duty was also applied to parts of ring frames. Consequently, fluted rollers and tin rollers, which are parts of ring frames, received incidental protection at the same rate of duty. Under the Finance Act, 1951 a surcharge of 5 per cent of the customs duty was levied and the effective duty on cotton textile machinery was thus raised to 10½ per cent **ad valorem.** The claims of fluted and tin rollers sections of the industry to substantive protection were independently examined by the Board in 1950 on a referenc from Government. The Board came to the conclusion that the then existing duty of 10½ per cent **ad valorem** on fluted rollers and tin rollers afforded adequate protection and recommended that these articles should remain in the protected category as long as complete ring frames continued to enjoy protection, namely, up to 31st March, 1953. The Government accepted the recommendation. On the advice of the Commission protection was extended first up to 31st December, 1953 and then up to 31st December, 1954. In 1954 a fresh inquiry was undertaken by the Commission and on its recommendation protection granted to tin rollers was discontinued. But the then existing rates of protective duties on ring frames, spindles, spinning rings and fluted rollers were continued up to 31st December, 1957. In regard to looms the scheme of protection was widened to cover all kinds and the rate of duty was the same as was applicable to plain looms. The fifth inquiry into the industry held in 1957 led to continuance of protective duty on complete ring frames, spindles, spinning rings, fluted rollers and automatic looms up to 31st December, 1960 at the existing rate of duty while protection granted to plain looms was discontinued from January 1, 1958. The last inquiry was conducted in 1960 and the Commission submitted a Report to the Government."

Reviewing the progress made by the industry the report says that "the industry has registered considerable progress since 1950, despite the set back it received in 1958 and 1959 on account of fall in demand for its products. The principal units in the industry have diversified their pattern of production and are embarking upon new lines of manufacture like doubling frames, draw frames, speed frames, fly frames, carding engines, high speed warping and winding machines. Some of the manufacturers have also made attempts to effect improvements in their designs and process of manufacture. There are at present 13 units engaged in the manufacture of protected categories of cotton textile machinery. From the evidence available, it appears that the cotton textile machinery manufactures are in a position to meet adequately the domestic demand for protected items of spinning equipment."

In view of the rapid development in textile machinery towards automation and higher speeds in advanced countries and the importance of industry due to its size and its foreign exchange earnings, the Commission has attached great importance to the aspect of improving quality of indigenous textile machinery. The Commission also reiterated its earlier recommendation emphasizing the need of an objective and impartial technical agency for assessing the requirements of the textile industry and assisting the textile machinery manufacturers to meet them. The indigenous industry is at a considerable disadvantage on account of shortage and high cost of raw materials and high prices of bought out components which have increased their costs. The industry is diversifying the range of its manufacture. By the end of the Third Plan period, the country's requirements of textile machinery are anticipated to be met to the extent of 75 per cent by the domestic producers. Having regard to these factors the Commission came to the conclusion that the cotton textile machinery manufacturing industry is still in need of protection and recommended protection till 31st December 1963.

IRON AND STEEL INDUSTRY

The Government of India have appointed a central tripartite wage board for the iron and steel industry with headquarters at Patna. The seven-member board consists of Mr. G. K. Shinde (Chairman), Mr. Akbar Ali Khan, M.P., and Professor M. L. Dantwala (Independent members); Mr. M. S. Rao and Mr. Saradindu Gupta, (employers' representatives) and Mr. Michael John, M.P., and Mr. Gopeshwar (workers' representatives).

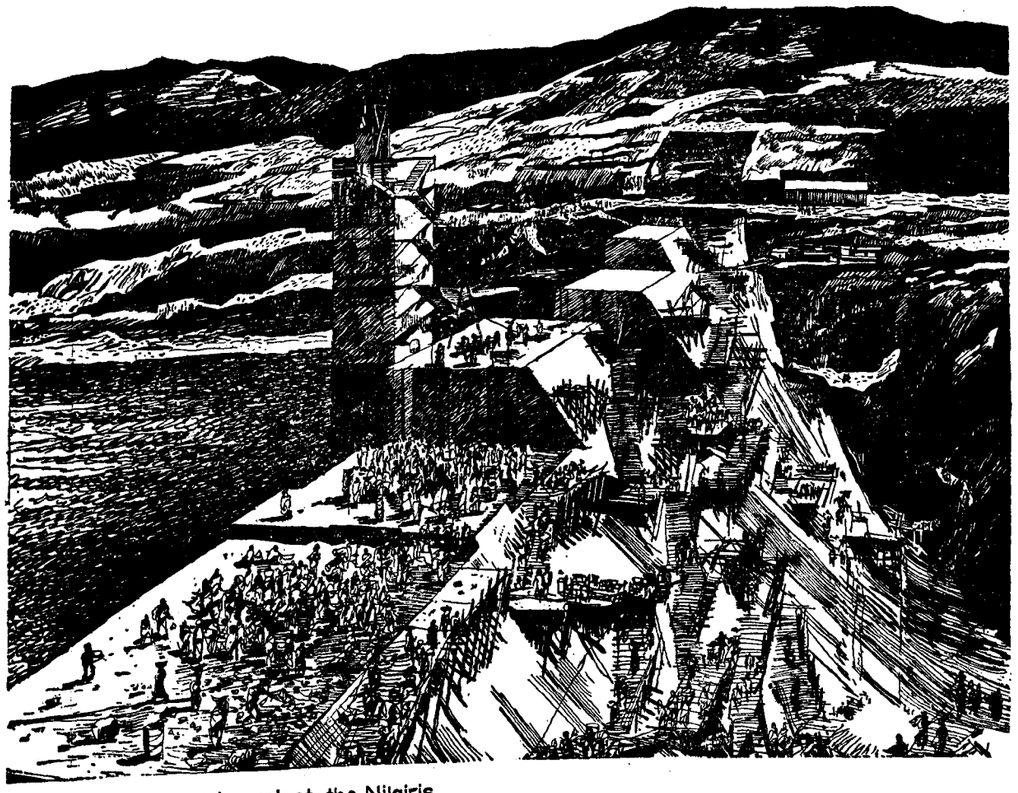
Terms of reference include: (a) to determine the categories of employees (manual, clerical, supervisory, etc.) who should be brought within the scope of the proposed wage fixation and (b) to work out a wage structure based on the principles of fair wages as set forth in the report of the Committee on Fair Wages. It is stated that in evolving a wage structure, the Board should, in addition to the considerations relating to fair wages, also take into account the needs of the industry in developing economy; the requirements of social justice and the need for adjusting wage differentials in such a maner as to provide incentives to workers for advancing their skills. The Board should bear in mind the desirability of extending the system of payment by results. In this the Board shall keep in view the need for fixing a minimum (fall-back wage) and also to safeguard against over-work and undue speed. The demands in respect of payments other than wages raised by the unions will be taken into consideration by the Board in making its recommendations.

COAL WASHERY, KATHARA

Broad agreement has been reached with Russia on the National Coal Development Corporation's proposed coal washery at Kathara to be completed in March 1965. A small team of three Russian experts will visit India by the end of this month to study the site of the washery at Kathara before drawing up a detailed project report. The coking coal washery will have an annual intake capacity of three million tonnes and will feed the proposed Bokaro Steel Plant.

COAL SAMPLING

It will be recalled that the Government of India had appointed a Study Group to visit the individual Steel Plants in order to examine the facilities of sam-



Kundah hydro-electric project, the Nilgiris

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The Third Plan has provided Rs. 1,712 crores for irrigation and power projects and huge quantities of cement will be required for their construction. In order that more cement may be available for the great projects and for the private consumer the Third Plan has set the cement industry a target of 15 million tonnes of cement a year by 1966. And the increasing output of ACC and India Cements factories will help to achieve this.

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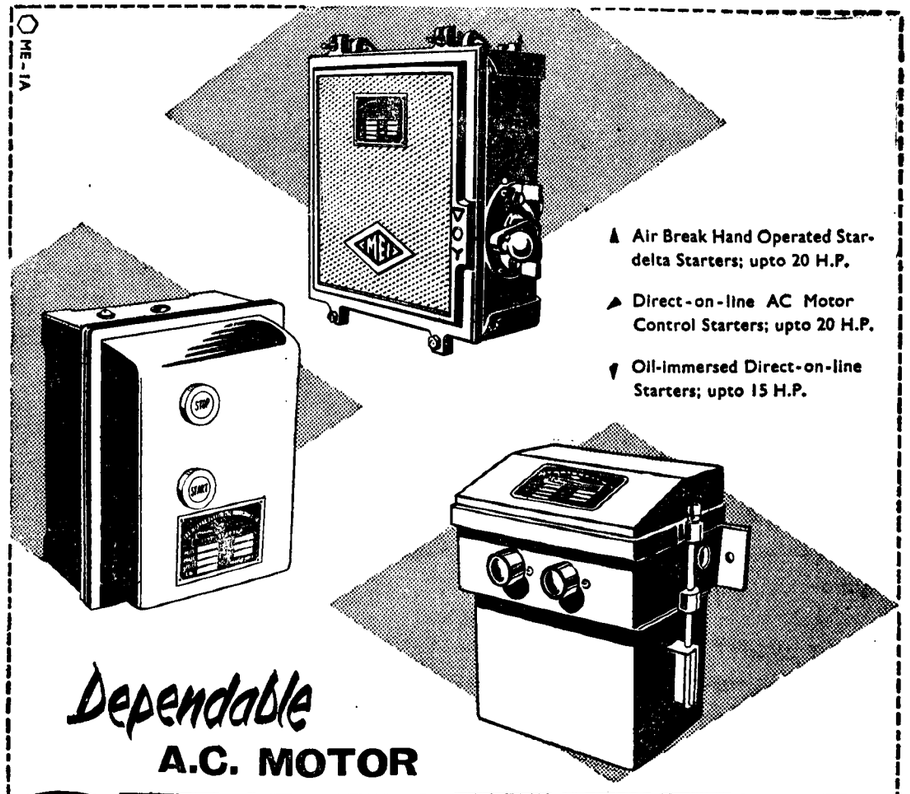
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UNDER SECRETARY TO GOVERNMENT 23 JAN 1962 PUBLIC DEPARTMENT

pling of coal. It was found, as the Group visited one steel plant after the other, that the procedure of sampling varied considerably from plant to plant and that manual sampling was not suitable. Besides, it was costly and led to operational delays.

In these circumstances, the Group felt that the obvious solution was the introduction of mechanical sampling in all the steel plants and although the position of each plant was different, it was found that as all the steel plants used conveyor belts from the point of unloading of the wagons for carrying the coal towards the dumps, it was possible, without any undue cost or disturbance to the existing installations, to incorporate mechanical device for sampling. It was thought that mechanical sampling will not only result in saving employment of a large number of workers but also eliminate the human element in actual drawing of the sample to the minimum, without at the same time not hindering operations or introducing delays in the chains of operations of coal handling which would otherwise have been the case. If any particular plant found it more convenient to buy a mechanical device from abroad, the Group recommended that such plants should be granted necessary foreign exchange for the purpose particularly where the object is to save time in devising and manufacturing one at the works and to ensure that a tried mechanical device is being insalled.

AERIAL ROPEWAYS

The Indian Coal Board has placed on order with Breco-Ropeways of London to supply an aerial ropeway at an estimated cost of £2 million. It will be a composite plant which will include a sand-winning apparatus, feeder ropeways and heavy-capacity trunk ropeways delivering sand to a number of stockpiles for distribution to the various collieries. The whole plant, which is expected to be completed by the spring of 1964, will consist of three mono-cable ropeways, each less than a mile in length and each capable of conveying 200 tons an hour. These will be connected with a single bi-cable ropeway split into five sections and 16 miles long with a capacity of conveying 450 tons an hour. The British firm is sending out about 30 experts to plan and supervise the operation.

FURNACE OIL

The Ministry of Commerce and Industry has suggested the use of furnace oil to replace coal by the industries in Madras and Gujarat. A beginning was to be made with the new cement plants, recently licensed by the Government. Under the plan suggested by the Ministry of Commerce and Industry, the Centre will have to reduce substantially, if not altogether abolish, excise and other duties on furnace oil in order to make it competitive with coal. It is pointed out that excise duties are levied commodity wise and not industry or region wise. As against this, the carriage of coal by sea to feed the industries in these very areas is subsidised by the Centre and is region wise. It is further argued that while in the case of coal it is the consumers of coal, including those in the coal subsidised regions, who pay for the subsidy through an increase in the price of coal, it will be the Central Exchequer in case of furnace oil which will have to forego a part of its excise duty if it were reduced or abolished to replace coal by furnace oil in certain regions. The Government is engaged in examining the various aspects of the fuel economies of the various types before reaching a decision. It may be added that the plan envisages to lay a pipeline from Bombay or Madras to industrial areas concerned.

TEXTILE INDUSTRY

The Union Government has decided to license 10,000 Automatic Looms in units of 500 each as part of the programme of expansion of the Cotton Textile Industry during the Third Plan perid. According to a Press note issued by the Ministry of Commerce and Industry during the week, licences will be granted subject to the condition that 75 per cent 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 shortfall in the export performance. Bonds will have to be executed and bank guarantees will have to be given for the fulfilment of the export conditions.

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SISTA'S

The heavy electrical project to be established at Hyderabad with Czechoslovakian assistance is expected to cost about Rs. 23 crores, excluding township. It will have an annual production of about Rs. 18 crores in the first phase and will be doubled during the Fourth Plan. The Heavy pressure boiler plant to be located at Trichy in Madras will also have Czech collaboration. The project is expected to cost nearly Rs. 18 crores, a third of which will be in foreign exchange. Only heavy furnaces and heavy equipment will be imported. The annual production of this plant will, in the first phase, be between Rs. 12 and Rs. 15 crores, with provision for doubling in the next stage.

SODA ASH AND CALCIUM CARBIDE

The Government of India have fixed with immediate effect the ceiling price (ex-works) of light soda ash at Rs. 19 per 50 Kg., effective till December 31, 1962. In fixing the price, Government have taken into account the manufacturing costs in the units examined by the Tariff Commission and the scope for economy in establishment and labour costs in the higher cost units to which attention had been drawn by the Commission. Government are satisfied that the price fixed by them would provide a reasonable return to the capital employed in the high cost unit and at the same time impress on such units the desirability of improving their efficiency and reducing the conversion charges.

It will be recalled that the Tariff Commission, in its Report on the fixation of prices for soda ash, had recommended that the ceiling price (ex-works) of light soda ash should be fixed at Rs. 20 per 50 Kg. exclusive of excise duty and that the ceiling price of heavy soda ash sold ex-works should be fixed at Rs. 21.50 per 50 Kg., exclusive of exicse duty.

Similarly, the Government of India have fixed the ex-works selling price of calcium carbide. The price for calcium carbide per 50 Kg. of 4/80 mm. size in 50 Kgs. packing will be Rs. 44.00 and in 100 Kgs. packing will be Rs. 43.25. Price will come into force with immediate effect and will be operative till December 31, 1962. The Tariff Commission had recommended the price of Rs. 45.50 for 50 Kgs. of calcium carbide of 4/80 mm size in 50 Kgs. packing and Rs. 44.75 in 100 Kgs. packing.

NEW RUBBER SHOE FACTORY

Complete shoemaking machinery equipment for a rubber shoe factory in the province of Andhra, with a capacity of 40,000 pairs a day will be supplied by AB Svenska Skolastfabriken, Jarrested (Sweden). The order, worth Kr. 13,000,000 (£9,000,000), is one of the largest ever obtained by a Swedish company from India. The delivery will include all types of machines, from big rubber-mixing plants to small industrial sewing machines. At the same time, as has been the case in the establishment of similar factories in North and South America, Korea, Japan and various African countries, the Swedish company will give technical assistance in running the plant.

INDO-EAST GERMAN TRADE

Trade talks between the German Democratic Republic and the officials of the Government of India concluded here during the week with an exchange of letters signed by Mr. Eric Renneisen, Leader of the German Democratic Republic Trade Delegation, and Mr. B. N. Adarkar, Joint Secretary, Ministry of Commerce and Industry. As a result of the talks, it is anticipated that the Indo-German Democratic Republic trade will increase during 1962. The commodities to be imported into India will continue to include capital goods and machinery items, power generating equipments, printing paper, industrial raw materials, cinematographic film (raw), fertilizers, machine tools and other precision and measuring tools.

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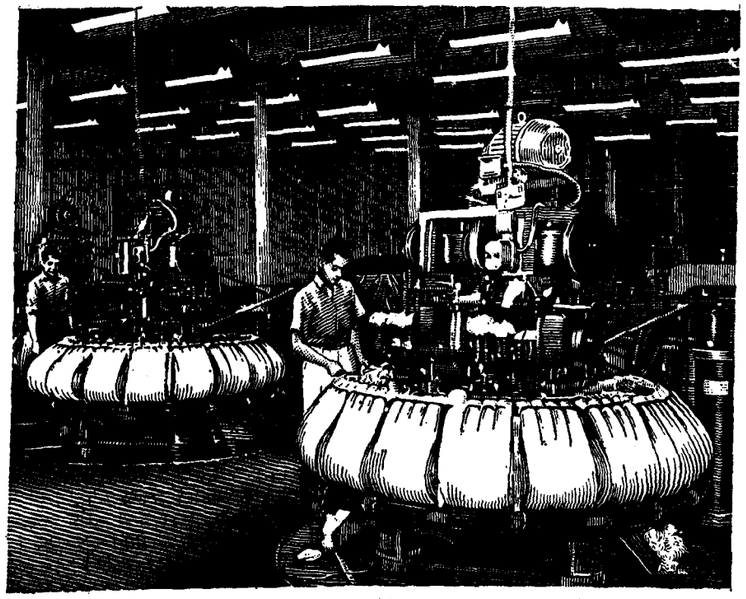
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PHILIPS INDIA LIMITED

JWTP 5114A.R

The exports from India to German Democratic Republic will be rolled steel products, cotton, silk and woollen fabrics, leather footwear, tinned fruits and juices, coir products, wood screws, jute manufactures, linoleum, sports goods, handicrafts, chemicals, deoiled cakes, drugs and medicines, tanned and semi-tanned hides and skins etc. apart from other traditional goods namely, tea, coffee, spices, cashew kernels, essential and vegetable oils, iron ore, mica and other mining products.

INDO - JAPANESE FINANCIAL AGREEMENT

Under the Second Yen Credit agreement concluded between the Export-Import Bank of Japan and certain other Japanese Banks on the one hand and the Government of India on the other, imports of capital goods from Japan into India against contracts of a value exceeding Rs. 4.76 lakhs c. and f. can be financed against the credit. The Government of India has announced the procedure for the imports of capital goods specifyfying interalia that: (a) "Payment for the goods can be effected only under a confirmed irrevocable letter of credit opened on a specified Japanese bank through the applicant's bank in India which would be the one which will furnish the bank guarantee to Government. (b) The letter of credit would provide for payment by the Japanese bank against the Second Yen Credit. No foreign exchange remittance from India will be permitted. (c) The letter of credit should be in the form specified. (d) All contracts should be on c. and f. basis. (e) Insurance, if required, should be effected against payment in Indian rupees in India. The amount of insurance payment will, however, be debited to the c.i.f. value of the licence. (f) As and when payments are made by the Japanese bank to the Japanese suppliers, the rupee equivalent should be deposited with a specified government account with the State Bank of India. The rupee equivalent of Yen payments should be calculated at the Indian Monetary Fund parity rate on the date of Yen payments (at present this rate is Rupee 1=75.6 Yen). Interest at the rate 6 per cent will be payable from the date of payment to the Japanese supplier to the date of deposit of rupee equivalent by the importer into Government account.

WEST GERMAN AID

The West German aid to India agreement has been signed and the French agreement for thirty million dollars is about to be signed shortly. The German agreement is for five hundred million DM for the first year of the Third Five-Year Plan. The total aid to India by West Germany is as under:

	Million DM
Technical assistance programme	32
German Participation in Indus Project ..	126
Finances for Rourkela Steelworks	660
Financial Assistance for 2nd Plan	420
Financial Assistance for 3rd Plan (to date) ..	1700
Guarantees for Exports	2100
TOTAL	5038

INDO - SWISS CREDIT ARRANGEMENTS

Switzerland's credit for India, amounting to about £8.5 million, will be used to buy various types of Swiss-made industrial equipment. Among the items to be purchased are: water turbines for the Upper Sileru project; electrical equipment for an Andhra Pradesh power plant; machinery for textile mills—particularly automatic looms for an Indo-Swiss joint venture; printing machinery; and equipment for sugar refineries and pharmaceutical laboratories. First contracts concluded are for the supply of equipment for various chemical products factories. The installations will be planned, supplied, and put into operation by an engineering office in Zurich. Three factories producing caustic soda, chlorine, and related products are to be equipped, and several textile machinery and electro-technical firms will be entrusted with the manufacture of the necessary machinery and plant. A Swiss alarm clock factory, in collaboration with a French firm of the same branch, has founded a company with Indian capital for the manufacture of alarm clocks.

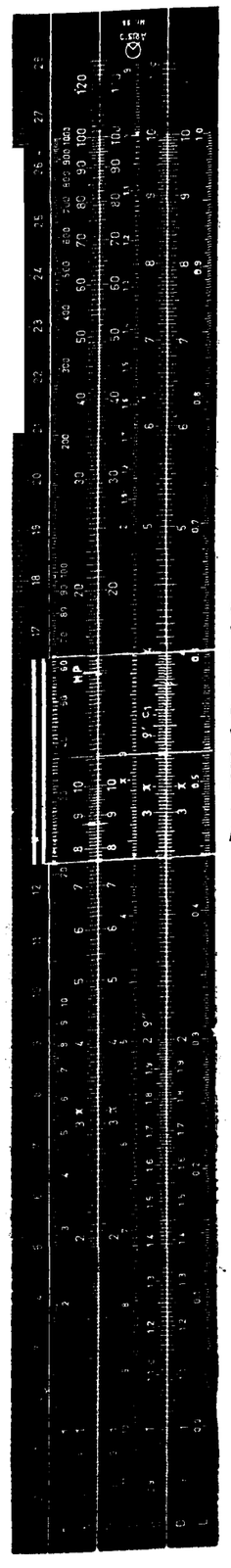
FERTILIZERS

A plea for the supply of fertilisers to the countries of the Asia and Far East region "on easy terms" has been made by the Working Party of the International Rice Commission, dealing with rice soils, water and fertiliser practices, which met in New Delhi recently. It said that this matter was of "urgent importance," as fertilisers could be used more widely for stepping up agricultural production in the region. The Working Party expressed "great satisfaction" with the steps already taken by the Director-General of FAO to bring this problem to the attention of fertiliser exporting countries. The Working Party stressed the need for having not only accurate annual statistics on fertiliser production and consumption in member countries for the present but also estimates covering the coming years upto 1975. Such information would, besides helping individual countries in planning their own fertilizer economy, help exporting countries in developing potential markets. In view of the diversity of responses obtained with nitrogenous, phosphatic and pottassic fertilisers, depending on the time and method of application, it was suggested that member countries should undertake fundamental studies on the uptake of nutrient elements by paddy at different stages of growth in relation to grain yield under different growth-promoting and environmental factors. As yields of over 10 tons of paddy per hectare had been obtained under optimum conditions, studies should also be initiated to find out how the various factors could be combined to attain such high yields. The Working Party, meeting jointly with another dealing with rice production and protection, recommended that in all countries great emphasis should be given to the development of rice varieties with high fertiliser response. Further research should also be carried out by member countries on the agronomy and water requirements of rotation crops and on the most suitable crop rotations for particular irrigation areas. The two Working Parties were in session in New Delhi between December 11 and 16, 1961. The meetings were attended by representatives of 16 Governments.

DEPOSIT INSURANCE

The Government of India have issued two notifications under the Deposit Insurance Corporation Act, 1961 bringing the Act into force from January 1, 1962 and constituting the Corporation with effect from the same date. The Corporation will be an autonomous body with a paid up capital of Rs 1 crore wholly allotted to and subscribed by the Reserve Bank of India. The Act provides for a five-member Board of Directors, with the Governor of the Reserve Bank as the Chairman of the Board. Shri M. V. Rangachari, Deputy Governor of the Reserve Bank, and Shri A. Baksi, Joint Secretary, Ministry of Finance, Department of Economic Affairs, will be the nominees of the Reserve Bank and the Central Government respectively. The two non-officials appointed to the Board by the Central Government will be Professor G. S. Dewan, and Shri S. N. Desai, President of the Institute of Chartered Accountants of India.

The Act requires that all commercial banks functioning normally should be registered by the Corporation as insured institutions within one month of the date on which it is brought into force. It is anticipated that all the 293 banks which are eligible under the Act, including the State Bank of India and its eight subsidiaries, will be registered within the prescribed time limit. The insured banks will pay at quarterly intervals a premium of 5 nP. per hundred rupee per annum on their deposits and will be entitled to the benefit of



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.

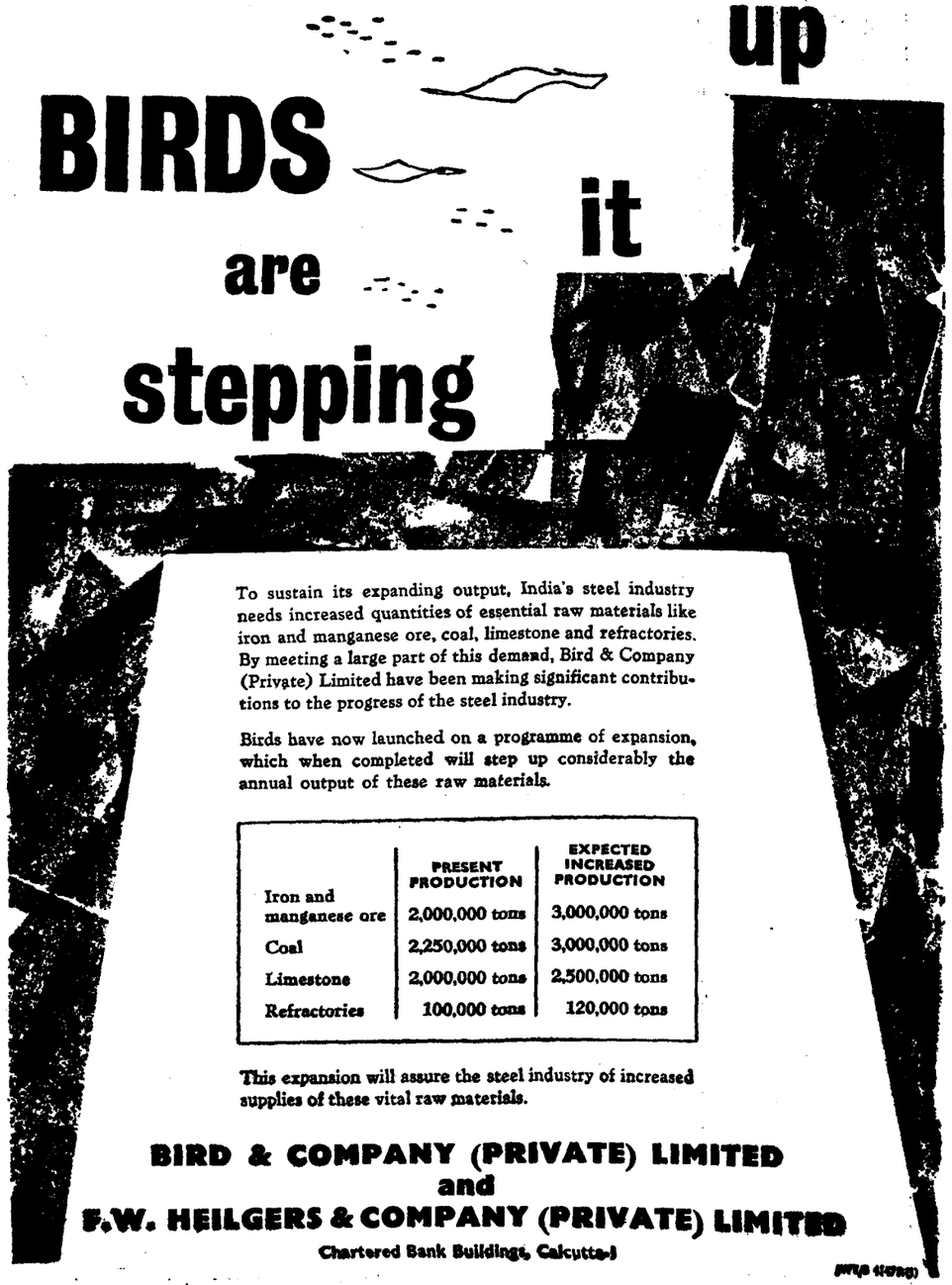
	57/58	58/59	59/60	60/61
		(Rs. in lacs)		
CAPITAL	51	51	71	61
Depreciation provided to date	32	36	41	50
Profits retained in business to date	25	35	45	57
Profit for the year	19	30	31	53
Dividend for the year	5	5	8	10

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

BIRDS are stepping it up



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

cover to the extent of Rs. 1,500 in the case of each depositor. In the event of liquidation, payments up to Rs. 1,500 will be made by the Corporation and any expenditure thus incured will be re-imbursed to it subsequently from out of the dividends in liquidation as and when they are declared. In the event of the enforcement of any scheme of reconstruction or amalgamation, the Corporation will be responsible for the payment of the deficiency, if any, in the amounts credited to the depositors up to a limit of Rs. 1,500 and it will recover the expenditure incured by it from the subsequent payments which are due to be made to the depositors.

The Act also provides for the limit of the insurance to be increased at any later stage beyond the sum of Rs. 1,500 in case this is considered necessary or desirable. It also provides for the liabilities to the depositors to be discharged most expeditiously, and it is expected that, in actual practice, the payments due to the depositors will be made within a few weeks of the date on which the Corporation's liability arises. With the establishment of the Deposit Insurance Corporation, it is hoped that the commercial banking system will be improved and strengthened and a substantial measure of protection in respect of their bank accounts and savings will be available to the public. Approximately, 75 per cent of the total number of deposit accounts in commercial banks will be fully covered by the arrangements now being brought into force.

INDO - POLISH ARBITRATION AGREEMENT

Facilities for the amicable settlement of commercial disputes arising between parties in India and Poland are now available as a result of the agreement entered into between the Arbitration Tribunal of the Federation of Indian Chambers of Commerce and Industry and the Polish Chamber of Foreign Trade, Warsaw. The Agreement was signed by the President of the Federation of Indian Chambers of Commerce and Industry, and Mr A. K. Adamowicz, President of the Polish Chamber of Foreign Trade, Warsaw.

BRIEFS

A team of experts which was sent to Goa by the Ministry of Mines and Fuel to make on the spot survey returned to New Delhi and will shortly make its report to the Government.

*

The Central Warehousing Corporation is to open 17 warehouses during the next financial year. The Corporation at present has 50 warehouses spread all over the country. Ten of these were opened during the current year and an equal number are expected to be opened during the next three months.

*

The Government of India has agreed, in principle to grant an industrial licence to Shaw Wallace and Company in partnership with Rallis India, Limited and with the foreign collaboration of the Dutch States Mines to set up a fertilizer factory at Mangalore.

*

A team of Davy Ashmore of Great Britain is expected here on January 10 to finalise and sign the consultancy agreement for setting up the twin projects of Heavy Structural and Vessel Plate plant in India. The Government in the Ministry of Finance and Industry has appointed Mr. S. Raghupathy, till recently a Deputy Secretary in the Ministry of Steel, as the officer in charge of the project.

*

The Indian Investment Centre in New Delhi announced on January 1, 1962, that Indian industries involving a total outlay of over Rs. 30 crores, have sought its assistance in finding technical and financial partners with firms in Canada, Japan, West Germany, U.K. and U.S.A. Indian firms are seeking partners for the manufacture of wire ropes, water meters, seamless tubes, malleable castings, electric house service meters, galvanised iron pipes and steel tubes. Assistance is also being sought for the production of tyres and tubes, cellulose acetate flakes and fibre, insulators and optical instruments. Of the requests forwarded, 19 went to the USA, 10 to the UK, 6 to West Germany and one each to Canada and Japan.

*

Associated British Machine Tool Makers, who have been marketing machine tools in India for over 40 years, have recently completed a collaboration agreement between one of their member firms, Messrs. H. W. Ward & Co. Ltd., Birmingham, and the Textile Machinery Corporation Ltd., of Belgharia, West Bengal. The CAPSTAN LATHE covered by this collaboration is the WARD 3C —a machine of a very high standard. A bar capacity of 1½" and a centre height of 7½" combine with a range of 12 spindle speeds and automatic longitudinal feed to the Intermediate Saddle and Capstan Rest to make the WARD 3C an extremely versatile machine.

*

Five new employment exchanges have been opened in the States of Assam, Madras and Punjab, bringing the total number of employment exchanges in the country to 326 including 5 university employment bureaux. The Directorate General of Employment & Training have by now approved opening of 28 additional employment exchanges and 9 university employment bureaux against the Third Plan target of 65 employment exchanges and 33 university employment bureaux.

A PASSENGER FROM WEST BENGAL WRITES.....

....I think I should express to you the keen satisfaction which I felt as a result of the KLM service. I had an excellent flight and could not have been better looked after ....

This extract is from an unsolicited letter; a photocopy can be obtained from KLM, Calcutta.



Enjoy "Lounge Luxury" on **KLM DC-8 JET**
Go First Class—Fly KLM to

NEW YORK
Via **AMSTERDAM**

Twice weekly DC-8 services from India :
Leaving Calcutta Tuesday night
Arriving New York Wednesday evening*
Leaving New Delhi Saturday night
Arriving New York Sunday evening*
*using immediate connections from Amsterdam.
Also choice of 5 KLM DC-8 flights a week ex Karachi.

Sincerely yours
KLM

KLC-61

THIS IS NOT A PROSPECTUS BUT ONLY AN ANNOUNCEMENT

Applications are invited on the basis of the Prospectus issued by the Company.

Consent of the Central Government has been obtained to this issue a complete copy of which is open to the public 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 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 Industrial Undertaking at Kurla, Bombay. Licences have also been obtained for the expansion programme. Copies of all the Licences are open to the Public for inspection at the Registered Office of the Company. It must be distinctly understood that in granting these Licences, the Government of India do not take 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.

A copy of this Prospectus with copies of the documents referred to hereafter has been duly delivered for registration to the Registrar of Companies, Bombay, as required by Section 60(2) of the Companies Act, 1956.

Applications will be made to the Bombay and Calcutta Stock Exchanges for permission to deal in and for an official quotation of the Preference and Equity Shares of the Company.

The Subscription List will open at the commencement of Banking hours on the 19th January, 1962 and will close at the close of the Banking Hours on the 25th January, 1962. The Directors reserve the right to close the subscription list earlier than the 25th January, 1962, but in any case, not earlier than 22nd January, 1962.

KHANDELWAL UDYOG LIMITED

SHARE CAPITAL

AUTHORISED .. .. **Rs. 1,50,00,000**

Divided into:

1,00,000	Equity shares of Rs. 100 each	„ 1,00,00,000
50,000	Ten per cent (free of Company's tax but subject to deduction of tax at source) redeemable cumulative preference shares of Rs. 100 each ..	„ 50,00,000
		Rs. 1,50,00,000

ISSUED:

40,020	Equity Shares of Rs. 100 each	Rs. 40,02,000
20,000	Ten per cent (free of Company's tax but subject to deduction of tax at source) redeemable cumulative preference shares of Rs. 100 each ..	„ 20,00,000
		Rs. 60,02,000

SUBSCRIBED AND PAID UP:

11,071	Equity Shares subscribed and fully paid by the Promoters, Directors and their friends and associates	Rs. 11,07,100

RESERVED FOR FIRM ALLOTMENT:

Equity Shares:

9,249	Equity shares for the Promoters, Directors and their friends and associates .. .. .. (no underwriting commission or brokerage is payable in respect of these shares.)	„ 9,24,900

NOW OFFERED FOR PUBLIC SUBSCRIPTION:

19,700	Equity shares of Rs. 100 each	Rs. 19,70,000	
20,000	Ten per cent (free of Company's tax but subject to deduction of tax at source) redeemable cumulative preference shares	„ 20,00,000	„ 39,70,000
			Rs. 60,02,000

No shares will be issued for consideration other than cash.

The Project has been examined by the Industrial Finance Corporation of India, The Life Insurance Corporation of India, The Refinance Corporation for Industry Pvt. Ltd., and The Chartered Bank and has been supported by them as under:

1) The Industrial Finance Corporation of India has underwritten 15,000 Ten per cent (free of Company's tax but subject to deduction of tax at source) redeemable cumulative preference shares of Rs. 100 each for the value of Rs. 15,00,000.

2) The Life Insurance Corporation of India has underwritten 5000 Ten per cent (free of Company's tax but subject to deduction of tax at source) redeemable cumulative preference shares of Rs. 100 each for the face value of Rs. 5,00,000 which the Company has agreed to reserve for firm allotment to them.

3) The Refinance Corporation for Industry Pvt. Ltd., has sanctioned a loan of Rs. 20 lakhs through the Chartered Bank, Bombay.

The issue of Equity shares is not being underwri ten but the Managing Agents have agreed to subscribe or procure subscriptions for the shortfall, if any, between the amount offered for public subscription and the amount of applications received in response to the offer.

ACCOUNTS

Year ending	Sales	Depreciation	Net Profit before provision of taxation	Net loss before provision of taxation
16-10-56 to 22-10-1957	Rs. 907.00	Rs. 4426.00	Rs. ..	Rs. 8725.00
23-10-1957 to 10-11-1958	„ 60891.00	„ 34930.00	„ ..	„ 97910.00
11-11-1958 to 31-10-1959	„ 468846.00	„ 57747.00	„ ..	„ 4503.00
1-11-1959 to 19-10-1960	„ 919596.00	„ 69592.00	„ ..	„ 270517.00
20-10-1960 to 7-11-1961	„ 2091665.00	„ 97113.00	„ 104726.00	„ ..
		Rs. 263808.00	Rs. 104726.00	Rs. 381655.00

Total depreciation provided: Rs. 2,63,808 Total net loss Rs. 2,76,929.

It will be observed that during the year ending Diwali 1961 the Company has definitely turned the corner. In this year the Net Profit has been Rs. 1,04,726 after allowing Rs. 97,113 for Depreciation. From the commencement of the working of the Company to date the total loss of Rs. 2,76,929 mainly represents allocations from Gross Profit to Depreciation amounting to Rs. 2,63,808.

The Chartered Bank has recently had the entire block assets of the Company valued by Messrs. Gregson Batley & King, Chartered Architects, and according to their report the assets are valued at Rs. 35,05,795 as against a book value of Rs. 14,86,243. The promoters small be making available to the investing public the entire benefit of this appreciation by retaining the value of the assets only at their book value. The consent of Messrs. Gregson Batley & King has been obtained for making the aforesaid statement and the same has not been withdrawn.

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

The amounts payable in respect of shares comprising the present offer are as follows:

	Preference Shares	Equity Share
With application ..	Rs. 10 per share	Rs. 10 per share
On allotment ..	Rs. 15 per share	Rs. 15 per share

The balance of Rs. 75 in respect of each Preference Share and Equity share shall be payable in such calls as may be determined by the Directors, provided that no call shall exceed the sum of Rs. 25 per share and that prior notice of at least 30 days shall be given in respect of each call and there shall be a minimum interval of one month between any two calls.

The calls on preference and equity shares shall be made simultaneously and proportionately.

BOARD OF DIRECTORS

CHAIRMAN:		
SIR A. RAMASWAMI MUDALIAR, K.C.S.I., D.C.L., (Oxon).	India Steamship House, 21, Old Court House Street, Calcutta 1.	Industrialist
DIRECTORS:		
SHRI RAMPRASAD KHANDELWAL, J.P.,	Khandelwal Bhavan 166, Dr. Dadabhai Naoroji Rd., Bombay 1.	„
SHRI MADAN MOHAN RUIA	96, Napean Sea Road, Bombay 6.	„
SHRI DAVID STEWART	Trosley, Wilderness Rd., Chislehurst, KENT, (England)	General Manager, (Retd.) The Charterd Bank, London.
SHRI VALLABHDAS VASANJI MARIWALA	Sudha Kunj, Tardeo Road, Bombay 7.	Industrialist.
SHRI BEHARILAL KHANDELWAL	33, Netaji Subhas Road, Calcutta 1.	„
SHRI B. D. GARWARE	Chowpatty Chambers, Sandhurst Bridge, Bombay 7.	„
SHRI K. SADAGOPAN, B.A. (Hons), I.R.A.S. (Retd.),	19, Curzon Road, New Delhi.	„
SHRI PREMNATH KHANDELWAL, B.Sc., (Hons) Bar-at-Law	Khandelwal Bhavan, 166, Dr. Dadabhai Naoroji Rd., Bombay 1.	„

GENERAL MANAGER:

Shri K. SWARUP, M.B.E., B.Sc., A.M.I.Mech. E., M.I. Loco. E., (London), M.I.E. (India), Chief Administrative Officer—Integral Coach Factory, Perambur, Madras, joining on 19-1-1962.

BANKERS:

The Chartered Bank,
Mahatma Gandhi Road,
BOMBAY 1.
The Punjab National Bank Ltd.,
Ilaco House, Sir P.M. Road,
BOMBAY 1.

AUDITORS:

M/s. A.F. Ferguson & Co., Chartered Accountants, Allahabad Bank Building, Apollo Street, BOMBAY 1.
M/s. S. B. Billimoria & Co., Chartered Accountants, 113, Mahatma Gandhi Road, BOMBAY-1.

SOLICITORS:

Messrs. Matubhai Jamietram & Madan, Lentin Chambers, Dalal Street, Bombay-1.

REGISTERED OFFICE:

"Khandelval Bhavan",
166, Dr. Dadabhai Naoroji Road,
BOMBAY-1.

MANAGING BROKERS:

Messrs. P. R. Subramanyam,
70-A, Stock Exchange Building, Apollo Street,
BOMBAY-1.
Messrs. Lewis & Jones,
Bank of Baroda Building, Apollo Street,
BOMBAY-1.

BROKERS:

BOMBAY

Messrs. J. R. Motishaw,
Stock & Share Brokers, 32, Apollo Street,
Fort, Bombay-1.
Messrs. A. B. Pandit & Co.,
Share & Stock Brokers, 32, Apollo Street,
Fort, Bombay-1.

CALCUTTA

Messrs. Place, Siddons & Gough Pvt. Ltd.,
Stock & Share Brokers,
6, Lyons Range, Calcutta-1.

MADRAS

Messrs. Paterson & Co.,
Stock & Share Exchange & Freight Brokers,
Post Box No. 48, Errabalu Chetty Street,
MADRAS-1.
Messrs. Maconochie & Co.,
Stock, Share, Exchange & Freight Brokers,
Post Box No. 281, Mercantile Bank Buildings,
MADRAS-1.

NEW DELHI

Messrs. M. R. Dhawan & Company,
Stock & Share Brokers,
4|8, Asaf Ali Road,
NEW DELHI.
Messrs. Harbans Singh Mehta,
33, Regal Buildings,
Parliament Street,
Post Box No. 300,
NEW DELHI.
Messrs. Raj Paul Chadha & Company,
Stock & Share Brokers,
Delite Cinema Building,
Asaf Ali Road,
NEW DELHI-1.

BANKERS TO THE ISSUE:

The State Bank of India, Bombay and Branches.
The Chartered Bank, Bombay and Branches.
The Central Bank of India Ltd., Bombay & Branches.
The Punjab National Bank Ltd., Bombay & Branches.
The United Commercial Bank Ltd., Bombay and Branches.
The Allahabad Bank Ltd., Bombay & Branches.

OBJECTS:

The main object of this issue is to expand the present activities of the Company in accordance with the various programmes mentioned below:

LAND, WATER AND POWER

The Company is fortunate in having acquired early enough a large plot of land in heavy industrial area measuring over 8 acres in Kurla, an industrial suburb of Bombay. The site is close to the Bombay-Agra Road being connected to it by a pucca road. It is also within a few minutes' walk of the newly opened Vidya Vihar suburban station on the Central Railway. The Central Railway have approved the possibility of making available a Railway Siding to the Company.

Sufficient water supply for the Company's requirements is available from the Bombay Municipal Corporation's mains.

Adequate power is also available and the Bombay Suburban Electric Supply Ltd., have already put up their sub-station in the Company's premises for this purpose.

HISTORY AND PROSPECTS

The Company was incoporated on 16th October, 1956 for carrying on the business of Steel Fabricators. It functioned as a private limited company upto 12th January, 1960, when it was converted into a Public Limited Company.

The Third Five-Year Plan envisages large scale developments in the sphere of Heavy and Light Engineering Industries in view of the increased availability of steel in the country. A relevant extract from the Third Five-Year Plan bearing on the subject of 'steel fabrication' is reproduced below:

> "As against the current structural fabrication capacity estimated at 500,000 tons, inclusive of the capacity of the wagon builders, the target for the last year of the Third Plan is visualised at 1,00,000 tons. The accent is expected to be much more on developing fabrication facilities for heavy structurals than has been the case in the past. Allied to these structurals shop facilities for the manufacture of items like pressure vessels, heat exchangers and other types of chemical plant and equipment are envisaged to be developed through the establishment of heavy plate and vessels works. The manufacture of cranes is another important line of allied activity."

The Company has already embarked on the above lines of manufacture and has made considerable progress; and plans have been finalised for further expansion and development to meet the vast demand in the country that remains unsatisfied, for fabricated steel structurals, pressure vessels, cranes, etc.

STEEL FABRICATION

The Company received an Industrial Licence, bearing No. L|1-A(4)|N-II|57 dated 28th October, 1957, for the fabrication of 3,600 tons of steel structure per annum and after completion of the first phase of the workshops, production was commenced in March 1958. During the initial years the Company has overcome most of the teething troubles common to new engineering industries and has established itself in the Structural Engineering Field. The capacity shown in the above mentioned Industrial Licence for steel fabrication has also since been doubled to 7,200 tons per annum vide Industrial Licence No. L|1-A(7)3|60 M.E.I. of 30th August, 1960.

The Company has been fortunate in obtaining for its Structural Division the exclusive Technical Collaboration of LES ETABLISSEMENTS EIFFEL, who are one of the world's leading construction companies and who have built amongst other Structures, the famous 'EIFFEL TOWER' in Paris. Under this collaboration, while getting the full benefit of the long experience and now-how of "EIFFEL', the Company shall also be undertaking the construction of patented 'EIFFEL STANDARD BRIDGES' which owing to their low erection and maintenance costs, have been very successfully used all over the World, particularly so, in the underdeveloped countries.

CONSTRUCTION MACHINERY

In addition to its steel fabrication activity, the Company obtained an Industrial Licence bearing No. L-11|3|LEI(B) 60 dated 26th November, 1960 for the manufacture of certain items of Construction Machinery, namely, Concrete Mixers, Asphalt Mixers and Roller Pan Mixers. Of these the manufacture of Concrete Mixers has already been taken in hand, production having commenced nearly two years ago. The Company's present production of this item compared favourably with the output of other leading Indian Manufacturers, and it is proposed to increase this production even further in the near future. The Company has come to an arrangement with the Indian Associates of Messrs. MILLARS' MACHINERY CO. LTD., London, under which the Company shall be manufacturing these machines in India under the Designs and Specifications of MILLARS and an agreement has been signed with Messrs. Millars' Timber & Trading Co., Ltd., Bombay the Indian Associates of the U.K. Company, whereby the Company's entire production of Concrete Mixers shall be taken up by them initially for a period of 3 years. MILLARS' Construction Machinery is already widely known in the country for several decades and enjoys by far the largest share of the Market in India.

E. O. T. CRANES

An Industrial Licence for the manufacture of Electric Over-head Travelling Cranes upto 20 tons capacity bearing No. L-8B-2|7|MEI|60 dated 6th September, 1960, has been received by the Company.

The Company has been fortunate enough to secure the technical collaboration of the well-known 'MUNCKHAMJERN' Group NORWAY, who are world-renowned in the manufacture of these cranes.

The Company has entered into a collaboration with Messrs. S. P. A. ING. F. FERRE & C., OF MILAN, ITALY, for the manufacture of Electric and Combustion Industrial Furnaces, Ovens, etc. Under this collaboration the Company would be particularly taking up the manufacture of various types of Heat Treatment Furnaces, which are in great demand by the growing Engineering, Iron and Steel and Non-ferrous Industries. These furnaces have hitherto been imported.

The Company is thus well-set to take the fullest advantage of the increasing opportunities which are open to the Engineering Industry.

When all the schemes under contemplation are completed, a turnover of about Rs. 1 to 1½ crores per annum is expected. Upon completion of these schemes, the Company expects profits which after providing for depreciation, development rebate and income tax shall leave an adequate surplus for an appreciable dividend to the Shareholders.

It is not considered necessary to fix any minimum amount of subscription.

The financial requirements of the Company are comprised of:

		Existing Rs.	Proposed Rs.	Total Rs.
1.	Cost of Land and Building	7,14,000	6,75,000	13,89,000
2.	Plant and Machinery	6,89,000	16,44,000	23,33,000
3.	Brokerage, Underwriting Commission and Preliminary expenses	1,382	1,50,000	1,51,382
4.	Contingencies	—	31,000	31,000
5.	Working Capital	—	25,00,000	25,00,000
	TOTAL	**14,04,382**	**50,00,000**	**64,04,382**

BROKERAGE AND UNDERWRITING COMMISSION

Brokerage of 1 per cent will be paid to recognised Bankers or Brokers on allotments made in respect of applications bearing their stamps. An underwriting commission of 2½ per cent will be paid to the underwriters. Brokerage at the rate of 1 per cent will also be payable to the underwriters to the issue of allotments made in respect of applications bearing their stamp. An additional Brokerage of ½ per cent will be paid to the Managing Brokers, on Equity shares.

MANAGING AGENTS

M|s Khandelwal Industries Private Ltd., Khandelwal Bhavan, 166, Dr. Dadabhai Naoroji Road, Bombay-1, a Private Limited Company with a subscribed capital of Rs. 5,00,000 are the Managing Agents of the Company with effect from 1st July, 1960, for a period of ten years.

Shri Ramprasad Khandewal and Shri Premnath Khandelwal who are the Directors and Members of the Company are also Directors of the Managing Agency Company, and Shri Beharilal Khandelwal who is a Director of the Company is also a Member of the Managing Agency Company.

RIGHTS OF PREFERENCE SHARES

The Preference Shares shall confer on the holders thereof the right to a fixed cumulative preferential dividend at the rate of 10 per cent (free of Company's tax but subject to deduction of tax at source) and shall rank in winding up as regards return of capital and payment of arrears of dividend whether earned, declared or not, down to the commencement of the winding up in priority to equity shares, but shall not confer the right to any further participation in the Profits or Assets of the Company.

Any further preference share issue ranking **pari passu** with the present preference share issue will be made only after prior approval of at least three fourths of the then holders of the present preference issue.

TERMS OF REDEMPTION OF PREFERENCE SHARES

The Company shall have the right after five years from the issue of such preference shares, or, earlier if

so determined by the Company in General Meeting, to redeem at par from time to time the said preference shares or such of these by drawing lots as the Directors of the Company may from time to time decide after giving six months' previous notice in writing in that behalf addressed to the Shareholders of Preference shares to be redeemed or, by such shorter notice, if so determined by the Company in General Meeting.

All outstanding Preference shares, if any, will be redeemed within ten years from the date of issue.

APPLICATIONS AND ALLOTMENT OF SHARES

Applications for Preference and Equity shares must be made on the respective forms copies of which may be obtained from the Registered Office of the Company and from any office of the Bankers or Brokers.

APPLICATIONS MUST BE MADE FOR A MINIMUM OF FIVE SHARES OR A MULTIPLE THEREOF

APPLICATIONS must be completed in accordance with the directions contained therein and delivered before the closing of the subscription list to:-

1) Khandelwal Udyog Ltd., Khandelwal Bhavan, 166, Dr. Dadabhai Naoroji Road, Bombay-1.
2) The State Bank of India, Bombay and Branches.
3) The Chartered Bank, Bombay and Branches.
4) The Central Bank of India Ltd., Bombay and Branches.
5) The Punjab National Bank Ltd., Bombay and Branches.
6) The United Commercial Bank Ltd., Bombay and Branches.
7) The Allahabad Bank Ltd., Bombay and Branches.

Where no allotment is made, the deposit will be returned in full within three months and where the number of shares allotted is less than the number applied for, the balance deposit will be applied towards the amount remaining payable on the shares alloted and any balance thereafter remaining will be returned within three months. The Directors reserve the right to refuse any application wholly or in part without assigning any reasons. Failure to pay any amount on shares allotted when due will render the previous payment liable to forfeiture.

The shares issued will be subject to the Memorandum and Articles of Association of the Company, a copy of which can be inspected at the Registered Office of the Company during office hours.

The Share Certificates will be issued within six months of the date of allotment.

Chairman's Speech

MYSORE KIRLOSKAR LTD.
Harihar

EXTRACT of the speech delivered by the Chairman of the Mysore Kirloskar Ltd., at Harihar at the time of the Twentieth Annual General Meeting.

The Mysore Kirloskar Ltd., Harihar held their Twentieth Annual General Meeting at Harihar on the 29th December, 1961. Sri Channageri Rangappa presided. In his address to the shareholders, he gave an account of the progress of the Company and referred to the new issue of Rs. 40 lakhs.

The response from the shareholders and the public to the new issue was very substantial and could be regarded as an index to show the extent to which they have confidence in the prospects of the Company in the years to come.

As a part of the expansion scheme, the Company had opened a Branch Factory in Hubli and the building construction for the said factory was well in progress.

During the year under report, he pointed out, that the Company had added to its existing plant and machinery new machinery valued at about Rs. 18.14 lakhs as against Rs. 9.45 lakhs in the previous year.

He further pointed out that in view of the large expansion programme envisaged by the Company, large investment in capital goods would be required. This would in turn necessitate the provision for adequate depreciation and Development Rebate etc. Such provisions would be quite sizeable and he therefore cautioned that during the next 2|3 years, the Company may be required to pass through a difficult period.

The sales of the manufactured goods during the year amounted to Rs. 1.57 crores as against Rs. 1.41 crores in the previous year. The sales of Stores and Sundries during the year under report amount to Rs. 6.05 lakhs as against Rs. 5.85 lakhs in the previous year. He also gave the percentage allocation of the revenues towards the different factors of production.

He then pointed out to the peculiar nature of the Machine Tool Industry where the capital investment required is on a very large scale whereas the profits are comparatively lower than in other industries. He therefore pointed out that the progress in a Machine Tool factory is rather slower than in other industries.

He then referred to the serious difficulties experienced by the factory in regard to the availability of quality Hard Coks and Pig Iron and also referred to the serious transport bottlenecks. These difficulties, he said, apart from increasing costs, created several critical situations in the day to day working of the Company. He therefore appealed again to the authorities concerned to give their very earnest and serious consideration to these problems.

He informed the shareholders that the Company, after protracted negotiations, was able to arrive at an agreement with the workers in respect of all the pending disputes and that the said agreement would be in force for a period of three years ending 31st December, 1964. He further pointed out to the need on the part of the employees themselves to play their part fully in enabling the Company to offer their products to the customers at competitive prices.

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

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THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

JANUARY 19, 1962.

West Irian: Mediation

MONDAY this week witnessed an ominous development in the West Irian dispute which is fraught with grave potentialities. This was the sinking of an Indonesian motor torpedo boat off the south coast of West Irian by a Dutch frigate. The first armed engagement came altogether as a surprise, when hopes were raised that the dispute would be ended by an amicable settlement.

The two reported versions about the circumstances culminating in the destruction of the motor boat were expected to miss no material particular. This precaution was essential. The first report of the details of the naval engagement, released by Rear Admiral J. E. Reeser, Commandant of the Dutch armed forces in West Irian, states that the Dutch Neptune plane, which spotted the three Indonesian boats, was fired upon from one of them and retaliatory action was taken in ordering the frigate to chase them, resulting in the destruction of one. But it omits to mention the location of the incident. The official communique, released by the Defence Ministry from The Hague, explains that the incident took place twelve miles off the West Irian coast. O her details confirm the first version. Whether the engagement took place within the territorial waters of West Irian, as the official communique later clarified, or it took place on the high seas, this communique purports to emphasize, would make no considerable difference in the final analysis. The Hague statement specifically points out to Article 51 of the UN Charter which safeguards the right of self-defence under the international law against an armed attack.

Whatever the precise facts, the incident is a pointer that Indonesia, which, hitherto, did not mobilise her armed forces within striking distance of West Irian, now feels her patience strained. The possibility cannot be ruled out that this was a move to land the troops in West Irian. That itself must be regarded not only as an unfortunate change in the position which she held up to the last week but a precipitate course whose implications are difficult to weigh at the moment. One could find in the announcements of President Soekarno and Dr. Subandrio encouraging hints to defer extreme action. Never heless, in "notifying" this incident to the UN Secretary-General, Indonesia has opened up a fresh opportunity for diplomacy to intervene and prevent any ugly deterioration of the situation.

It was no secret that for one full week before the Indonesian report on the incident, U Thant was intensely busy conducting exploratory talks with diplomats to bring the two parties across the conference table. This Monday's incident could turn into a boon in disguise, since it has provided an appropriate occasion to him to offer his good offices for mediation. U Thant's appeal to Holland and Indonesia to instruct their representatives at the UN Headquarters to start talks with him forthwith has been followed by an urgent appeal from the United States to accept the Secretary-General's offer at this critical juncture. As this issue of *The Eastern Economist* goes to Press, the heartening news has arrived that Holland has responded to the gesture to find a *modus vivendi* for a peaceful settlement under the Secretary-General's auspices. And no auspices could inspire greater confidence.

However, Holland's response has been accompanied by a positive suggestion to the Secretary-General to depute one or more observers or his personal representatives to West Irian. This suggestion could have been held in abeyance at this delicate stage. The Dutch Government has pointedly stressed in its reply the fact that this is but a reiteration of its request to the late Mr. Dag Hammarskjoeld. Indonesia, on her part, has disclosed her first reaction to the proposal by recalling the Dutch opposition to India's resolution in the General Assembly in November last urging negotiations for a final settlement — opposition which resulted in the resolution being defeated. The situation has now assumed too grave a proportion for either party to rake up earlier developments in this protracted dispute.

It is hard to persuade oneself to believe that Indonesia merely wanted to give an intimation of the incident to the United Nations and let the matter lie there. As we stressed in a leading article last week, there has been a good display of restraint from both the sides. The gulf between the contentions of the two parties has been narrowed down substantially to the point of reducing it to a small margin. To wipe out that margin is the test of successful mediation. With Holland having given up her original insistence on self-determination for the Papuans, what remains for settlement is the exact plan of transfer to Indonesia. Considerations of prestige are holding that marginal difference and they are understandable. The naval engagement, whatever its genesis, has added pungency to them. Indonesia has shown her readiness to agree to a postponement of *de jure* transfer, if the administration of the disputed island is handed over to her. Overt commitment on this condition would apparently militate against prestige. Would it not be possible for high diplomacy to obtain a gentleman's agreement on this sensitive issue and prevent the explosion?

The Brussels Accord

THE dramatic announcement on Monday, after a marathon session of the Council of Ministers of the European Economic Community at Brussels, on an accord having been reached on a common agricultural policy for the Community, is momentous for more than one reason. The agreement achieved not only takes the Common Market to the point of "no return", but also opens up a bright prospect for Britain's entry into it. The integration of the economies of the Common Market countries can now be accelerated because the decisions on economic policies will no longer be required to be unanimous. It will be possible henceforth to decide controversial issues on the basis of a "qualified majority" and these decisions will have to be carried out even by members who might vote against them. The stipulation of "qualified majority", however, will necessitate the concurrence on any decision of the three major partners in the Community, namely, West Germany, France and Italy, who amongst themselves have 12 votes out of the 16, or alternatively the concurrence of the two major partners and the representatives of the Benelux countries.

The optimism about the United Kingdom's entry into the Common Market being facilitated as a sequel to the accord on farm policy emanates from the fact that the political expediency that has taken ascendency over the economic factors should prove to be a great magnetic force in attracting Britain to the Community. The agricultural community in Britain will also feel satisfied and may find sufficient reason to withdraw its opposition because the safeguards which the major agricultural countries of the EEC — France, Italy and the Netherlands — have been able to wring at Brussels provide adequate protection to the British farmer. The common external tariffs for agricultural commodities, primarily cereals and other foodstuffs the provision of which is the principal objective of farming in Britain and the EEC countries, Press reports suggest, will provide in the initial stages additional protection to farmers in Italy, France and the Netherlands, because they are to be adjusted more in line with the high protective tariffs of West Germany. This can give a tremendous fillip to the agricultural sectors of the French and Italian economies particularly; the spokesmen of these countries have hailed the accord with great enthusiasm.

How the Brussels agreement will affect the under-developed countries which, along with the advanced exporting countries of the United States and Canada, provide the bulk of farm products imported into the Common Market, it is difficult to assess at this stage in the absence of the precise details of the agreement. But the misgivings expressed in Canada and the USA are a clear pointer to the fact that the added protection which the farmers in the Community will now get will lead to a curtailment of trade between the EEC and the under-developed countries, unless some bilateral agreements are concluded with them also on the pattern of the tariff cuts negotiated with the United States. Such agreements, in fact, appear to be in the offing in the case of Canada, New Zealand and some of the exporters of farm products on the Continent itself. The difficulties which these countries will experience during the seven and a half years' transitional period from July 1962, will, no doubt, be mitigated by the escape clauses which provide, among other things, for imports by West Germany of cheap foodstuffs from sources outside the Community.

How far in the long run exports of farm products from the under-developed countries to the ECM will suffer depends on whether the consumers in the Community are to be permanently condemned to eating only high-cost food produced in the region. This should pose a big problem for Britain in her negotiations for entry into the Community, since she is committed to secure lower external tariffs on the farm product imports in general and especially from New Zealand, Australia and Canada, the three most important Commonwealth suppliers of foodstuffs to her. What attitude France, Italy and the Netherlands will take when Britain presses for lowering these tariffs to levels somewhat comparable to world market prices, it is difficult to say at the moment. Agriculture in the Common Market countries is obviously high cost and there will have to be retained a sufficient margin of protection if agricultural interests in the Community are not to be upset. There is, however, a possibility that greater specialisation in production of farm products in the various regions of the Community best suited for them and the rapid further industrialisation that the ECM countries can now be expected to go in for will alter the balance as between agriculture and industry, reduce the pressure of population on land and lead to improvement in farm incomes, toning down opposition to lower protection. In view of the necessity to keep industrial costs at lower levels, it may also not be prudent for the ECM countries to shut off imports of farm products at cheaper rates from sources outside the Community. The growth of agriculture in the EEC countries may, therefore, not be as much a deterrent to the trade of under-developed countries as is feared.

India's interest in the Brussels agreement at the present juncture is, of course, purely academic. We do not today export any foodstuffs. The agricultural raw materials which we export to the EEC countries are not covered by this agreement. But India is concerned in this problem because of the improved prospect of Britain's entry into the Community. Britain's membership of the Common Market, as has been argued in these columns previously, will not be ultimately to our disadvantage, although there may be some upsets in our trade pattern in the initial stages. Britain's entry will undoubtedly step up the rate of development there. India can partake in this prosperity and push up her exports in the long run.

Even in the short-term period we will do well to impress upon the Common Market countries that we can continue to import from them only if our exports to them pick up commensurably. Perhaps the way shown by the United States, by means of which she has been able to negotiate with the E.C.M. countries a mutual 20 per cent reduction in tariffs on their industrial products and also some cuts in tariffs on agricultural products, can be followed by us. Even if Britain is able to obtain some safeguards for her trade with the Commonwealth countries, it is open to us to have direct negotiations with the EEC. Such negotiations have been resorted to in the recent past, but only limited success has attended them. The problem can be posed to the Common Market members with greater force now.

Guest Editorial

The Monopoly Problem in Britain

By WILLIAM REES-MOGG

THE British Government is now coming under pressure to make a thorough review of its policy on monopolies, and it may well have to introduce new legislation. In the last few weeks there have been three major developments in British industrial monopolies. The first was the I.C.I. bid for Courtaulds; the President of the Board of Trade had to confess, he had no powers even to consider it. The bid is for the moment in cold storage but talks are going on to merge the man-made fibres interests of the two companies.

Next the Board of Trade rejected the Monopolies Commission recommendation that the Imperial Tobacco Company should divest itself of its large holding in Gallaher, its main competitor. As a result the two linked companies will continue to have 90 per cent of the tobacco market. Now Mr. Charles Clore, the property magnate, is bidding for Saxone, Lilley and Skinner, a large shoe company. This bid will give him a £50 million shoe group, and about 50 per cent of the British shoe market.

Whatever view one takes of monopolies, and the economic arguments vary in strength from industry to industry, the state of law on monopolies is obviously defective. British monopoly legislation rests on the Monopolies Act of 1948 which set up the Monopolies Commission. The Commission has power to examine and to make recommendations but not to act. On average it takes five years for the Commission even to report.

In contrast the Restrictive Trade Practices Act of 1957, which deals not with monopolies but with agreements to reduce competition has strong legal sanctions. Associations of firms are not allowed to set fixed prices, or restrict competition in a number of other ways. The effect of this has been very considerable, and on balance it has been advantageous.

Yet the Restrictive Trade Practices Act has also acted as a positive encouragement to monopoly. The effect of strong legislation to stop voluntary associations to limit competition, with no legislation to check mergers to limit competition, is inevitably to encourage mergers. A monopoly firm can do with impunity things forbidden to a group of small firms, even if they have in total only a small share of the market.

There are, of course, arguments in favour of allowing many mergers. It is still true that in terms of modern industry the average size of unit in Britain is probably too small rather than too large. In both motor cars and computers Britain needs to encourage mergers rather than stop them.

In some cases Britain can only support one firm of internationally competitive size, where the American economy can support three or four. Large firms tend to devote larger sums to research, and they also in general have a good export record.

With the approach of British entry to the Common Market — if it is achieved — even the largest industrial monopolies (though not the retailing groups) will face much greater competition. Yet it remains true that Britain has much less effective monopoly legislation than the United States, and that there is a strong trend to monopoly development, not all of which has any sound economic justification.

It is difficult to make adequate comparison between the degree of monopoly in different countries. Germany and Japan had much higher monopoly concentration before the war. During the occupation these groups were broken up, and though they have partly been reorganised the degree of monopoly is still much less than it was before the war.

Nationalisation produced in Britain a monopoly on the railways, in electrical supply, in coal, and in gas. Changes in advertising and the impact of printing costs have led to concentration of the press. There is not, however, any monopoly in the national London press. Twelve groups publish twenty different London daily, evening or Sunday papers. The Mirror Group, which is the largest, publishes four and as many as eight of the groups publish one apiece.

Britain need not to go as far as the American anti-trust laws with their formidable penalties, and their granite-breaking jaws. She certainly, however, shall need legislation which empowers the President of the Board of Trade to intervene and order an enquiry if he suspects that a merger is likely to lead to a reduction in the amount of effective competition.

The other obvious reform is to do away with the main defect of the Restrictive Trade Practices Act; that is the power of enforcement of fixed prices. Under that Act individual firms were given power to enforce fixed selling prices in the courts, though associations were forbidden to boycott retailers who sold below list price. In the hands of the small firms this legal power is unimportant and may even be ineffective. It is of course a powerful weapon of a monopoly firm, and it is one which should be taken away.

A DELHI DIARY

MORE ASHES FOR BRITAIN?

I LEAVE all the great crises of the world to deal with what is uppermost in everyone's mind, namely, India's victory over Britain in the current series of cricket Test matches. Any one who has seen the film rendering of the crowd at the Calcutta test, or heard the noises which emerged on the radio when victory was near at Madras, will appreciate the volume of wild enthusiasm which seems to have captured the country. Apparently, contrary to the astrologers, India is on the up and up. The fact that our cricket, which lived so much in a permanent state of somnolence, has achieved two remarkable victories, has put us again on top of the world. As usual victory has tended to throw into some unfavourable light those that have been defeated. I have been hearing again some comments on British cricket, which recall those memorable days in 1882 when, in the most stirring match of all cricket history, Australia rattled out a British side, including the famous W. G. Grace, for less than 80 runs. Many friends of mine have been asking me, as though a great memory had been revived, what the significance is of the word 'Ashes' in terms of the Test series with Australia. From the deep researches I have now undertaken on this most fascinating subject (which has come to the surface very much, as our quick victory has helped us to ride a wave of enthusiasm) I am now fully able to expound. Immediately after this famous Test 'Punch'—that perennial source of much enduring comment—made the observation that British cricket died that day at the Oval and the "ashes" were being taken to Australia. British cricket did not die either in Calcutta or Madras, but perhaps one might well ask whether or not India, that has hitherto won only two matches in about 50, can claim that it has performed an equally stirring task which will be remembered in every newspaper of India. What a pity we have no real Punch to immortalise the occasion!

INDIAN CRICKET COMES OF AGE

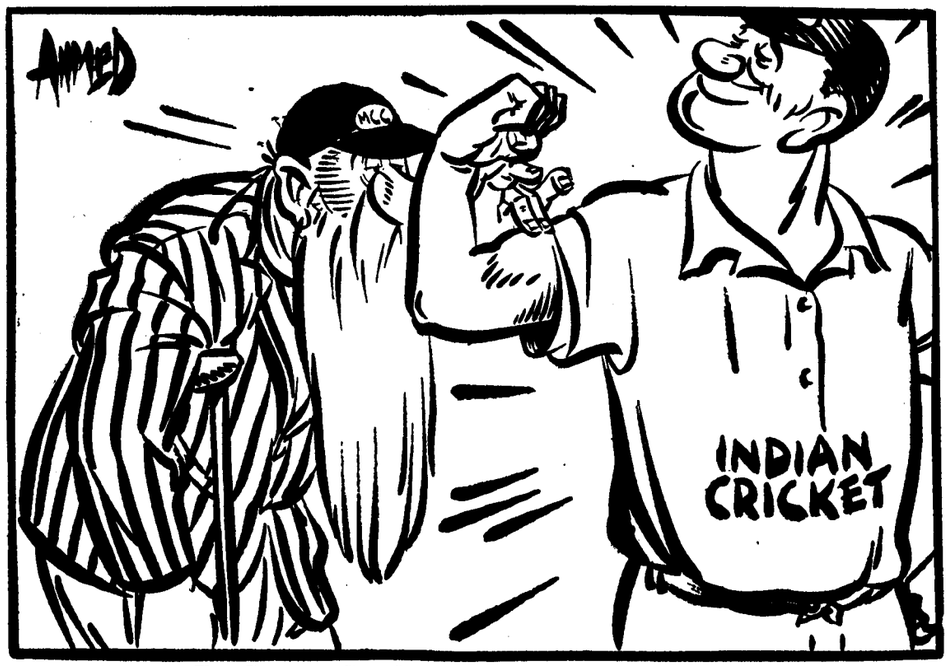
The truth is that it is not as if the British have lost so much in their traditional cricketing skills as that the Indian side has grown significantly in competence in a surprisingly short interval. Some naughty cartoonists are even proclaiming that the revival of Indian cricket has taken place only after Goa. It seems it has been a wonderful shot in the arm to help our batsmen bat and our bowlers bowl. Certainly the last two Test matches have been quite different from the first three, and it may be that while the number of dropped catches continues to dismay the stoutest heart, our fielding has shown very substantial improvement.

It is quite true that the British side was not the best that could be put into the field. But it certainly contained some stalwarts and it is doubtful, if three or four aces, who might have improved the side, would have made all the difference. Is it not a fact that one of India's great virtues is now that she always wins the toss? Who can believe that in all the five matches in this series, it was India that won the toss? May it not be that the most important portion of the cricket match on wickets which wear badly, is this skill of calling the right side of a coin? Can it even be that the coin in question had only one side on which it could truly fall? My statisticians tell me that the chances of "Heads" coming right five times out of five are unusually small!

In regard to this cheerful subject I now append—such is the exaltation which I feel!—a cartoon of twice the usual size in order to adjust myself to the volume of jubilation inside the country. Whether "flexing" muscles is a good thing or a bad thing, morally, here perhaps there will be no dissenting voices!

AJOY GHOSH

I pass from this stirring event to a sad one—the departure on Saturday night of Ajoy Ghosh, Secretary of the Communist Party of India. Those of us who knew him little and were on a quite different side of the political fence knew of him largely by reputation only. But what I have since heard of Ajoy Ghosh makes me regret deeply that I did not take the trouble to meet him and hear from his own lips the powerful conviction which seems to have carried him through a turbulent life. Apparently, even when one is seeking revolution, there is need of the power of democratic persuasion and Ajoy Ghosh is now deeply missed because he had this quality in abundance. In the highly strained meetings of the C.P.I. Executive, he is supposed to have exercised "moderation". I wonder why it is so difficult for Communists to exercise moderation. Perhaps when one seeks Revolution without, one tends to be somewhat turbulent within. However, the succession in the Communist Party seems to be nearly as difficult as it is in the Congress; all of which shows that one does not need to be a political giant to make replacement difficult!



Courtesy "The Hindustan Times" ARGUS.

THE WEEK'S NOTES

The Congo

MR. GIZENGA'S ARREST AND AFTER

THE TRAGEDY of secessionist activity in the Congo has taken a vicious turn and it has given unexpected proof of moving in a circle. Hitherto it was Katanga which wanted an independent existence. But in the very heart of the late Mr. Lumumba's stronghold of Stanleyville, his lieutenant, Mr. Antoine Gizenga, staged the rebellion against the Central Government. Mr. Gizenga never reconciled himself to the position of Vice-Premier in the Central Government under Mr. Cyrille Adoula and, for a time, quite crucial in the days following Mr. Lumumba's assassination, his aims were inscrutable to all including his own followers. In the larger interest of stability at the Centre, his colleagues in Parliament from his own province of Orientale voted Mr. Adoula as Premier. Mr. Gizenga, who considered the succession as his by right, stayed away, but at long last he was pursuaded to respond to Mr. Adoula's gesture and accept the office of Vice-Premier. But it was an acceptance with extreme reluctance and since then this seeming champion of the unity of the Congo has been nursing a deep personal grievance. A feeling of revenge finally seized him and he raised the banner of revolt against the Central Government.

This blunt fact could not be camouflaged by his clever strategy of moving his forces, recently raised, to North Katanga to lend his activities the appearance of fighting secession there. The real motive was unmasked when he defied Mr. Adoula's summons to return to his post at Leopoldville and, in the result, General Lundula, assisted by the UN forces, was deputed to suppress this incipient rebellion and bring back Mr. Gizenga. The action was not prolonged, the new threat of subversion was put down and now Mr. Gizenga is under house arrest, having forfeited office. Thus Mr. Gizenga made his exit by his own rebel activity. Speculation surrounds the question of filling the vacancy of Vice-Premier in the Central Cabinet and if, as reports go, a nominee of Mr. Tshombe is selected, the way for rapprochement will have been paved considerably. But the course of politics in the Congo is wayward and unpredictable, though sympathisers of this strife-torn republic would very much wish that this latest opportunity should serve to bring back Mr. Tshombe into the fold.

Madhya Pradesh Congress

ELECTION OUTLOOK

THE MADHYA PRADESH CONGRESS PARTY has demonstrated its complete inability to compose its internal divisions and to put an end to the dissipation of its strength. It is a major test of the intrinsic vigour of a political party that in times of crises or trial of strength with the opposition parties its leadership should close the ranks that divide it and present a united front in the larger interests of the party. The fact that the Madhya Pradesh Congress Party finds itself helpless to forge unity on the eve of the general elections speaks for a deep-seated malady. It is an open secret that acute differences between the ministerialist group and the non-ministerialist group have prevented the restoration of party solidarity. At one time, the division was between the legislative and organizational wings, but the cleavage has now assumed wider proportions on either side. The Prime Minister's mediation to patch up the differences between the two wings produced, it would appear, a semblance of harmony.

But as the fateful issue of allocation of party tickets for candidatures at the general elections was settled, except for a few constituencies, dissatisfaction and frustration revived the rift, giving it a new and more pernicious dimension. Defections from the party are a common reaction on such occasions, but in this case they have been marginal so far. The vital factor, however, is whether the campaigns in support of the official candidates in the individual constituencies, which have been the storm centres over the distribution of tickets, will be as unified and vigorous as the election battle requires. The Pradesh Congress Chief (who himself was not, until a few months ago, free from the infection of partisan group politics) discounts the probability of the disgruntled elements (by no means insubstantial) playing foul. One has to look, however, to other judges for an appraisal of this sort and they are frankly sceptical about his confidence. The scramble for tickets has brought to the surface some ugly aspects of party organization in most States, but Madhya Pradesh claims a special distinction.

This unhappy situation notwithstanding, the return of the Congress Party to office in this State need not be held in doubt. The opposition parties are no more than small groups in the Legislative Assembly and the likely emergence of the princely bloc in the election contest will at best serve to split the vote or capture some seats. In the State legislature of 288, the Congress at present commands an overwhelming majority of 238, from which the strength of the two groups immediately below—the Praja Socialist Party 14 and the Jan Sangh 10—is a far cry. Their coalition in the next House is ruled out and to hope to secure even a bare majority of 145 seats is nothing short of wishful thinking on their part. But there can be no doubt that the Congress Party will suffer a sizeable reduction in its present massive majority—not so much on account of the vigour of the opposition parties as due to its own acute weakness.

Commonwealth Education

THE SECOND CONFERENCE

TWO OR THREE years is but a short span for Commonwealth co-operation to show concrete results in that comprehensive sphere of education. But between the first Commonwealth Education Conference held at Oxford in 1959 and the second one convened in New Delhi last week, a genuine conviction based on experience has grown among the participants that the framework of collaboration has been laid on objective lines and the new institution will serve its purpose with positive achievements. When Sir David Eccles, Britain's Minister of Education, entered an earnest plea for the cause of the humanities not to be suffered to be obscured by a pre-occupation with linking education to economic growth, he apparently did not underrate the urgency and immediate significance of technical and scientific education to the less developed members of the Conference. But since the deliberations were intended to be concerned with their live problems, it was but inevitable that issues of technical education should dominate them.

The burden of the speeches of the delegates from most of the member countries was the distressing teacher-student ratio in the technical institutions at all levels. Britain (and, next after her, Canada) has taken the lead in providing the pool of 2,500 teachers for the Commonwealth countries. It is, however, not clear how many of them answer the requirements in the technical sphere, but presumably a majority of them does. With the process of political liberation gaining momentum in the African continent, it is only natural that this pool facility should be absorbed by them more than by

the rest of the Commonwealth. Dr. V. S. Jha, Director of the Commonwealth Education Liaison Committee, disclosed in his report tendered to the conference that the overriding requirement of the developing countries was a quick rate of the outturn of teachers to man the technical institutions. It is not a question of numbers only, but a pressing demand is growing for teachers of the requisite quality. But it would appear that the requirements of quality may be modified as these countries have realised that their needs of technical courses at the diploma level are far more urgent than those of degree courses. In fact, the Indian delegation was drawing up a plan for the conference for the introduction of technology in the curricula for secondary education. It will not, however, reduce in any substantial measure the need for setting up a network of polytechnics at least in the big towns in each country. Partly, the demand for teachers will be met by the scheme of scholarships—a total of 1,000 out of which half are provided by Britain and a quarter by Canada. As under the Colombo Plan, such schemes are participated in by other countries, including India. Then there are about 35,700 students from the Commonwealth countries receiving education in Britain—a good part having opted for scientific and technical courses. Some of them will be drafted for the teaching profession. Cadres of teachers will need to be raised from various sources in each country, indigenous as well as foreign, but their partial provision will be a test of the constructive work of the Conference.

Workers' Participation

A MINISTER SPEAKS OUT

THERE ARE no two opinions in this country—as clearly evidenced on a number of occasions at the tripartite labour conferences — on the need to promote workers' participation in industrial management, whether in the private or public sector. In fact, the initiative was taken in the private sector and public enterprises followed suit. The main argument for bringing about this transformation is that active sharing of the privilege and responsibilities of management would give workers a real sense of belonging to the enterprise and a genuine feeling of identity of interests. But however laudable this bold reform, it was hardly reasonable to expect that it should be introduced in haste without the workers' representatives having imbibed a full sense of the new responsibilities they are called upon to shoulder. Workers' association with the machinery of management and conferment of a consultative status, until they attain the requisite degree of maturity, were the logical intervening steps for full participation. Such a practical but gradual approach found little advocacy for reasons of political embarrassment.

Mr. K. C. Reddy, Minister for Commerce and Industry at the Centre, had the courage of conviction to declare at a Press Conference at Bhopal, after his visit to the Heavy Electrical Plant, that the experiment of workers' participation in management has brought disappointment in some public undertakings. The essence of participation in management is to discard the narrow conventional outlook of antagonism of interests, to substitute community of purpose in its place and to extend unqualified co-operation in promoting productivity in the enterprise as the abiding secret of its dynamism, which alone would lead to a progressive increase in efficiency, output and workers' real incomes. Mr. Reddy was forthright in making the disclosure that workers' representatives could not get out of the old groove and they were excessively pre-occupied with workers' sectional interests to the point of overlooking the interests of the enterprise. This set-back, however, cannot be regarded as a signal for reversing the bold reform. But its moral is that second thoughts ought to be taken to ascertain how it can be modified on a basis of gradualness.

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The World Abroad

INDIAN EXPERIENCES IN THE U.K. TODAY

By **ODYSSEUS**

THE 1,513 Indian students in the UK constitute the largest group from any one overseas country in British universities. As a thesis for his Ph.D. in the Department of Psychology at the London School of Economics, Mr. A. K. Singh made an investigation of their experiences, a summary of which Political and Economic Planning (16, Queen Anne's Gate, London, S.W.1) has just published (32 pp. Price 4sh.).

Mr Singh offers a survey, as objective as it is instructive, of the reasons which lead students to go to Britain, their initial experience, their problems in adjusting themselves to British life, and the attitudes that they form towards British people and British society, which I bring to the notice of intending students and their parents in India. Indeed, substantial parts of the survey apply not merely to students but to any Indian who intends to make a prolonged stay in Britain, and many findings apply not only to Indian expatriates in Britain but in any foreign country.

Mr. Singh interviewed a sample of 400 male Indian students at London, Oxford, Cambridge, Manchester, and Leeds. They are classified into two broad groups, 'upper' and 'middle', according to the social class of their families as defined by parental occupations. Upper class students tended to be more westernised and to have parents, or grandparents, who had themselves been educated in Britain. In most cases, too, their families in India lived in large cities, and so they had more first-hand experience of city life than students from rural or small town backgrounds. Middle class students, on the other hand, tended to be older, to have been employed in India before they came, and to be postgraduates rather than undergraduates. Many were married. Of these, 92 per cent were undergoing the added strain of living in the UK without their wives, compared with 20 per cent of upper class students. Whereas nearly all upper class students were being supported by their families, most middle class students were being supported by loans, by their own money, by jobs in the UK, and by scholarships or grants.

For most of the students, going to Britain had been a major event in their lives. They went to gain advanced training and to better their future prospects. One aim of the upper class students was to maintain their established status in society and a foreign education was one way of doing this. For example, a junior lecturer at an Indian university was told by his father, a supreme court judge:

"I am satisfied with the careers of your brothers. (One was a foreign diplomat and another was in an administrative post in a British-owned firm). You have to raise yourself up to the social level of your brothers and the family....Unless you get a higher degree from Britain, you have no chance in your profession."

For the middle class student, the problem was to raise his family up to a higher social position. One student said:

"Apart from my personal ambitions, I feel that I owe something to my family, which has been so kind and so affectionate to me. My father has struggled all through his life to make a place for himself and our family in society. Otherwise we were nobody. 'I have laid the foundation-stone, you have to build up the house,' he once said to me."

As many as 70 per cent of the middle class and 43 per cent of the upper class were disappointed in their expectations about something or other in the UK. The upper class were less disappointed, presumably because most had obtained prior advice and information from members of their own families who had previous experience of the UK, and because some had already been to schools in the UK, or visited it with their parents. On the other hand, more middle class disappointments probably arose because they had no first hand experience, and obtained their information from friends, who tended to give a glamorous picture of life in the UK. The students' experiences when they first arrived were influenced by such factors as whether they had friends to receive them, letters of introduction, or accommodation booked in advance. More upper class students had introductory letters, which they found of more help than did the middle class students. Only 6 per cent of all middle class students had letters (which they found to be a great help).

Those who had booked accommodation in advance and had friends to introduce them to life in the UK saved themselves the trouble and embarrassment of finding things out for themselves through mistakes. In general, students who had their first accommodation in hostels or college halls on arrival felt more assured than those who stayed in rooms and hotels.

The first problem that faces an Indian student when he arrives in Britain is to find a suitable place to live. At a time when he is pressed on many sides with problems of adjustment—social, academic, dietory, to the weather, and to his physical surroundings—the difficulties of accommodation increase appreciably the strain on him.

Colour discrimination was the difficulty most cited by both upper and middle class students, though the middle class mentioned it more often than the upper. It is interesting to note that the least colour discrimination was reported from Oxford and Cambridge. As these universities are commonly assumed to attract undergraduates from the best educated sections of British society, this suggests that these sections are freer from colour discrimination than others.

It is possible that some students who expected discrimination imagined it where it did not exist, because they misinterpreted certain situations. For example, a saleswoman that a student thought was neglecting him may simply have been absent-minded; a liftman who kept a student waiting may have been careless or tired; the number of European customers who have been ignored by saleswomen and liftmen must run into uncountable millions; a person who did not sit beside a student in a bus may have wanted to sit next to the window; a landlady who did not remove her advertisement from the shop window for several days after telling a student

that the room was let may have already been paid for for those few days. But such happenings arouse the suspicions of some Indian students because they expect discrimination.

It is a vicious circle. There has been discrimination against Indians in the past and it still continues. Accordingly, Indians expect it, and in some cases think that they detect it when it is not there. It seems to be a social threat to many Indians. Though they might not have experienced it personally, nevertheless it alienates them further from the British. It makes them avoid meeting British people and discourages them from visiting public places.

More upper class students visited families—both British and Indian—in the UK than middle class students. Forty-four per cent of the middle class students visited no families at all. Differences in ways of thinking and general outlook on life, the reserve and insularity of the British, and pressure of work, were the reasons that students most often gave for their difficulties in making friends with the British. Many students experienced difficulties in their relationships with girls, because of their different cultural conditioning, which made them shy and inhibited with girls, their unfamiliarity with dancing, clubs, cocktail parties, and so on, their fear of getting involved in marriage, and their consciousness that the type of girls willing to be friends with them were of social and educational levels inferior to their own.

Mr. Singh reports that according to a psychiatrist who has treated a number of Indians, many of his patients considered the freedom to meet members of the opposite sex a heaven-sent opportunity after the inhibitions of Indian society. But, because of their early training, they suffered a sense of guilt, which was increased by the social disparity between them and the girls they met. One student, who used to go to dances regularly and had observed the behaviour of some Indian students, said:

"Many Indian students come to this country with wild expectations of meeting girls too easily. Their friends at home and here keep on asking them about their sexual achievements. It is not surprising that some of them make fools of themselves by their sex-obsessed attitudes to all Western girls and offend friendly girls of good families and upbringing."

[Next week: "Personal Problems — Emotional, Financial, Academic—of Indians in the UK".—Ed.]

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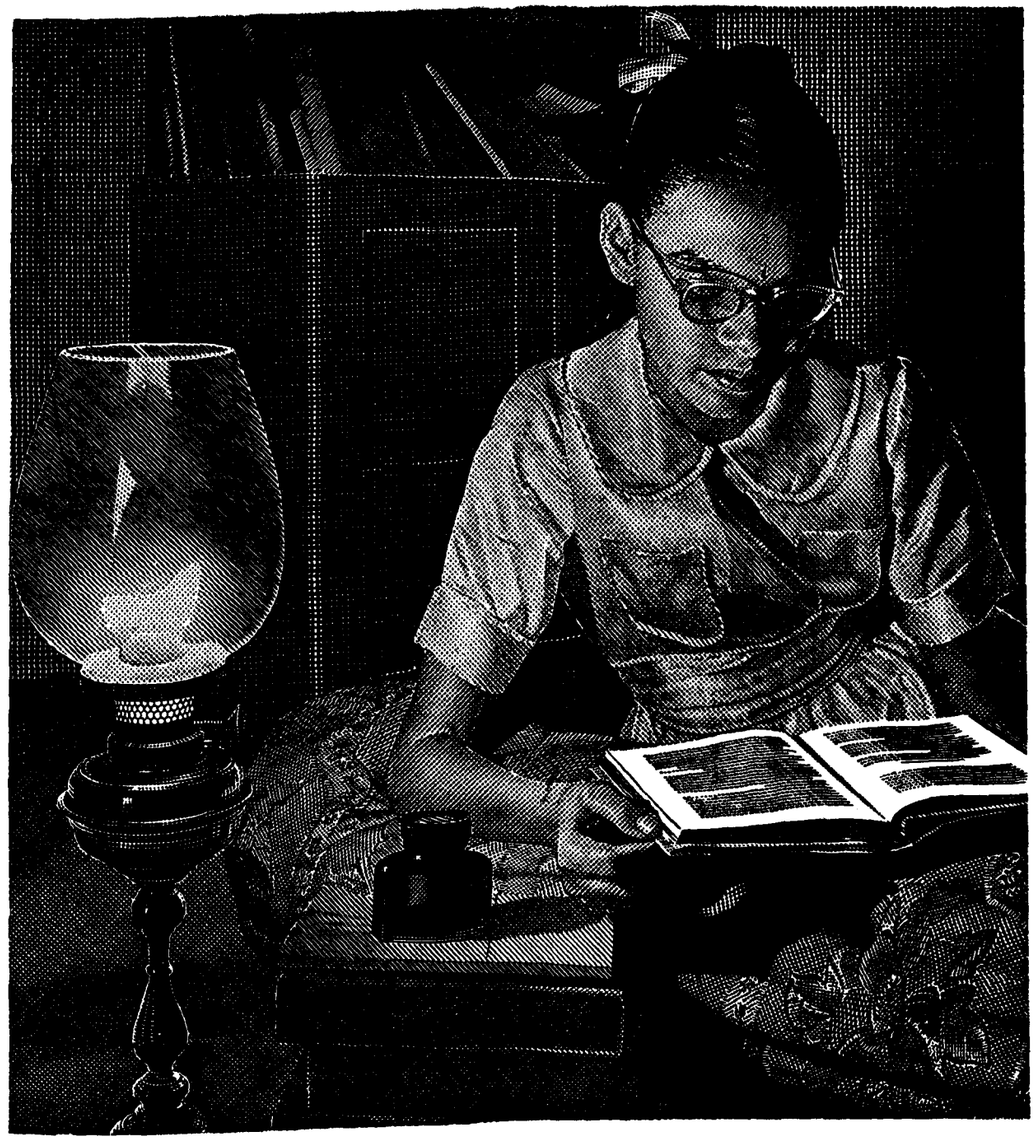
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The European Scene

WATCHING WASHINGTON'S STEP

From Our Special West European Correspondent

PARIS, January 14.

IN presenting to the Press this week the $6,000 million defence fund put up by the USA, Britain, the Common Market, Canada, Sweden and Japan, the French Finance Minister who was the architect of the scheme said, "The mere announcement to the world of this new agreement will constitute an element of financial stabilisation by showing that the IMF can at any moment draw on the resources it needs to cope with monetary movements. Besides, my wish is that this agreement never has to be used, because movements remain small enough for the normal resources of the Fund to be able to iron them out". What chance is there really for the psychological impact of the new arrangement to stop currency speculators rocking the boat? And if M. Baumgartner sincerely believes that the mere earmarking of billions of dollars for defence measures is enough to stop speculation, why did he (at the Vienna IMF meeting and consistently since then) attach so many strings to France's contribution—which he has succeeded in keeping down to 550 million dollars, against Britain's and Germany's $1,000 million? If the emergency fund were in reality a sort of bluff, never to be used, France could have afforded to be more generous.

One suspects that the psychological impact, on which M. Baumgartner sets so much store, is not designed for speculators only but for governments too. An equal sum placed at the disposal of the IMF for lending according to its normal rules would have impressed speculators. By accumulating this sum outside the IMF and making it exceedingly hard to borrow, M. Baumgartner has sought to force governments to take reform measures at home which will bolster their currencies, discourage speculators and, eventually, make recourse to the emergency fund unnecessary. Besides, the very ratification of this agreement is going to have an adverse psychological effect on one currency, the dollar. In two countries, France and the USA, parliamentary ratification is required by the constitution. This will present no difficulty in France, where deputies see that the French commitment is limited and is hedged about with all the safeguards their own Finance Minister dictated. Mr. Douglas Dillon, US Treasury Secretary, will have a different task. He will have to ask Congress to approve the US contribution, the largest, $2,000 million. Congress will want to know why, and Mr. Dillon will have the delicate job of explaining that the US contribution will probably never be drawn upon, because the whole idea of the fund is to support the dollar itself. The American and British quotas, though large, are mainly symbolical; as far ahead as one can see now, the fund will be the means of mobilising Continental currencies in the event of an attack on the dollar. No one has been tactless enough to say so, but Mr. Dillon will have to make Congressmen see this, without further shaking confidence in the dollar.

Some people think that an attack on the dollar is not a remote possibility, that can be exorcised by mere announcement of a defence fund. "The Banker" has lately forecast "a significant increase in speculative pressures on the dollar" in the first half of this year, for which danger it blames the Kennedy Administration's inability to balance the budget otherwise than in paper estimates. Speculators note that last month US gold holdings were only $16,900 million (of which $900 million were borrowed from the IMF) and are still falling, whereas US short-term indebtedness to foreigners is far in excess of $22,000 million. The discrepancy between these two figures does not, by itself, warrant distrust; it is well known that throughout the last century the Bank of England always owed more than it could pay with the bullion it had in stock. The US Treasury could operate similarly for the rest of this century if confidence were restored in its currency. In time, the ten-nation defence fund will come to be seen as one reason for having confidence in the dollar, but international opinion is still getting used to the idea that the dollar needs to have second lines of defence, that it needs to be propped up. The news that some one has just received a good crutch inspires confidence in his ability to walk if we have got accustomed to the idea that he is a cripple; in the short run, however (the period that "The Banker" had in mind), M. Baumgartner's psychological impact might work the other way.

The terms on which the ten-nation group will lend to one of its members in difficulty have been left deliberately vague. Strictly speaking, they will lend in an emergency to the IMF, which will pass on the money according to its usual rules; this device saves the face of the IMF, which in theory is not being supplanted but provided with a lender-of-last-resort. In reality, the procedure will be this. A nation in trouble will warn the director of the IMF, who will consult the other nine members, i.e. the candidate-borrower will have no voice in the decision. The nine will examine the situation of the applicant and try to reach a unanimous decision, or, failing that, a majority consisting of two-thirds of members representing three-fifths of the funds. They will then decide how the loan they agree to give should be split up among lenders; any one of the nine has the right to prove that its currency should not be drawn on, whereupon the others will make up its share. It is likely that these negotiations will take place in Paris, not in the USA, to mark the lenders' independence both of the IMF and of the most likely candidate for a loan, the US Treasury.

Pressed with questions about the attitude the other nine would take if the USA requested a loan, M. Baumgartner said that they would consider the state of the US trade balance, US private capital movements, and also the US Government's foreign aid programmes. In mentioning this last point, M. Baumgartner might have been recalling simply what everyone knows, that if the US finds itself in grave payments trouble, exposing its currency to speculative attack, this will be because it is lending and giving so heavily to foreign governments that it is converting a large trade surplus into a payments deficit. However, he might also have meant that before the Common Market powers consented to lend to Washington, they would have a word to say about the wisdom of US aid policies. For example, if an American request for a loan came in next week, I think it very likely that certain Continental capitals would ask searching questions about, e.g., the cost of the Congo operation and of the support the US is giving to a near-bankrupt United Nations. Many people here believe that US actions in these fields are hare-brained, and if it emerged that they were responsible for part of the American payments deficit, Washington would have to expect to hear the observations any banker makes when called upon to finance an operation he disapproves of.

Similarly, someone among the nine would be bound to ask questions about the $2,000 million lent to Brazil, and which is still being disbursed although Janio Quadros has been thrown out and his economic reforms sacrificed for a return to inflation. There would be

eries about the US decision to finance the Volta pro-
t in Ghana, a scheme that many here consider un-
nomic in view of the glut of aluminium, and which
s the further disadvantage of prompting neighbouring
rican leaders to demand lavish support for their own
ually dubious projects. It is possible, too, that some
ench-speaking lender other than Belgium would ask
w much aid to Colonel Nasser weighed in the US
yments balance, and it might be pointed out that, in
t, a loan was being sought in order to continue sup-
t for a dictator who expropriated the goods, expelled
citizens and persecuted the diplomats of one of the
der-nations.

It is not being suggested that the ten-nation emer-
ncy fund will become a forum for settling political
res. And there is not the least doubt that, if the
lar were ever threatened, the other nine would, in
er self-defence, give it all the help they could, be-
se the consequences of a collapse of the master-
rency would be grave for everybody. On the other
nd, it is plain that Washington, if it ever seeks
p, will have to come before the Europeans and ex-
in that it is spending the huge trade surplus it earns
commerce with them by giving aid to a number of
ses of which Europeans disapprove, and some of
ich they see as aimed against their own interests.
e moral is that in this sphere Washington will have
admit that its independence has been reduced. A
nservative New York weekly put it this way, "Where-
five years ago this country, in its political and eco-
nic dealings with the rest of the world, operated
olly as a free agent, today it must weigh the conse-
nces of its acts...As a hard-pressed debtor, Washing-
had better watch its step". The ten-nation mone-
y club set up in Paris according to the principles
Baumgartner proposed in Vienna last September
l, in an emergency, have just that function; watching
shington's step.

This watchfulness will have its effect long before
real emergency develops. The pledge of European
itals to place funds at the disposal of a threatened
lar will not make Washington feel that it can pursue
open-handed policy on foreign aid with impunity;
will naturally tend to adjust its hand-outs so that,
if the dollar were weakened, it would be able to pre-
sent an arguable case to the lenders assembled in Paris.
The payments outlook for 1962 is already unhealthy
enough for it to begin thinking of this. Last year end-
ed with a payments deficit of $1,750 million—all of it
due to foreign aid, since the trade surplus was no less
than $5,000 million (imports $15,000 million and exports
$20,000 million). No abridgement of foreign aid has
yet been announced, and yet the recovery of business
activity means that imports this year will exceed
$16,000 million, and hence reduce the trade surplus, for
US exports are not cheap enough to win larger markets
in West Europe. If a worsened payments deficit is to
be avoided, foreign aid will have to be pared; or if
European assistance is to be sought to meet any conse-
quent attack on the dollar, foreign aid will have to be
adjusted to make it seem reasonable to Europeans.

The alternative is to persuade Europeans, and not-
ably West Germans, to shoulder more of the foreign
aid burden directly. But this will have the same politi-
cal results: the Europeans will only take on aid com-
mitments that seem reasonable to them and one cannot
imagine, for example, the Common Market powers sink-
ing money in operations such as the war against Ka-
tanga, the rescue of the United Nations from bankruptcy,
aid for the evincers of Janio Quadros, hand-outs to Mr.
Nkhruma, not to mention various aid programmes in
support of Far Eastern regimes. On the other hand,
fortunately, one does not see them questioning aid to
India (to which most of them are already committed
anyhow). Opposition to that comes from certain circles
inside the USA (example from a New York business
paper: "Despite aggression by India against the Por-
tuguese territory of Goa and the outrageous defense
offered by the Indian spokesman—who contemptuously
dismissed international law as 'part of the atmosphere
of colonialism'—our government shows no sign of chang-
ing its benevolence toward the saintly Nehru"). But
it finds no echo in West Europe, although, Heaven knows,
Messrs. Nehru and Menon count few friends on the
Continent. Aid to India is seen here as rational policy,
both on economic and political grounds, and thus is in
no danger of being caught up in the agonising re-ap-
praisal to which European lenders propose to submit
US foreign aid.



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Economic Report from the U.S.

PRESIDENT'S TRADE PROGRAMME

By GUY SIMS FITCH

WASHINGTON, January 16.

THE trade plans outlined by President Kennedy in his State of the Union Message are among the most ambitious ever presented by a chief executive to Congress. They go beyond anything ever seriously proposed in the United States with regard to trade liberalization, and in many ways even exceed the promise excited by the President's earlier and more general statements about a bold new approach to international trading relations. Details of the President's trade programme are still to be made public. From what he revealed last week, however, it is evident that Mr. Kennedy will be asking Congress for authority to gradually and completely eliminate all tariffs on a wide range of goods, and to reduce tariffs on all other goods by as much as 50 per cent. Bargaining would be permitted, moreover, by major categories of products instead of the present item-by-item, procedure, thereby further enlarging the opportunities for broad tariff reduction.

The tariff elimination proposal refers to items in which the United States and the European Common Market together supply 80 per cent of the world's trade, and it would apply to both parties. There are items, by and large, of which the United States sells abroad substantially more than it imports, and which it has demonstrated an ability to compete. They include a wide variety of industrial and consumer products. Thus, the President's proposals would not only provide the framework for a vast expansion of international trade generally, but would make it possible for U.S. industries to continue competing equitably with their counterparts in Western Europe for access to European consumers. In this way, the United States would be keeping abreast of a rapidly changing world trade situation. The six nations of the Common Market or European Economic Community, France, Italy, the Federal Republic of Germany, Belgium, the Netherlands and Luxembourg, have been—step by step—reducing their internal tariffs and progressing towards the establishment of a common external tariffs structure. The goal of European economic unity has been brought a step closer this week with the announcement of Common Market agreement on internal agricultural policies. This was followed by a reported agreement with the United States which would help safeguard the large U.S. farm export market in Western Europe. These moves appear to have paved the way for U.S.-E.E.C. agreement on broad reciprocal tariff reductions, mainly on industrial goods.

Meshing of U.S.-E.E.C. trade policies can contribute significantly to the strength of all free nations everywhere, since together the United States and the Common Market make up a large and powerful trading partnership. In this sense, President Kennedy's proposals represent a challenge not only to the American people and Congress, but also the E.E.C. This challenge is underscored by the nature of the President's trade proposals, which are considered by many U.S. economists as bolder than anything yet suggested by the Common Market countries. The challenge is emphasized, moreover, by the President's reminder in his State of the Union Message that tariff concessions must be reciprocal, and the Common Market will not fulfill its promise unless its outside tariff walls are low and essentially non-discriminatory. The President made it clear that the United State is not abandoning its non-European trading partners, or its traditional most-favoured-nation principle, under which tariff cuts negotiated with one country are as a general rule extended to others. In this connection, he noted specifically that his proposed trade legislation would provide "new encouragement" for the "sale of tropical agricultural products, so important to our friends in Latin America." Nor is the President about to abandon U.S. industries which might be serious and adversely affected by sharply reduced U.S. import barriers. This seems to take into account not only a basic equity as far as American business interests are concerned, but also a recognition that some domestic safeguards probably will be required if approval for the new trade programme is to be obtained from Congress. There is little doubt that substantial acceptance of President Kennedy's trade programme at home, coupled with a reciprocation in spirit and in deed abroad, could contribute importantly to the reduction of trade barriers and the expansion of trading opportunities in the United States, Western Europe and around the world. The ultimate objective is to enlarge the prosperity of free men everywhere.

ANNOUNCEMENT

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Special Article

THE CHANGING STANDARD OF LIVING: A SUBJECTIVE ANALYSIS OF THE PAST DECADE

EVER since the pronouncement made by the Planning Commission that India's two Five-Year Plans had resulted in raising the national income by 42 per cent, great interest has been evinced in the distribution of this increment in national income. The Government of India in October 1960 appointed a special committee headed by Prof. P. C. Mahalanobis, Statistical Adviser to the Cabinet, to work out an objective analysis of the distribution of national income from available evidence, statistical and otherwise. It is now learnt that a draft report has been prepared by the Secretariat of the Committee, but a discussion on this report has been deferred till after the elections. It is feared, perhaps, that the findings of the Committee are likely to have some explosive material which might be used by Opposition parties in the coming elections; delay and discretion might, therefore, appear wise. But for the country as a whole this was unnecessary.

The political and economic pundits have, however, not missed the opportunity of giving their own impressions as to whether people in general have or have not improved their standard of living during the last decade. An interesting "subjective" analysis has just been released by the Indian Institute of Public Opinion which conducted in September-October 1961 a country-wide pre-election Gallup poll which also included pertinent questions regarding the changes in the economic conditions of the people. The all-India random sample consisted of 3,540 respondents spread over all the States of the Indian Union except Assam and Jammu and Kashmir. The sample, according to the Institute, was taken from the electoral registers in all the States and consisted of people in almost all walks of life. The uneducated in the sample constituted 40 per cent while an equivalent numbers (40 per cent) were under-matric. The rest of the respondents were either matriculates or holding higher degrees. In regard to income it may be stated that nearly 50 per cent of the people belonged to the income group of less than Rs. 100 per month. Eighty per cent of the sample consisted of respondents with income of less than Rs. 200 per month. Thus it will be seen that the sample is fairly representative of the areas covered.

ECONOMIC CONDITIONS: 1952, 1957, 1961

	All-India		Urban		Rural	
	Actual Combined	% weighted sample	Actual	%	Actual	%
Has your economic condition improved or deteriorated since the 1952 General Elections?						
Improved	782	26.1	372	34.4	596	24.2
Deteriorated	790	26.3	314	29.1	633	25.8
Same	1,096	36.5	301	27.9	946	38.4
Don't know	332	11.1	93	8.6	285	11.6
TOTAL	**3,000**	**100.0**	**1,080**	**100.0**	**2,460**	**100.0**
Has your economic condition improved or deteriorated since the 1957 General Elections?						
Improved	774	25.8	372	34.4	588	23.9
Deteriorated	900	30.0	356	33.0	722	29.3
Same	1,020	34.0	281	26.0	880	35.8
Don't know	306	10.2	71	6.6	270	11.0
TOTAL	**3,000**	**100.0**	**1,080**	**100.0**	**2,460**	**100.0**
If your economic condition has deteriorated since 1957, is it because (i) your income has not risen (ii) prices have risen more than your income or (iii) your income has fallen?						
Income has not risen ..	409	47.4	155	43.5	332	46.0
Prices have risen more than income ..	765	85.0	316	88.8	607	84.7
Income has fallen	417	46.3	123	34.6	355	49.2
BASE*	**900**	**—**	**356**	**—**	**722**	**—**
Has your standard of living achieved your expectations or not?						
Yes	515	17.2	239	22.1	395	16.1
No	1,566	52.2	609	56.4	1,262	51.3
No opinion	919	30.6	232	21.5	803	32.6
TOTAL	**3,000**	**100.0**	**1,080**	**100.0**	**2,460**	**100.0**

* No check: provision for multiple answers.

NOTE: The all-India sample consists of 540 urban respondents (50 per cent of the actual urban sample) and 2460 rural respondents.

The findings of this survey in regard to the economic conditions of the people are summarised in the table on page 318. It will be seen that nearly one-fourth of the respondents stated that their economic condition had improved as compared to 1952. An equal percentage stated an improvement in living standards over 1957. In other words, about 75 per cent of the respondents indicated either no change in living standards or a definite fall in their level of living for the periods considered.

The fact that only one-fourth of the respondents stated that their level of living had definitely improved does not go to prove that incomes in general have not risen. In fact a supplementary question indicated that nearly 54 per cent of the people in the sample had stated that their incomes had either increased or remained unchanged over 1957, but the benefits of increased monetary income had been eroded by the rise in prices. In other words, the people are very much alive to the pressures of rising prices and, by and large, are not satisfied with the course of economic trends. In the ultimate analysis this "subjective" enquiry reveals that every sixth respondent in the Indian Union has succeeded in attaining the standard of living of his or her expectations. Nearly 50 per cent of the people are definite that the Five-Year Plans have not assisted them in achieving the standards envisaged by them for themselves, while nearly one-third of the respondents are still "undecided".

Another interesting conclusion emerging from this poll is that the people in urban areas are, in percentage terms, definitely better off than the people in the rural areas. Respondents in the rural areas have, by and large, stated that there has been no change either for good or worse in their level of living. While the immigration of population from rural to urban areas is going on a very slow pace, it is necessary that greater financial allocation should be made in India's succeeding plans in favour of projects which would assist the backward rural areas to raise their standards of living in general.

UNDER SECRETARY TO GOVT. OF INDIA
27 JAN 1962
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THE BUSINESS WORLD

Let Power Play Its Part

By CROESUS

ALMOST everyone is now convinced that, unless something drastic is done soon, power shortage will seriously retard the tempo of our economic development, if not stall the further all-round progress of this country. It is not that our Planners are unaware of this. Far from it. For, were they unaware, they would not have steadily stepped up the provision for power from Plan to Plan, as they have done. Thus, against actual outlays of Rs. 302 crores in the First Plan and of Rs. 525 crores in the Second Plan, the Draft Outline of the Third Plan provided for an outlay of Rs. 975 crores, but, getting wiser no doubt from their experience of the working of the two Plans, more so the Second Plan, they have stepped up this figure further to Rs. 1,089 crores in the final version of the Third Plan. Although even this upgraded target is considered inadequate by apex commercial organisations, such as the Associated Chambers of Commerce of India (a resolution adopted by this body, in December last, considered the investment on electric power generation and transmission in the Third Five-Year Plan to be insufficient and felt that, even if the proposed targets were achieved, a serious power shortage would remain), it must be conceded that the higher target, 'if achieved', would, by and large, improve the power position of the country. But "if achieved" is a big 'if'. The stage of talking in subjectives thus has passed. What is relevant to the situation, what is vital is how best to achieve the target.

The question of how best to achieve the target immediately raises the question of a suitable agency and a proper organisational structure. It is common knowledge that all power problems are being handled by the Central Water and Power Commission. Only recently, the Gokhale Committee, appointed by the Government of India, went into the working of the Central Water and Power Commission, and it may seem irreverent to question the wisdom of the findings of that Committee about the organisational structure of the C.W. & P.C. The Gokhale Committee, despite a fairly vociferous, and what seems to many a very legitimate, demand for the separation of the power and the irrigation wings, favoured a combined commission, that is, more or less a continuation of the 'status quo'. Among those who favoured—and still favour—a separation of the two wings, besides, of course, the Power Wing of the C.W. & P.C., which has been urging such a separation for quite some time, and the State Electricity Departments and the State Electricity Boards, were the Federation of Electricity Undertakings of India and the Associated Chambers of Commerce of India, to name only the more important. Supporting a resolution on the subject adopted at the last annual meeting of the Associated Chambers of Commerce of India, Mr. S. Srinivasan had this comment to offer, 'inter alia':

"First, the 'irrigation bias' of most of the State Public Works Departments and, to a certain extent, of the Central Water and Power Commission has led to a comparative neglect of thermal development."

One has only to turn one's eyes to pages 407 to 409 of the "Third Five-Year Plan" to get some idea of what is expected of the C.W. & P.C. Having done this, one must ask the question, as the Federation of Electricity Undertakings in India has wisely chosen to do, whether the present organisational structure of the C.W. & P.C. can cope with it all. To an impartial observer, a layman like me, the answer is obvious. It is that, as it is constituted, the Commission, instead of furthering the work, will only hamper it by inhibiting the high degree of drive and initiative that the implementation of the power project in the Third Plan calls for. In considering this question, one must bear in mind the fact that, with the completion of first decade of Planning, we have completed the commissioning of practically all multi-purpose and hydro projects, leaving mainly if not only, the purely power projects to be taken up. In other words, the projects visualised in the future have very little or no bearing at all on irrigation or flood control. I would go further and say that even some of our so-called multi-purpose projects are more fondly, or rather fashionably, termed so. Be that as it may, from now on—we are already lagging behind in all conscience—we must attach more and more importance to thermal and nuclear power development, apart from such vital issues as inter-State grid, if only to promote the cause of national integration in practice.

May be, I am no constitutional lawyer, but, all the same, I am able to discern the validity of the contention of the Federation of Electricity Undertakings in India that the present set-up — the combination in one organisation of both the Irrigation and the Power wings — suffers from some handicap in relation to our Constitution. Let me quote the relevant extract from the Memorandum of the Federation to the Ministry of Irrigation and Power on this point: "Electricity is a 'Concurrent' subject (Item 38 List III, Seventh Schedule), whereas Irrigation and connected matters fall under the State List (Item 17 List II, Seventh Schedule), subject only to Item 56 of the Union List (List I of the Seventh Schedule) which reserves to the Central Government powers over regulation and the development of inter-State River Valleys to the extent to which such regulation and development under the control of the Union is declared by Parliament, by law, to be expedient in the public interest." In a nutshell, this means that, in so far as electricity is concerned, a greater responsibility which has to deal more with power than with irrigation devolves on the Centre. And the Centre can discharge such responsibility only through some organisation which is devoting itself exclusively to problems of electricity.

Again, if Irrigation and Power (or Electricity) could be dealt with separately by the State Governments, as they are at present, there is no reason why the two wings of the C.W. & P.C. should not be separated in the interests of better results, greater efficiency and more expedition. It is only in the fitness of things that, to meet the challenge of the future that our power problems are certain to pose under planned development, there should be an Electrical Engineer to head the requisite organisation, and this cannot always be ensured under the present set-up, although Electrical Engineers have headed the C.W. & P.C. at times in the past. The present incumbent, for instance, is a Civil Engineer of considerable repute, but, even so, it would be unfair to blame him if something goes wrong on the power front. The crux of the matter is, we can ill afford to let anything go wrong on this front, especially after the bitter lessons we have learned at such considerable cost from past mistakes. This is what prompts me to urge, as the F.E. U.I. has done, that all efforts should be made to create a Central Power Commission dedicated to ensure accelerated power development in our country.

Foundations of Fine Chemicals Industry Laid

ON the export front, we are today verily like the drowning man catching at a straw. Situated as we are, we are not prepared to let go any chance. No avenue, even if it be only remotely promising, is allowed to remain unexplored. Strange as it may seem, it is such seemingly unassuming avenues that often tend to spring pleasant surprises on us. Whoever thought, for example — even as late as 1958, when our Planning Commission drew up "Programmes of Industrial Development: 1956-61" — that India would be an exporter of beta-ionone, the starting material in the manufacture of Vitamin A? We were then still talking of producing Vitamin A. The precise position about three years ago was, to quote the Planning Commission: "A proposal to produce Vitamin A from lemon grass oil, the supplies of which are plentiful in Travancore-Cochin, is also under consideration of the Central Government." Perhaps, the proposal referred to was that of Glaxo Laboratories (India) Private Ltd., who initiated, in that year (1958), two proposals, both involving basic manufacture, one for a Milk Drying Factory at Aligarh, in Uttar Pradesh, and another for a Fine Chemical Factory at Thana, in the State of Maharashtra.

As between the two propositions, one would naturally attach greater importance to the second, because with it, one may say, has started the foundation of a Fine Chemical Industry in India. But the importance of the first cannot be minimised either. For, apart from being the source of supply of the popular brands of quality childrens' food — Ostermilk and Glaxo — which takes care of the health and growth of new generations, it has already resulted in a saving in foreign exchange, we are told, to the tune of Rs. 40 lakhs annually. Surely a saver of foreign exchange is as valuable to our country today as any that earns foreign exchange. The time may not be far distant when Glaxo Laboratories may figure not only as savers of foreign exchange by manufacturing Glaxo and Ostermilk for this country's consumption, but also as earners of foreign exchange for India by exporting these well-known chillrens' food to neighbouring countries (subject, of course, to any territorial or regional marketing agreements with their principals in the U.K.). But, in the case of Vitamin A or, to be more precise, of beta-ionone, Glaxo Laboratories are already not only saving but also earning foreign exchange for us. This is why one is tempted to attach more importance to this fine chemical project. Moreover — and this is an additional reason — the new factory, which has already successfully experimented on the manufacture of Vitamin A from lemon grass oil, was formally inaugurated early last week — on January 9, 1962 — by Maharashtra's Chief Minister Chavan.

Although the importance of lemon grass was recognised long ago — at any rate since its use as a base for essential oils came to be known — it is a pity that reliable statistics of lemon grass production in the country are not available. Even the Commerce and Industry Ministry has only this to say: the production of lemon grass oil in 1959 was 1,067 metric tonnes and that it was about the same figure in 1960 also. Fortunately, we have figures of exports of lemon grass oil for the past three years. These, together with their value, are as follows:

LEMON GRASS OIL EXPORTS

Year	Quantity (in lbs.)	Value
1958 ..	27,76,572	Rs. 103,54,137
1959 ..	20,45,856	„ 88,96,860
1960 ..	21,68,804	„ 165,39,569

On the basis of these figures, it would appear that the internal consumption of lemon grass oil is still around three lakh pounds, or about 13 per cent of our total exports — not production. While lemon grass oil is no doubt a good foreign exchange earner, sound economic considerations demand that, as far as possible and as far as practicable, we should try to process the oil within the country and export the processed products, such as, for example, beta-ionone and Vitamin A. By so doing, we would not only have contributed to the building up of an important industry but would also create a new avenue of employment to the young men of this country.

It is for these considerations that the new enterprise of Glaxo Laboratories deserves to be welcomed. It is estimated that Vitamin A being manufactured by the Glaxo Laboratories today results in a saving of Rs. 16 lakhs per annum of valuable foreign exchange. To this must be added a further 10 lakhs of rupees, which is the amount realised by the export of 15 tons of beta-ionone out of the 50 tons which Glaxo Laboratories are now manufacturing.

Considering the demand for Vitamin A in this country, what the Glaxo Laboratories are producing is a drop in the ocean. The consumption of Vitamin A by the vanaspati industry alone is around 4,000 kgm. or 8,800 lbs., but this is likely to go up appreciably with the increase in the consumption of vanaspati. There are other uses also to which Vitamin A is put. All this goes to underline the fact that there still remains a vast field to be exploited if this country is to become self-sufficient with regard to its needs of Vitamin A. In other words, the enormous scope for any enterprise seeking to engage itself in the production of Vitamin A is quite obvious. But, before anyone can be made to interest oneself in this line, it behoves Government of India, more particularly the Kerala Government in this case, to take a greater interest in the production of lemon grass and place its cultivation on sound and scientific lines. It does not redound to the credit of the Kerala Government that, even after 14 years of independence, it has not done enough to exploit the potentialities of this particular cash crop. And the surprise is that lemon grass cultivation is essentially a cottage industry, every unit of which, the powers-that-be proclaim, is receiving maximum encouragement.

Similarly, if the maximum advantage is to be taken of another line of production of Glaxo Laboratories, which bids fair to yield (when the full capacity of the

concerned plant is commissioned) a further Rs. 14 lakhs of foregin exchange per year, the authorities have to bestir themselves and devote some attention to the cultivation of sisal, the values of which have so far been left to be sung only by people like Mr. J. K. Sircar, the noted fibre expert of this country. It is from the juice of sisal, we are told, that we get hecogenin, a natural product from which corticosteroids are manufactured. To a layman, the term Corticosteroid may not mean anything, unless he is told that it is one form of this product, namely Cortisone, that has ere now proved itself to be effective cure for Rheumatic Arthristis.

All these compounds — except Vitamin A — thanks to Glaxo Laboratories, are now being made in this country for the first time. This, however, is still only the beginning and the entire gamut of the industry remains there just awaiting to be explored, provided the powers-that-be also make up their minds to make their contribution without any mental reservations. Meanwhile, all glory to those who have made a beginning in the face of so many odds and obstacles. Incidentally, Glaxo Laboratories have traversed the same path as many a reputed British firm has done in the past, namely to begin as a sales agency and then take to manufacturing of the same products which used to be imported by it before. Perhaps this is one of the many visible forms in which the fruits of Independence tend to manifest themselves.

Business Notes

Scrap Exports

PLEA FOR REMOVAL OF CONTROLS

FOLLOWING THE lifting of restrictions in 1957, scrap exports shot up from 2,000 tons in that year to as much as 70,000 tons in 1960 and amounted to 50,000 tons in the first half of 1961. But, with the imposition of the curbs again in the later half of last year, the trend was reversed, with the result that exports have shown a visible sign of decline. It is noteworthy, however, that, despite several handicaps during the last five years (of which lifting and imposing of controls too frequently as above is just one) scrap exports aggregated Rs. 20 crores, but these would have doubled but for the policies of the Government, it is believed by the interests concerned, and there would appear to be very good grounds for such a belief.

The worries and vicissitudes of the scrap interests are the outcome of the unimaginative and unrealistic policies of the powers-that-be, according to Mr. Sultan A. Nathani, President, Scrap Traders' and Exporters' Association, (S.T.E.A.), who dwelt at length on this subject at the Association's annual meeting, recently, in Bombay. He contended that the argument that scrap exports had been curtailed only to overcome the billet shortage in the country would not hold currency, as the facts showed otherwise. Indeed, there could have been no billet shortage, if, as he said, the total domestic scrap melting amounted to one and half lakh tons per year and, that throughout the year, no domestic capacity ever remained idle. The imposition of a ban on export of scrap to augment billet supplies could have been justified, he went on to say, had domestic consumers the capacity to melt it. But this was not the case. Mr. Nathani's own explanation for the billet shortage, which seems to have become a permanent feature these days, on the other hand, was that it had resulted from breakdown in the steel plants. Moreover, No. 2, 2a, 3 bundles have no domestic users, according to Mr. Nathani. He felt the imposition of the ban on the export of these must have been the result of some misconception on the part of the authorities; perhaps it might also have been motivated by the desire for fuller utilisation of the surplus scrap within the country, thereby helping to conserve the physical resources of the country.

Referring to the question of price control, the S.T.E.A. Chief recalled the Saxena Committee Report (1956) which had recommended the decontrol of scrap prices, but this had not so far been implemented. On the other hand, the controls had been continued which had forced down the prices to a new low, a level at which collection of scrap at an economic rate would be impossible.

Speaking on the occasion, Mr. R. G. Saraiya, Hon. Export Promotion Adviser, observed that the case of the scrap exporters had been very ably put forward by them before the Scrap Enquiry Committee appointed by the Government of India and also, in his speech, by the President of the Association. He, however, disclosed that the final decision in regard to scrap policy would rest not with the Ministry of Commerce and Industry, but primarily with the Ministry of Steel, Mines and Fuel. All the same, Mr. Saraiya was of the view that as much of the scrap should be utilised in India as can be economically done, the balance being exported with as few hindrances and restrictions of a policy or procedural nature as possible. The price settled for scrap should not be too low, he cautioned, as that would drive scrap underground to gather dust and rust and ultimately to deteriorate and perish, nor should it be so high as to encourage the collection of man-hole covers, balconies, gates and so on, he said. Generally speaking Mr. Saraiya seemed to appreciate the complexity of the scrap trade, particularly in view of the many types of scrap, many types of prices, control on prices and the apparently unrealistic rates, as also the obligation to deliver heavy scrap as a pre-condition to allow export of unwanted scrap, and expressed the hope that the Scrap Enquiry Committee would recommend realistic rates, simplified procedures, and reduction of controls.

Foreign Trade

EXPORT INCENTIVES HAVE FAILED

THE EXPORT performance of textiles, tea, and jute, the acknowledged standard-bearers in the march of our export trade, has not only failed to come up to the level of the increasing needs of the country, but, unfortunately, a contrary trend has become discernible in the exports of these items. Thus, textile exports have declined from Rs. 64.14 crores in 1959-60 to Rs. 57.64 crores—a decline of seven crores; tea exports, in spite of higher production, have declined by about Rs. 6 crores over the same period, while jute has suffered owing no doubt to a great fall in raw jute supply. Even vegetable oil exports have declined from Rs. 14.80 crores in 1959-60 to Rs. 8.50 crores in 1960-61.

This is the dismal and disturbing picture that Mr. Chinoobhai C. Javeri unfolded to the six-monthly general meeting of the All India Exporters' Chamber, (A.I.E.C.), a few days ago, at Bombay, in his presidential address. What is tragic, according to him, is that it is not so much the foreign competition from which these exports have suffered as they have from "lack of proper approach that clogs the wheels of our export drive." Mr. Javeri's thesis appears to be that the export incentives, which are solely or largely granted to manufacturers in boosting up exports, have not yielded results, because, he alleged, these manufacturers become indifferent towards exports the moment that the local market appears to be more remunerative. Mr. Javeri, therefore, called for a complete review of these so-called incentive schemes. In fact, he wanted a reorientation of the entire export policy in general.

Referring to the problem of price disadvantage the A.I.E.C. President pointed out how Indian exporters have so far failed to get greater margins of profits 'vis-a-vis' their foreign counter-parts because of the price disadvantage which has stalled them on every front in competition with Japan, Hongkong, China, Ceylon, and Pakistan, especially in our traditional export commodities. Here, again, Mr. Javeri felt the situation warranted a thorough examination of the cost structure of all export commodities and so urged the appointment of a special committee to go into this matter.

According to the Government's policy of favouring the State Trading Corporation more and more, Mr. Javeri was afraid that the future of export/import trade through private channels would be anything but bright. In the light of the new policy of the Government, he said, there appeared to be little or no future for the small and the medium categories of exporters. The S.T.C. had come to be a danger to both the export and the import trade. Even the criticism levelled against this body by the Estimates Committee of the Lok Sabha had been rejected and its achievements had been extolled as spectacular. "It should, however, not be forgotten", he noted "that the facilities and favours given to the S.T.C. are not given to the private trade. In order to assess the real efficiency of anybody, the conditions of work and competition should be the same." This is only asking for the moon, after our experience of what has happened in the field of industry since the parallel ownership of industry became a feature of this country's economic policy.

Referring to the most-debated problem in the world today of the U.K's entry into the European Common Market (E.C.M.), Mr. Javeri observed that, beyond doubt, the growth of such manmoth organisations out of the pale of the G.A.T.T. would pose a problem, and that, in any case, such monopolitic trade blocs by the advanced countries did not augur well for the future of developing countries. When considered opinion even in the U.S. regards Britain's proposed entry into the E.C.M. as a problem with serious import, India cannot afford to be complacent, as he said, with her export promotion drive any more.

New Issues

KHANDELWAL UDYOG

THREE INDUSTRIAL concerns are going in for public subscriptions this week to raise capital for their expansion programmes.

Messrs. Khandelwal Udyog Limited are entering the market to raise capital to the tune of Rs. 39.7 lakhs in the form of 19,700 equity shares (of Rs. 100 each) and 20,000 10 per cent (free of company's tax, but subject to deduction of tax at source) redeemable cumulative preference shares (also of Rs. 100 each). The lists open on January 19 and close on January 25 or earlier at the discretion of the Directors, but not before January 22. This issue, if fully subscribed, will raise the issued capital of the company to Rs. 60.02 lakhs, out of an authorised capital of Rs. 1.5 crores, consisting of 1,00,000 equity shares and 50,000 redeemable cumulative preference shares. Capital worth Rs. 20.32 lakhs, all in equity shares, has already been subscribed by, or reserved for allotment to, the promoters, directors, their friends and associates. The Industrial Finance Corporation of India and the Life Insurance Corporation have underwritten 15,000 and 5,000 preference shares respectively. No underwriting has been arranged for the equity capital as the Managing Agents, Messrs. Khandelwal Industries Private Limited, have themselves agreed to subscribe or procure subscription for the shortfall, if any, between the amount offered for subscription and the amount of applications received in response to the offer.

Khandelwal Udyog has been engaged in steel fabrication business since 1956 as a private limited company. It was converted into a public limited company in January, 1960, with a view to expand and diversify its activities.

The proceeds of the new issue, along with the capital already subscribed or promised to be subscribed by the promotors, directors, their friends and associates, will be utilised not only for expanding the existing business of steel fabrication and manufacture of concrete mixers, but also for embarking upon certain new lines of production, among which are included manufacture of asphalt mixers, roller pan mixers, electrical overhead travelling cranes (upto 20 tons capacity) and electric and combustion industrial furnaces, ovens etc.

The steel fabrication capacity of the company is envisaged to be doubled from 3,600 tons of steel structures per annum to 7,200 per annum. Technical collaboration for this job has been arranged with Les Etablisements Eiffel, one of the world's leading construction companies, who has built, amongst other structures, the famous "EIFFEL TOWER" in Paris. Included in this technical arrangement is also the construction of "EIFFEL STANDARD BRIDGES" which owing to their low erection and maintenance costs, have been very successfully used all over the world, particularly in the under-developed countries. Technical collaboration for the manufacture of construction machinery (concrete mixers, asphalt mixers and roller pan mixers) has been arranged with Millar's Machinery Co. Ltd., London. Technical know-how for the manufacture of E.O.T. cranes has been secured from the well-known "Munck-Hamjern" Group, Norway. Industrial furnaces and ovens will be produced in collaboration with Messrs. S.P.A. Ing. F. Ferre and Co., of Milan (Italy). When all the schemes under contemplation are completed, the company is expected to have a turnover of Rs. 100 lakh to 150 lakhs per annum.

In view of the rapid industrial expansion that is envisaged under the Third Five-Year Plan, the products of Khandelwal Udyog should have a ready market. The proposed issue can, therefore be expected to be fully subscribed.

SESHASAYEE INDUSTRIES

MESSRS. SESHASAYEE INDUSTRIES LIMITED are offering for public subscription, at par 4,00,000 equity shares of Rs. 10 each. The list opens on January 24 and will close on January 31 or earlier as soon as the subscriptions approximating to the amount issued are received, but not before January 27. The issue, if fully subscribed, will raise the issued and subscribed capital of the company to Rs. 80 lakhs, out of an authorised capital of Rs. one crore, consisting of 7,20,000 equity share (of Rs. 10 each) and 2,80,000 6¼ per cent cumulative tax-free preference shares (also of Rs. 10 each). The new issue is fully underwritten (the Life Insurance Corporation has underwritten 25 per cent of it) and will rank for dividend and be in all respects pari passu with the existing equity shares of the company.

Of the new issue, preferential allotment to the tune of shares of the face value of Rs. 10 lakhs is to be made in favour of the Life Insurance Corporation, to the extent of shares of the face value of Rs. 2.50 lakhs in favour of the New India Assurance Company and to the extent of a similar amount in favour of the Investment Corporation of India. The Life Insurance Corporation is to be accorded preferential treatment in view of its having underwritten these shares. The New India

Assurance Company and the Investment Corporation of India have agreed to take up the shares envisaged to be allotted to them.

The proceeds of the issue are to be utilised for financing the expansion programme of the company, (to the extent of 60 per cent, the remaining 40 per cent finance will come from borrowings) which envisages stepping up of production of electrical insulators from 1,200 tons to 3,000 tons per annum. The company has been engaged in the manufacture of these insulators since early 1961 and has effected deliveries of high-tension and low-tension insulators and hardware components to several State Electricity Boards and private undertakings against orders received and according to specifications required.

The plant and machinery for the expansion programme is to be imported from West Germany. Orders have already been placed for this after getting the necessary permission from the Government. Technical assistance is being received from Dr. Ing. K. Draeger of Honef, West Germany. The technical consultant will be providing personnel for erection of the new machinery and shall arrange training facilities for a team of Seshasayee Industries' engineers and technicians in one of his associated factories—Rhein Westfallische Isolatern Werke—at Siegburg, West Germany.

In view of the ambitious programme drawn up under the Third Plan for development of electric power and the railways going in for electrification, little difficulty should be encountered by Seshasayee Industries in marketing of its insulators. The proposed issue, therefore, should have a good response from the investing public.

SPECIALITY PAPERS

ANOTHER COMPANY, Speciality Papers Limited, is expected to go in for public subscription probably next week, to raise capital to the tune of Rs. 10 lakhs in the form of 1,00,000 shares of Rs. 10 each. This company is setting up a plant at Udavada, nearly 120 miles by road from Bombay between Vapi and Bulsar (in Gujarat), to manufacture a wide range of speciality papers such as tracing papers, tissue papers (including electrical, industrial and commercial), all varieties of impregnated paper and ammunition papers for high explosives. The total cost of the project is estimated at about Rs. 20 lakhs. The share capital will meet half of this cost the rest of the requirements are envisaged to be met through a loan of Rs. 5 lakhs from the Gujarat State Financial Corporation and some further loans, aggregating Rs. 5 lakhs, from the company's bankers.

Technical collaboration for the project has been arranged with Messrs. Escher Wyss, G.M.B.H., Ravensburg, West Germany, who will also supply the required machinery and equipment. The plant is expected to go into production during the current year itself. It will have an installed capacity of 3,000 tons per annum.

The company has simultaneously drawn up an ambitious expansion plan as well. This is expected to be completed by the middle of 1964. On the completion of the expansion plan, the company will be in a position to manufacture papers of any rigid specifications. Supply of machinery for the expansion programme is being negotiated with Messrs. Krauss-Maffei-Imperial G.M.B.H. & Co. The fixed assets of the company after the expansion is completed will be Rs. 35 to Rs. 40 lakhs.

Most of the varieties of paper proposed to be manufactured by Speciality Papers Limited are at present being imported. When their production starts at Udavada, it is estimated that foreign exchange to the tune of Rs. 20 lakhs a year would be saved. After completion of the expansion programme of the company, the saving may increase to Rs. 80 lakhs a year. Possibilities are also to be explored for the export of these papers to the neighbouring countries.

The new venture obviously marks a turning point in the paper industry in this country. It should go some way in solving the present difficulties arising out of inadequate availability of special type papers required for various industrial uses.

Coffee

RISING COSTS AND FALLING WORLD MARKET PRICES POSE SERIOUS PROBLEM

THE SPEECH of Mr. C. I. Machia, Chairman of the Consolidated Coffee Estates Ltd., at the 18th annual general meeting of the company, held recently, throws ample light on the travails through which the coffee industry in this country is passing today. Indian coffee industry's difficulties at the present juncture are the outcome of two factors: (1) falling world market prices; and (2) rising costs.

There has been an appreciable fall in the world market prices of coffee; since July 1960, the price of Plantation A coffee has gone down by approximately 20 per cent and that of Robusta Flats by even a slightly greater margin. This has necessitated export of Indian coffee at unremunerative prices, the loss having come to be spread over an almost stationary consumption in the domestic market. World prices are not expected to improve at least for some years, despite the International Coffee Agreement signed by the major coffee-producing countries of South America and Africa, with a view to regulate exports. Production in these countries is likely to stay at a high level in the face of none-too-rapidly expanding consumption. It is, therefore, necessary, as called for by Mr. Machia, to bestow some second thoughts on our coffee export policy.

The advice tendered by Mr. Machia in this regard is quite wholesome. The two conditions to improve our capacity to export more coffee are: (1) that the grower should be assured of such a return on his investments and from his labours that he would continue to be in business; and (2) that export drive should be realistically linked to create preferential acceptance for Indian coffee in the world market. So far as the first condition is concerned, it can be fulfilled if the loss on coffee exports is spread over a greater domestic consumption or alternatively the cost of production is reduced substantially. This calls for various measures such as reducing the burden of taxation on the industry and provision of aids to production at subsidised rates. Reduction in taxation can be achieved by scaling down the excise duty and agricultural income-tax or by levying the excise duty on ad volerum basis. Some relief can also be granted through a system of subsidy for making up partially the difference between the cost of production and the export price. A judicious use of all these four measures can well be adopted to obviate any undue heavy fall in the revenues of the State and the Central Governments from this source. So far as the second condition is concerned, the plea of Mr. Machia to ship abroad only superior quality coffee deserves acceptance. Superior coffee from India can fetch some premium in the world market. This can bring down the losses from exports to not an inconsiderable extent.

While the coffee industry, thus, deserves to be given some relief in taxation, both direct and indirect, it passes one's comprehension why its woes in Mysore State should be increased by the enactment of the Mysore Land Reforms Act. Some of the clauses of this Act, particularly those restricting the land that can be reserved for expansion of a coffee estate to 100 acres, irrespective of the size of the estate, and those relating to the ceiling of 18 standard acres on agricultural area interspersed in plantations, put serious limitations on the expansion of the industry which can lead to some economies resulting from large-scale operations. The act also fails to take into account some of the difficulties inherent in the working of large coffee estates which have water resources, required for labour, pulping and spraying, situated in the low-lying paddy fields enclosed in these estates. Surrender of such land under the Act to the State for being passed on to "outsiders" would create unnecessary complications for many coffee estates. Compared to similar legislations in Madras and Kerala, the Mysore Act appears to be rather more stringent and can have quite an adverse affect on the development of industry in the State. The Mysore Government will do well to look into the matter. Obviously, it is not in its interests to drive out or stagnate a well-established industry within its bounds.

Tea

HALTING GROWTH

IN A memorandum on taxation on tea submitted to the Finance Minister at the Tea Conference held recently in Shillong, the Tea Association made some important observations regarding the growth of tea industry, especially in Northern India, during the last ten years. It was observed that the period witnessed a halting growth and one major reason that led to this was the rising wages, which it was believed in Northern Indian gardens were always higher in comparison not merely with South Indian gardens but also with other tea producing countries. Moreover the number of persons employed per hectare in Northern Indian gardens were always more than in other tea producing countries. This was, perhaps, because the distribution of rainfall in this area was very uneven. Ceylon and certain other countries, were quite fortunate and had two rainy seasons. Moreover the Northern Indian gardens were comparatively distant from the ports which led to higher transportation costs.

One single factor which has led to the halting growth in tea industry has been perhaps the rising taxes. Northern India, the memorandum adds, has to bear more heavy excise duty together with Assam Road Tax and the West Bengal Entry Tax. In 1953-54, for instance, the total of export duty, excise duty and cess was 72.4nP. per kilogram. There was no road tax before 1953-54 and no entry tax before 1956-57. The total of all these taxes has now gone up to 112.18 nP. per kilogram. Secondly the revenue from this source has also increased. In 1953-54 the total revenue from excise and export duty was Rs. 13.17 crores and it touched in 1959-60 a figure of Rs. 20.03 crores, although the quantity of tea exported from India declined from 203.19 million kilograms to 195.11 million kilograms. In fact this has led to a rather slow increase in area under tea in Northern India during the last decade. The area under tea has increased only by 2.88 per cent while in some countries like Pakistan it has increase by 7 per cent and in African countries it has increased by several folds. The output has increased only by nearly 3.9 per cent. Thus it appears that the rising costs of production have definitely hampered the output. Under these conditions the recent interim relief of 15 nP. suggested by the Wage Board for Tea Plantations Industry to the workers in tea gardens in South India may be responsible for further hinderances in the way of increasing output in the industry. It is time that the whole question of costs was reviewed and a policy formulated to encourage the expansion of tea output in the country.

Trade

YUGOSLAV TRADE DELEGATION

THE VISIT last week of a Yugoslav trade delegation to this country led by Mr. Vidomir Krunic, Deputy Chairman of the Committee for Foreign Trade, has created great interest in view of the fast growing trade between India and Yugoslavia. While our exports to Yugoslavia have been mostly ores and scrap, and beverages such as tea and coffee, the list of imports shows base metals, machinery and transport equipment as the leading items. In view of expansion of the Common Market and its possible repercussions on India's foreign trade, it is necessary that India's channels of trade with other countries should be strengthened so that the initial shocks which India's trade might get because of U.K's entry into the Common Market may be successfully faced. A happy new development relates to the diversification of India's exports to Yugoslavia. In addition to iron and manganese ores and other traditional Indian exports of primary products, exports of Indian industry such as textiles, linoleum, pumps, chemicals and other industrial products have been made possible because of India's expanded trade with Yugoslavia.

It is instructive to tabulate here the various projects which are in the process of coming up through the assistance of Yugoslav companies.

1. Thermo Power plant, Barauni, 3x15 MW.
2. Gas grid and gas purification plant at Durgapur.
3. Salt lake reclamation, Calcutta.
4. 460t. over-head electric crane, Bakhra-Nangal.
5. Gates for Matatila Hydel Plant.
6. Hydro power plant, Joldhaka, 2x9 MW.
7. Ramagundam boiler 90 t/h.
8. Basin bridge boiler 70 t/h.
9. Cement plant Cherapunjee t/d.
10. Hydro power station, Sholayar, 3x18 MW.

The Indian Union has also bought three Yugoslav ships. Coupled with these trade relations stands the Yugoslav credit to India amounting to 190 million rupees. The expanding trade and credits relationship between the two countries clearly points out to still further expansion of trade relations in the coming years for the mutual benefits of the two countries.

FIRST MEETING OF D.I.C. BOARD

THE FIRST meeting of the Board of the Deposit Insurance Corporation, which commenced business on January 1, 1962, was held this week, in Bombay, in the Reserve Bank. Besides the Governor of the Reserve Bank who is the ex-officio Chairman of the Corporation, the Board consists of Mr. G. S. Diwan, Retired Lecturer in Acturial Science, Sydenham College, Bombay, Mr. S. N. Desai, President of the Institute of Chartered Accountants, Mr. M. V. Rangachari, Deputy Governor, Reserve Bank of India and Mr. A. Baksi, Joint Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs, New Delhi.

The subjects considered by the Board at its first meeting were, as is only to be expected, more or less of a formal character. Even so, the fixation by it, (of course, with the approval of the Central Government) of the premium payable by insured banks at five 'naye paise' per year for every one hundred rupees of its deposits (or 1/20th of 1 per cent per annum) was an important decision. Among others, the Board considered the organisational set-up of the Corporation and the initial set of Regulations for the Corporation (that had been framed by the Reserve Bank) and also decided to prepare and issue a brief pamphlet setting out, in simple language, the functions of the Corporation and the manner in which they are to be carried out, in due course, in English and the regional languages in order to enable the general public to know and appreciate the protection afforded by the Corporation to the depositors of all banks.

FROM THE CAPITAL'S CORRIDORS

GATT ON TEXTILES

THE next session of the GATT which commences in Geneva on January 29 is scheduled to consider long-term plans for the textile industry. In this connection it will be of interest to record the main findings of the Committee Number Three of the GATT.

Quantitative Import Restrictions

One of the most serious barriers confronting the exports of less-developed countries has been identified by the Committee as being quantitative import restrictions. Exports from less-developed countries of such important products as vegetable seeds and oils, coffee, raw cotton, tobacco, tropical timber, manufactures of jute, of cotton and of coir, and sewing machines are often adversely affected by quantitative import restrictions which are sometimes applied in a discriminatory manner. The Committee notes that the less-developed countries, as a group, have not benefited significantly from the widely observed movement towards trade liberalization by industrialized countries as a result of their emergence from balance-of-payments difficulties. In certain instances industrialized countries, when proceeding with their programme of relaxation of import restrictions, have extended the removal of restrictions only to imports of raw materials while the products processed from these materials have continued to be subject to restrictions. The Committee notes with some concern that certain industrialized countries have liberalized trade on an area basis, while maintaining restrictions against other areas in which most of the less-developed countries are located. The maintenance of such restrictions by industrialised countries is a serious threat to the balanced expansion of exports of less-developed countries and to sound patterns of growth in the international economy; the maintenance of such restrictions does not only seriously affect export possibilities for less-developed countries, but also has the effect of concentrating imports in markets where goods can enter freely, thus sometimes contributing to strains on the capacity of these markets to absorb imports. Moreover, many of these restrictive measures, particularly discriminatory restrictions, are in clear contradiction with obligations of the importing countries under the General Agreement; a conscientious application of the General Agreement by all contracting parties will in itself go a long way towards removing many of the barriers at present still confronting exports from less-developed countries.

Tariffs

High tariffs and tariffs which differentiate disproportionately in favour of imports of raw materials, as compared to duties for processed goods, have also been identified as constituting serious barriers to exports from less-developed countries, particularly with respect to vegetable oils, coffee, tea, cocoa products, manufactures of jute, of cotton and coir, sports goods, aluminium, ferro-alloys and copper rollings, leather products, and certain other manufactured consumer goods. It has been found that a reduction of these barriers would be of considerable assistance to less-developed countries. In addition, it has been found that tariff preferences may cause significant diversions of trade.

Revenue Duties and Internal Fiscal Charges

High revenue duties and high fiscal charges have also been emphasized as major barriers to such important traditional exports from less-developed countries as coffee, tea, cocoa, and tobacco, and for some of the newer exports of manufactured consumer goods. In the case of coffee, tea and cocoa, these taxes apply only to imports from less-developed countries since there is no domestic production in the countries imposing the taxes. The incidence of revenue duties on these commodities is particularly heavy in various European countries. It is also emphasized that a reduction of these barriers would be of considerable assistance to less-developed countries in increasing export earnings from these commodities.

State Monopolies

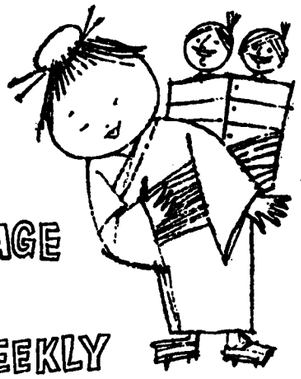
The Committee has also found that the activities of restrictive state monopolies, whether in countries with centrally-planned or market economies, have an adverse effect on imports from less-developed countries of items such as coffee, cocoa, tea and tobacco, particularly where retail prices fixed for these products are very high in relation to import costs. It has been found that decisions, followed by action, by these monopolies and purchasing agencies in State-trading countries, to import larger amounts of these products and to provide liberal access to imports from less-developed countries, combined, if necessary, with significant reductions in internal prices, would make a considerable contribution to an expansion of the export earning capacity of less-developed countries.

The above list of obstacles to the expansion of trade of less-developed countries is by no means exhaustive. For example, a possible loss of trade opportunities for less-developed countries arises from the operation of price-support schemes, surplus disposal operations, and mixing regulations in some countries. Also, the Committee is well aware of the paramount importance of seeking a solution to the problem that exists as a result of price fluctuations in the field of commodity trade, but notes that this problem is being considered elsewhere. Nevertheless, the Committee retains a strong interest in this problem and has borne it in mind in its detailed deliberations and in the preparation of this report.

It is feared that attempts at the Conference might be made to divide the world into regions with a view to limiting exports of the chief exporting countries. Indian exports of cotton textiles are apparently being subjected to all sorts of restrictions. The reduced target of 850 million yards of cotton textiles valued at Rs. 67 crores as against the 1000 million yards mark originally estimated in the Second Plan is a reflection of the growing number of curbs being imposed by importing countries on Indian textiles. Besides, the restrictions imposed by traditional buyers in the West, there is another formidable competitor to reckon with by India in the South-East Asian markets and that is China which is not a member of GATT and as such will continue to dump its cotton textiles there.

FOREIGN COLLABORATION

One hundred and one foreign collaborations for setting up Industrial units in India were approved during three months, October-December 1961. The United Kingdom heads the list with thirty-four collaborations followed by the U.S.A. twenty-four, Japan nine, West Germany six, France and Switzerland five each, Italy four, East Germany and Denmark two each, Australia, Austria, Czechoslovakia, Netherlands and Finland one each.



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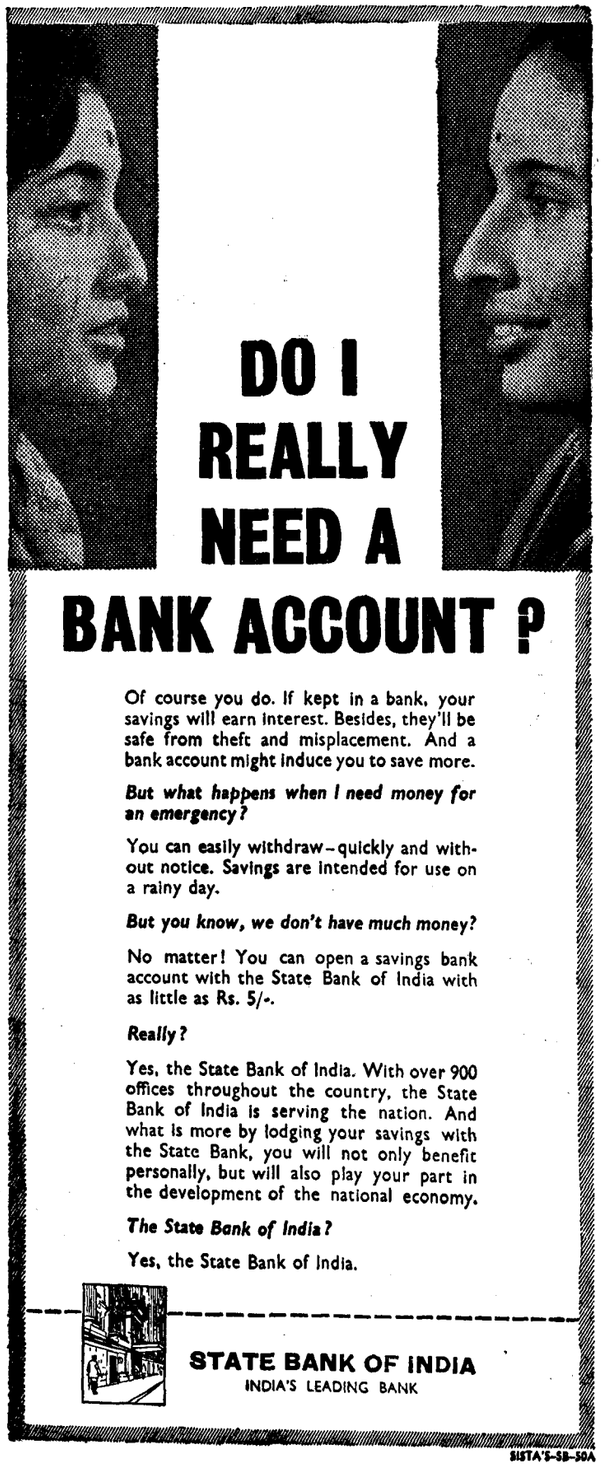


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M|s. I.C.I. Limited.	Polyethylene.
„ Pyrotenax Limited.	Mineral insulated copper cables.
„ International Teeth Co.,	Consumable dental products.
„ Thomas and Sons (Rodley) Ltd., and M|s. John Smith (Keighley) Ltd.	Steel structurals and cranes.
„ Densfield Holdings Ltd.	Cop Loaders.
„ Formica International Ltd.	Laminates, including copper laminates.
„ Measuring Instruments (Pull in) Ltd.	Measuring instruments.
„ G. R. Herron & Son Ltd.	Wool tops.
„ Delta Metal Co. Ltd.	Non-ferrous metals seamless tubes.
„ Pye Ltd.	Transistors.
„ The Villiers Engg. Co. Ltd.	Villiers engines for industrial, agricultural and other applications.
„ Constructional Engg. Co. Ltd.	Malleable casting.
„ The Mond Nickel Co. Ltd.	S. G. Iron castings.
„ Vokes-Cardwell Ltd.,	Tobacco machines.
„ Streamline Filters Ltd.,	Special types of Filters.
„ M. S. S. Recording Co.	Magnetic tapes for tape recorders.
„ Dexion Ltd.	Slotted angles.
„ L. Dennis and Co. Ltd.	Magenta dyestuffs.
„ Midland Electric Mfg. Co. Ltd.,	Electric motor starters and swi ch gears.
„ Fellows Bros. Ltd.	Electric Overhead Travelling Cranes, Electric Hoists and Chain Pulley Blocks
„ Newall Engg. Co. Ltd.	Grinders.
„ Robert Jowitt & Sons, Ltd.	Wool tops.
„ Mather and Platt Ltd.	Stenter clips.
„ Joseph Sankey and Sons Ltd.	Automobile Wheels.
„ James Finlay and Co. Ltd.	Formation of Tea Packing Co. in India.
„ Johnson and Phillips Ltd.	Cables, switchgears & power factors capacitors.
„ Ranco Ltd.	Rotor|stator units used for sealed unit compressors for domestic refrigerators.
„ U. G. I. (Meters) Ltd.	Domestic gas meters.
„ Harry W. Dietert Co., USA. and M|s. Ridsdale and Co. Ltd., Yorkshire.	Sand testing equipment.
„ Wolf Electric Tools Ltd.	Portable Electric tools.
„ Merley Electrical Engg. Co. Ltd.	Complete Colliery Haulages.
„ South Eastern Tar Distillers Ltd.	Coal tar enamels and primers.
„ Associated Electrical Industries Ltd.,	Electric watthour. meters.
„ A. E. I. Lamp and Lighting Co. Ltd.,	Flourescent tubes and miniature lamps.
„ Shieldrop and Co. Ltd.	Oil Burners.

BHILAI STEEL

Radio-active isotopes are now being used in the Bhilai steel works for controlling various production processes. A laboratory equipped with uptodate equipment and instruments dealing with radio-active isotopes is functioning at the plant. The work with isotopes is carried out with mechanical and pneumatic manipulators enabling the persons to control the process from a safe distance. The isotopes for the present are being used to control the level of charging the bins in the Sintering Plant and control the level of liquid in closed tanks in the coke ovens and bye-product plants. These are also being used to control the searing off the roofs of the open hearth furnaces and mixture lining and in controlling the quality of welding in important steel structurals.

It is planned to use the isotopes for other purposes, such as to control the speed of movement of the charge in the blast furnaces and in the cupolas of the foundry, etc.

COAL INDUSTRY

A two-day session of the conference of representatives of Coal Mine-owners' Organisations was held in Delhi during the week to discuss the problems facing the coal industry. The representatives of the coal industry, it is learnt, claimed that while labour, export promotion and agriculture needed incentives to increase productivity or promote exports, they alone had been selected to produce coal even at a loss. It was demanded by the industry that the coal prices should be raised by at least Rs. 3.5 per ton to enable it to meet the rising cost of production. The Government it is reported asked for the data to substantiate the claim for higher prices for coal.

The conference also discussed the problems of power, transport shortages and inadequacy of explosives. It was pointed out that the coal production during twelve months ending March 1961 was of the order of 55.5 million tons and that production for 1961-62, according to present trends, may not therefore exceed this figure. During the first six months of the Third Plan, daily loadings of coal on all-India basis were 5,997 wagons and 1,186 short of the assessed demand. The Railways, it is learnt has indicated that the maximum number of wagons they could make available during 1962 would be less than 7,000 a day. Power position was even worse than transport. According to estimates, due to power shortage, coal production may not be stepped up beyond 1962 level till new units went into generation in 1964.

COAL MOVEMENT

The State-owned shipping corporation has already chartered three tramp ships and is planning to charter four more for the carriage of coal by sea. The coal will be carried at the existing rates, the corporation bearing the losses, if any.

In regard to carriage of coal by road the Government of India has indicated to the States that it would be prepared to advance loans for strengthening and widening of roads and bridges. The Railways have agreed to go into partnership with State Road Transport Companies, taking up as much as 25 per cent of equity capital. The Railways will also leave goods traffic to road transport within a radius of 50 miles of a town.

RAILWAY SHED ACCOMMODATION

The shed accommodation on Indian Railways will be increased by one million sq. ft. to provide warehousing facilities for general merchandise. The decision follows the enforcement from January 1, of the Indian Railways Amendment Act.. The Act lays down

that, after the period of transit, which includes the period allowed free of demurrage and wharfage, the Railways will extend warehousing facilities for general merchandise for a maximum period of 30 days. During this period, the responsibility of the Railways will be that of a bailee, under the Indian Contract Act. The warehousing facilities, however, will not be available for livestock, explosives and other dangerous goods carried by the Railways. The amended Act sets at rest the controversy about the responsibilities of the Railways for the goods after the expiry of free time at destination. There had been a consistent demand from the trade that the Railways' responsibility should not cease with the expiry of the transit period which included the time allowed free of wharfage and demurrage, as was the case hitherto.

RAW WOOL IMPORTS

Seaborne imports of raw wool rose further in the second quarter of 1961 to 2½ million lb, actual weight, which was 78 per cent higher than in the second quarter of last year. The cumulative total for the first six months of the year came to 4½ million lb. or 60 per cent above the corresponding 1960 total. This included a 62 per cent increase in receipts from Australia to 3.1 million lb, but those from New Zealand fell. Tops imports rose between the first and second quarters and amounted to 4.7 million lb, or a rise of 38 per cent. The January-June total, at 8.2 million lb, was 9 per cent higher than a year ago. Imports from Japan rose five fold to 2.2 million lb. and those from Australia were 30 per cent larger at 2.5 million lb. By contrast, imports from the United Kingdom fell by 38 per cent to 3.1 million lb. Yarn imports during the second quarter came to 35,000 lb. little changed from either a quarter or a year earlier, while the six months' total amounted to 68,000 lb. or half the previous year's figure. Receipts of wool fabrics during the same six months were 34 per cent down at 82,000 linear yards.

SHODDY PLANT

A new public limited company by the name of Modella Woollens Ltd. has been promoted to make shoddy yarn and wool tops in India. The company has already entered into financial and technical collaboration with Messrs. Robt. Jowitt and Sons Ltd. of the United Kingdom. Equity shares of Rs. 10 each will be sold in the market to raise a capital of Rs. 5.5 lakhs from the public. The shoddy plant is already in production and the wool combing plant is expected to start production by April|May 1962. The production capacity of this plant is 1.5 million lb. The company will have foreign exchange worth Rs. 13.3 lakhs by issuing equity shares to their foreign collaborators. This amount will be used to meet the future foreign exchange requirements of the company for expansion or any other purpose. For the combing machinery M|s. Kanshi Ram Kidar Nath, the promoters, have arranged to make deferred payment.

INDO-YUGOSLAV TRADE TALKS

Trade talks between Yugoslavia and India began in Delhi during the week to finalise trade arrangement for 1962. The Yugoslav Delegation, led by Mr. V. Krunic, Deputy Chairman of the Committee for Foreign Trade, met Mr. B. N. Adarkar, Joint Secretary, Ministry of Commerce and Industry. The two delegations will also review the development of trade between the two countries over the last few years. At present, there is a three-year trade agreement between India and Yugoslavia, which was signed on January 21, 1960. Under the terms of this agreement, trade will be on a balanced basis and payments between the two countries will be regulated through non-convertible Indian rupees.

U.N. SPECIAL FUND ALLOCATION

The Governing Council of the U.N. Special Fund during the week announced the allocation of 2,025,000 dollars for three projects in India. They are the National Institute for Training in Industrial Engineering, Bombay, the Central Instructor Training Institute, Hyderabad, and the Rajasthan Sheep and Wool Institute.

The allocation for the National Institute for Training in Industrial Engineering, Bombay, which will be an autonomous body amounts to 669,000 dollars with the Government of India's counterpart contribution of 1,620,000 dollars. The institute will train managerial staff for industries in the various fields of industrial engineering. The International Labour Organisation will act as the executing agency.

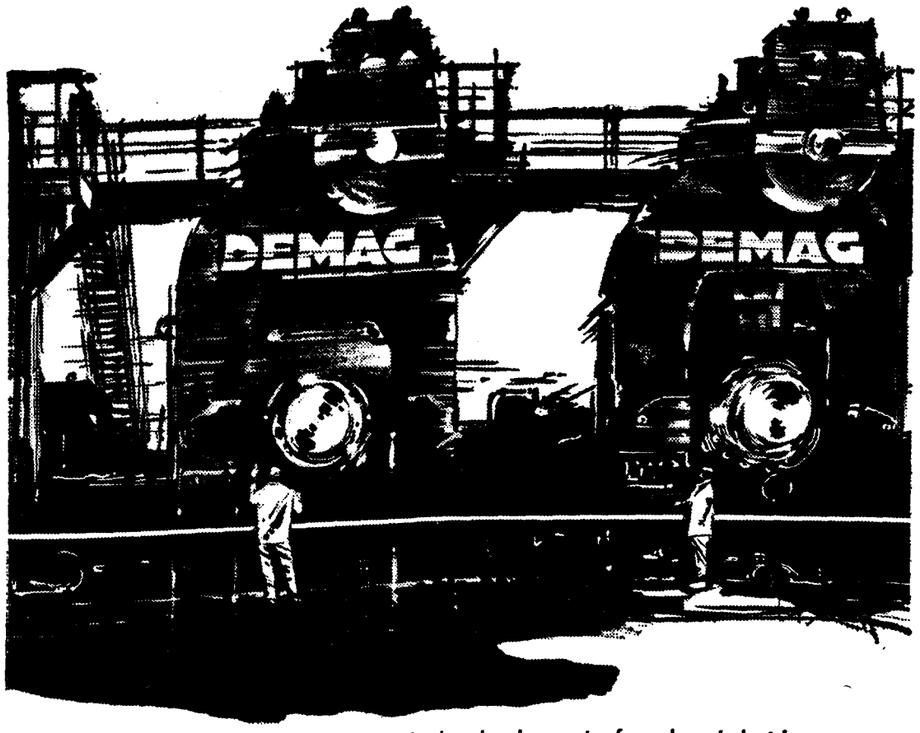
The allocation for the Central Instructor Training Institute, Hyderabad, will be 612,000 dollars as against the Government's counterpart contribution equivalent to 1,690,000 dollars. The Institute will give training for the industrial trades in metal working, electricity and buildings construction.

The allocation for the Rajasthan Sheep and Wool Institute will be 744,000 dollars. This will assist in establishing an institute to improve the productivity of sheep and the quantity and quality of wool products. Government of India's contribution to the project will be of the equivalent of 4,272,000 dollars. The project, spread over a period of five years, will be executed by the Food and Agriculture Organisation. The Institute will be set up at Malapura, a few miles from Jaipur.

COLOMBO PLAN PROGRESS

According to the Tenth Annual Report of the Colombo Plan Consultative Committee the total value of external assistance directed to the countries of South and South Asia since the inception of the Colombo Plan in 1950 to the end of June 1961 amounted to over $10,000 million (£ 3571.5 million). During this ten year period 26,373 trainees learnt new skills or attained higher standards of efficiency in skills previously learnt and 5,755 experts visited the region to perform a wide variety of highly technical tasks. In the year 1960-61 alone external assistance of the value of $1,500 million (£535.7 million) came into South and South-East Asia; 4,417 men and women received training and 786 experts visited the region. The development expenditure incurred by the countries of South and South-East Asia increased from £1,187.9 million in 1957-58 to £1724.9 million in 1959-60 and £2017.6 million in 1960-61. From a total of about £650.2 million in 1954-55 the development expenditure incurred by countries in the region increased by £1367.4 million, over 200 per cent, in a period of six years.

A distinctive feature of Colombo Plan Co-operation is the growth of mutual assistance within the region. Of the thirteen countries which provided training facilities during 1960-61 to their Colombo Plan partners, India with 266 awards comes fifth after U.S.A. (2356), U.K. (623), Australia (446) and Japan (305). In the matter of the supply of experts India (135) comes next after U.S.A. (369). India has provided both capital aid and technical assistance to fellow member countries. India's assistance to Nepal during 1959-60 was of the value of Rs. 180 million and during 1960-61 over Rs. 21 million. In addition four new agreements were signed providing for Rs. 13 million to continue aid in various fields. Since the inception of the Colombo Plan, India has provided training to 1694 nominees of different countries. Other countries in the region which have provided training are Burma (16), Ceylon (65), Indonesia (17), Federation of Malaya (30), Pakistan (116), Philippines (14), Singapore (39) and Thailand (10).



PARTNERSHIP WITH INDIA

Through the development of modern industries, countries with ancient civilisations are experiencing a new heyday. DEMAG helps to create the technical facilities for this development. Rourkela is a fine example of this. We help to explore material resources and construct loading and handling installations. We design and make machines, equipment, and plant both for India's iron and steel producing industries, and processing industries. Our deliveries included wide-strip, blooming, billet, and section mills, O.H. furnaces, cranes, hydraulic installations, and bay structurs. DEMAG's equipment is operating in more than 100 countries to contribute towards the world's industrialisation.

INDMAG PRIVATE LTD. Esplanade House, Woudby Road, POB 10012, Bombay 1

DEMAG AKTIENGESELLSCHAFT DUISBURG GERMANY

Technical Assistance under the Colombo Plan continues to play a vital part in the economic development of the area. It takes three forms—the provision of training facilities, the supply of the services of experts and the grant of equipment. Since the inception of the Colombo Plan the total expenditure on technical assistance has amounted to over £66.6 million. In 1960-61, the total cost was £20.2 million of which about £5.83 million was spent on the provision of training, £8.67 million on the supply of experts and £5.67 million on equipment. By far the greater part of the assistance under Colombo Plan comes from the six member countries outside the area—Australia, Canada, Japan, New Zealand, United Kingdom and United States. The International Bank for Reconstruction and Development (World Bank) is another important source of economic aid to the countries of South & South-East Asia. Up to June 1961, the Bank made available over $1,100 million to member countries in the region. About $180 million out of this amount was provided during the last year. The International Development Association, an I.B.R.D. affiliate which came into being in 1960 provided $60 million in the course of the year.

Discussing the "task ahead" the Report concludes that the vicious circle of low production, low income, low savings and therefore low production has to some extent been broken. But the task has proved to be even more formidable than was expected in 1950. Population growth has been far more rapid than was estimated. According to 1950 estimates the population of the region was expected to reach the 720 million mark by 1970. In fact it had passed this level by 1960. The Governments of the region have to continue to take resolute action to improve the living standards of their people. There also remains a challenge to the more developed countries, within the limits of their resources, to help the less developed countries to help themselves.

BRIEFS

It is learnt that the Government of India has approved the Kiloskar-Cummins Project for the manufacture of Diesel Engines of a certain range. The U.S. collaborator will have fifty per cent of the equity capital of Rs. 1.5 crores and will have 2.5 per cent technical assistance fee. The proposed company hopes to build up an export target of Rs. 60 lakhs a year to pay for components in the initial years.

*

The Government of India has agreed to advance a loan of Rs. 20 crores to Jayanti Shipping Company on three basic conditions, it is learnt. Firstly, all the ships shall be registered in India. Secondly, they will be mortgaged to the Government of India till such time as the loans were fully paid. Lastly, the Company will be a public limited liability company.

*

The Central Leather Research Institute, Madras, run by the Council of Scientific and Industrial Research has initiated a programme of exchange of technical personnel of the Institute with those of Industry. Under this programme, the organisations connected with the Leather Industry will depute a suitable senior person to the Institute as "Guest Worker" for a period of about six to eight weeks, to get acquainted with the investigations carried out in the various departments of the Institute and also to work on problems of special interest to Industry. In exchange a member of the senior research staff of the Institute will be deputed to work in this organisation during this period.

*

The State Trading Corporation of India will shortly commence the stocking of seedlac from the Katki crop at their godowns in four principal lac-producing centres—at Gondia, Balrampur, Daltonganj and Ranchi. The centre at Gondia will start functioning in a few days, while at the other centres, the purchases will be organised shortly. The stocks assembled at these mofussil centres will later be moved to Calcutta after suitable checking. The Corporation has secured facilities for storage there, pending sale to the shippers. The organisation of these purchase centres has been undertaken in pursuance of a 4-point programme announced in October 1961 for stabilising the purchase and export prices of lac.

*

At their last meeting the Committee of the Indian Jute Mills' Association reviewed the market situation in the light of the stocks of manufactured goods at the end of December and have decided that, as a temporary measure to relieve the continuing shortage of ready goods, the mills should continue to be allowed to operate the additional 2½ per cent of the looms unsealed from 13th November, 1961, and also the further 2½ per cent unsealed since 1st January, 1962, for a further period of two months until the end of March, 1962.

*

The third Blast Furnace of the Rourkela Steel Plant was blown in recently. Speaking on the occasion, Mr. S. T. Raja, General Manager, said, "the three Blast Furnaces at Rourkela have been named as 'Parvati', 'Lakshmi' and 'Saraswati' and now that all the three were in operation let us hope that the three godesses of wealth, knowledge and love will shower their blessings on us."



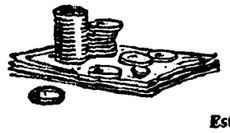
P. N. B.
Serves the Nation's
Industry, Agriculture
and Commerce.





BANKING SERVICE
OF EVERY DESCRIPTION
OFFERED.

THE
PUNJAB
NATIONAL
BANK
LTD.



Established 1895

Head Office : New Delhi.

BOOK REVIEWS

OUR NEW RULERS

Our New Rulers: By "Vighneswara" (N. Raghunathan): Publishers: B. G. Paul & Co., 4, Francis Joseph Street, Madras-1: Pp. xvi + 396: Popular Edition Rs. 5: Library Edition Rs. 6: 1961.

This is the second in the series "Sotto Voce" papers, the first having appeared in 1959. The author had served on the editorial staff of the 'Hindu', Madras, for more than 30 years — until his retirement in 1957 as its Chief Assistant Editor. As such, the papers bear the stamp of an experienced and astute journalist.

The volume is a collection of nearly 200 short articles which had appeared in the weekly 'Swatantra' between February 1949 and August 1952. It was during this period that the Indian Constitution was formed, followed soon after by the passing of the highly controversial First Amendment Act. The first general elections in free India under adult franchise were also held towards the end of this period. While many of the articles in the present series naturally revolve round these events, the centre of the stage is occupied by the shift in Congress policy towards Socialism (or to be more precise, Statism) and the implications thereof. Naturally, Mr. Nehru also comes under fire and so do many of his colleagues, both at the Centre and in the States. One may not always agree with Vighneswara's views, but it must be conceded that he wields the English language with the skill of a superb craftsman: the billiance and charm of his style linger even when one discerns loop-holes in his logic or feels a little exasperated over the vehmence of his statements.

The present reviewer was particularly impressed by the non-political articles in the volume, e.g., those dealing with the B.C.G. campaign, the building of a posh hotel in Delhi, the pranks of the Princes, the virtues of soap, a certain point of grammar, the synthetic life, happy myopia, the protest of the students of the Udipi Sanskrit College against the ban on shirts in class, the quest of the Mystic Rose, etc. etc. At every turn, he came across fresh delights; the combination of pungent satire and deep scholarship was most exhilarating.

N. DAS.

STATISTICS

The Statistical Outline of India: Prepared by Department of Economics and Statistics, Tata Industries Private Ltd.: Published by Vora and Co., Publisher, Pvt. Ltd., Bombay: Pp. 88: Price Rs. 3|-.

This pocket edition of a collection of useful economic statistics about the Indian Union is the fifth in the series brought out by the Department of Economics and Statistics of Tata Industries Private Ltd. It lays special emphasis on the economic progress made by India during the two Plans along with the targets for the Third. Most of the statistical tables end in 1960 or in the fiscal year 1960-61. For the busy executive, this is an extremely useful handbook as it provides almost all the essential statistics which are normally needed in day to day work. The details covered relate to national income, population, agriculture, fuel and power, mining and manufactures, transport, foreign trade, external assistance, joint stock companies, public finance and social services. A set of nine tables at the end shows India's position in the international scale especially in relation to the standard of living, production (both in agriculture and industry), vital statistics, area and population.

CAPITAL ANNUAL NUMBER

Annual Review of Trade, Commerce and Industry: Published by W. H. Targett and Co., 5, Mission Row, Calcutta: Pp. 164: Price Rs. 5|-. Editor: George Barrell.

Our contemporary "Capital" from Calcutta has brought out its Annual Number which, as usual, contains a collection of articles written by leaders in the field of trade, commerce, industry and economic research. The very first article dealing with India's Third Five-Year Plan by Sir Theodore Gregory brings out some of the weaknesses of the Plan in the light of the criticism offered by Sir Gregory in his work entitled "India on the Eve of the Third Five-Year Plan". Sir Gregory has been intrigued to find the following quotations in the Third Five-Year Plan: "Lack of delegation within the enterprise is another common failure". "Lack of quality of managerial personnel is another factor prejudicing the success of an enterprise". "That the consciousness of profit and cost is also not so widespread as is necessary!"

Mr. C. D. Deshmukh, India's former Finance Minister, has drawn attention, in a provocative article, to the shortage of teachers which is likely to retard the educational progress in the Indian Union in the next five years. Mr. G. L. Mehta has analysed the work so far done by the Indian Investment Centre in attracting foreign capital while Mr. G. D. Birla, in a very lucid article, has highlighted the reasons for the stagnation of India's exports. He has explained in detail the basic weaknesses of the barter transactions. The high cost of our products, accordir to him, is the main cause for our failure to capture the markets abroad. Prof B. R. Shenoy has made the point that the Third Five-Year Plan's estimates of deficit financing are misleading and the Third Plan, like the Second Plan, is likely to suffer from inflationary pressures. The list of other contributors includes Mr. Geoffrey Tyson, Dr. P. S. Lokanathan, Prof. C. N. Vakil, Mr. Neil McInnes and Mr. M. R. Masani.

COMMERCE ANNUAL NUMBER

Commerce, 1961 Annual Number: Published by Commerce (1935) Ltd., Brady House, Veer Nariman Road, Bombay-1: Pp. 216: Price Rs. 10|-: Editor: S. V. Rayan.

The Commerce Annual is largely a collection of contributions made by eminent economists, leading industrialists and senior government officials and contains a mine of useful information for the students of Indian economics. Prof. C. N. Vakil in his article on "Planning and Human Welfare" has drawn attention, on the basis of his experience abroad, to the failure of the State Governments and municipalities in not playing their part well in matters of town planning. Prof. P. C. Jain in his article on "Consumers' Plight under the Plan" has suggested ways and means of protecting the interests of the consumers. L. Bharat Ram has emphasised the need for a new approach to the problem of export of cotton textiles. The leading article by the editor on "A Year of Economic Co-operation" rightly states that the most significant development of the year 1961 has been in the field of mutual co-operation among free countries in tackling the economic problems, particularly those relating to balance of payments and aid to under-developed countries. In the long list of contributed articles mention needs to be made of the following: "Some Lessons from American Agriculture"; "Coal in the Perspective of Third Plan"; "Shadow Pricing as a Development Tool"; Foreign Exchange Problem" and "Additional Taxation by States".

The Annual Number also includes comprehensive reviews of the progress made by the leading industries such as coal, textiles, jute, sugar and a faithful record of the important developments during the year in food and agriculture, trade, banking and labour. As usual a survey of the major markets has also been included.

COMPANY AFFAIRS

TATA CHEMICALS ACQUIRE BOMBAY MINERAL

Mr. J. R. D. Tata, the Chairman of the Tata Chemicals, informed shareholders that the negotiations for the purchase of the Bombay Mineral Supply Company which owned extensive bauxite deposits in Saurashtra were proceeding. He stated that the proposal was for Tata Chemicals to acquire the Bombay Mineral Supply Company in exchange for 5,20,000 Tata Chemicals' shares to be issued at par to the owners of that Company. This was subject to the management of Tata Chemicals satisfying itself with regard to the quantity and quality of bauxite available in the deposits and also to ensuring that these deposits were capable of being profitably exploited.

The Chairman mentioned that tentative and exploratory discussions had taken place between Tata Chemicals and the Bombay Burmah Trading Corporation regarding the formation of a partnership between the two Companies for the acquisition of the Bombay Mineral Supply Company and the industrial exploitation of its bauxite deposits. Further consideration of this matter had been deferred until the deposits had been proved and Tata Chemicals had secured a preliminary technical-cum-economic survey of the industrial potentialities of the project. These were expected to be available in two or three months.

In seeking the approval of the shareholders to a contribution of Rs. 1 lakh to political parties, two-thirds of which was to go to the Congress and one-third to the Swatantra Party, the Chairman stated that, while supporting the Party in power which had done so much to provide the country with a period of stability and progress, it was necessary to assist in the building up of a responsible and non-extremist opposition if parliamentary democracy in India was to survive and grow. Mr. Tata also mentioned that the decision of various Tata Companies to support the Swatantra Party in addition to the Congress had been intimated well in advance to some of the seniormost leaders of the Congress Party. These leaders had not made acceptance of a contribution from Tatas conditional on support being denied to any other Party, and in fact renewed requests for support to the Congress Election Funds had been received by Tatas both from the Centre and from the States even after this decision was known.

R.R. ENGINEERING CO. LTD.

This newly formed company which has taken over R.R. Engineering Co. situated in Uttar Pradesh has streamlined its blue prints for the manufacture of Machine Tools, Sugar Mill Machinery, Steel Castings & Alloys and Steel Structures in technical collaboration with foreign manufacturers. The authorised capital will be of Rs. 40 lakhs and out of this the directors and promoters will subscribe to the value of Rs. 9 lakhs. Out of the balance, shares to the value of Rs. 16 lakhs will be offered to the public for subscription before the end of February 62. The U.P. Government has already consented to participate in the capital issue by way of underwriting of the shares.

DEVKARAN NANJEE BANKING CO. LTD.

The net profit of Devkaran Nanjee Banking Co. Ltd. for the year ended 31st December, 1961, after providing for taxation and bonus to staff and including Rs. 7.86 lakhs brought forward from last year's account, amounts, subject to audit, to Rs. 34.01 lakhs. Out of this, the Directors provided Rs. 2 lakhs towards interim dividend paid for the half-year ended 30th June, 1961 at the rate of Rs. 2.00 per share and Rs. 15 lakhs towards raising the Reserve Funds to Rs. 75 lakhs. They have now proposed the payment of Rs. 3.50 lakhs towards a final dividend for the half-year ended 31st December, 1961 at the rate of Rs. 3.50 per share (making in all 11 per cent per annum, subject to deduction of tax. Rs. 13.51 lakhs are to be carried forward.

Some of the more important figures are :

(Rs. lakhs)

	1959	1960	1961
Net Profit	13.05	23.55	26.15
Appropriations			
Dividend	4.38	4.38	5.50
Reserve Fund ...	6.00	8.00	15.00
Income-tax ..	..	9.00	..
Carry Forward ..	2.67	2.17	5.65

Last year, the bank had made a net profit of Rs. 23½ lakhs, out of which Rs. 9 lakhs were provided for taxation. This year, the bank has, after providing for taxation, made a net profit of Rs. 26 lakhs. The bank has continued its policy of strengthening its Reserves by transferring Rs. 15 lakhs this year to the Reserve Fund as against Rs. 8 lakhs last year. The Reserve Funds have now been increased to Rs. 75 lakhs as against a Paid-Up Capital of Rs. 50 lakhs. The bank has increased its dividend for the whole year from 8.76 per cent gross to 11 per cent gross. The bank has also increased the bonus payable to staff from 1 month's salary (Rs. 2,65,000) to 1¼ month's salary (Rs. 3,50,000). The bank's deposits, which were Rs. 35¾ crores at the end of 1960, have gone up to a little over Rs. 43 crores, indicating a rise of nearly 20 per cent. The number of offices of the bank has increased from 96 to 107.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(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 Ordinary Stock at the rate of £3¼ per cent net (tax applicable at 7s. 9d. in the £) for the year ending 31st March, 1962. Payment will be made on 15th February, 1962, to those stockholders whose names are registered in the Company's Stock Register on 30th January, 1962.

Applications for transfers received in this Office before 12 O'Clock noon on Tuesday, the 30th January, 1962, 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, 11th January, 1962.

GOVT. SECRETARIAT TO GOVERNMENT 27 JAN 1962 PUBLIC DEPARTMENT

THIS IS NOT A PROSPECTUS BUT ONLY AN ANNOUNCEMENT

A Prospectus together with the documents specified herein has been duly filed with the Registrar of Companies, Madras.

The consent of the Central Government has been obtained to this issue by an order No. R. 388—CCI|61 dated 14-11-1961 of which a complete copy is open to public inspection at the Head 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.

An Industrial Licence L. 34(6) 21|60|L—IND. dated 30-8-1960 issued under the Industries (Development and Regulation) Act 1951 has been obtained from the Central Government for effecting a substantial expansion to this existing industrial undertaking at Serakuppam, P.O. Vadalur, District South Arcot, Madras State, of which a copy is open to public inspection at the Head 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 this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

The Company's shares are dealt in and are officially quoted by the Madras Stock Exchange Ltd. Application is being made to the Madras Stock Exchange Ltd. for permission to deal in the present issue of shares.

The Subscription lists will open at 11 A.M. on Wednesday, the 24th January, 1962, and will close at 5 P.M. on Wednesday the 31st January, 1962, or earlier as soon as the subscriptions approximating to the amounts issued hereinunder to the public have been received but not earlier than 5 P.M. on Saturday 27th January, 1962.

SESHASAYEE INDUSTRIES LIMITED

(Incorporated under the Companies Act 1956) Date of Incorporation 12th December 1957.

SHARE CAPITAL

Authorised:

720,000 Equity shares of Rs. 10 each ..	Rs.	72,00,000
280,000 — 6¼% Cumulative tax-free Preference shares of Rs. 10 each ..	,,	28,00,000
TOTAL ..	**Rs.**	**1,00,00,000**

Issued, Subscribed and Paid-up Capital:

316,000 Equity Shares of Rs. 10 each	Rs.	31,60,000
84,000 — 6¼% tax-free Cumulative Preference shares of Rs. 10 each ..	,,	8,40,000
TOTAL ..	**Rs.**	**40,00,000**

Present Issue and Offer:

400,000 Equity shares of Rs. 10 each ..	Rs.	40,00,000

The said shares are offered for subscription in cash at par in terms of this Prospectus and the subscriptions for the said shares are payable as follows:-

On application	Rs. 5 per share
On allotment	Nil

and the balance will be payable in two calls of Rs 2.50nP. each, the first call will be made three months after the date of allotment and the second call three months thereafter.

The Preference shares carry a fixed cumulative preferential dividend at the rate of 6¼ per cent on the capital paid up thereon from the date of allotment and free of any deduction for Indian Income tax and to a right on a winding up to be paid all arrears of preferential dividend whether earned declared or not down to the commencement of the winding up and the capital paid up thereon but to no other rights in the profits or assets of the company. The said dividend will be computed and paid in accordance with the Preference Shares (Regulation of Dividends) Act, 1960.

The shares now issued will rank for dividend and be in all respects **pari passu** with the existing equity shares of the company and will be entitled to participate equally with the existing equity shares in any dividend that may be declared after the date of their allotment irrespective of the date on which such allotment has been made.

The entire present issue of 400,000 equity shares has been underwritten. No shares are issued for consideration other than cash.

BOARD OF DIRECTORS

1. **SRI S. NARAYANSWAMY** (Stock Broker), **Chairman,** "Seshadri," 6, Chittaranjan Road, Madras-18.
2. **SRI V. SWAMY IYENGAR** (Mirasdar), "Sri Raghavam," Pattamangalam St., Mayuram.
3. **SRI T. N. DORAISWAMI** (Landlord), Khajanagar, Tiruchirapalli.
4. **SRI S. N. A. S. A. ANNAMALAI CHETTIAR** (Banker) 2, Sivankoil Sannadhi St., Kararikudi.
5. **SRI K. S. RAMU** (Mirasdar), "Kottachi House," South Saliya Street, Kornad, Mayuram.
6. **SRI KHUSHAL CHAND SOOD (K. C. SOOD)** (Industrialist), 3, Esplanade East, Calcutta-1.
7. **JANAB ABDULLABHOY M. BHAGAT** (Merchant and Landlord), No. 10, Sembudoss Street, Madras-1.

8. **SRI VENUGOPAL REDDIAR**
(Businessman),
Raja Reddiar Bungalow, Ammamandapam Road, Srirangam.

9. **SRI R. VAIDYANATHAN** (Landlord),
26, North Car Street, Sirkali.

10. **SRI K. TIRUVENGADAM** (Businessman),
34, Second Main Road, Gandhinagar, Adyar, Madras-20.

11. **SRI N. KANNAYIRAM** (Businesman),
110, West Santhapettai Street, Madurai,

12. **SRI P. SABHANAYAGAM, I.A.S.**
(Director of Industries & Commerce, Govt. of Madras), "Riverside", 20/5, Greenways Road, Madras-28.

13. **SRI R. V. RAMANI, M.A., M.Sc.**
(Businessman),
"Saraj", 100 Feet Road, Tatabad, Coimbatore-12.

14. **SRI H. K. RAMASWAMI** (Engineer),
"Gokulam", Alexandra Road, Tiruchirapalli.

MANAGING AGENTS

MESSRS. SESHASAYEE BROTHERS (Pvt.) LTD.,
"Sita Sadan", 4, Williams Road, Cantonment,
Tiruchirapalli.

BANKERS

1. United Commercial Bank Limited, Madras.
2. Indian Overseas Bank Limited, Madras & Tiruchirapalli.
3. Indian Bank Limited, Madras & Tiruchirapalli.
4. Bank of Madura Limited, Neyveli.
5. Pandyan Bank Limited, Tiruchirapalli.

UNDERWRITERS

1. The Madras Industrial Investment Corporation Ltd., 38, Whites Road, Royapettah, Madras.
2. Life Insurance Corporation of India,
"Jeevan Kendra", Churchgate, Bombay.
3. Investment Corporation of India Ltd.,
Ewart House, Bruce Street, Fort, Bombay-1.
4. United Commercial Bank Ltd.,
2, India Exchange Place, Calcutta.
5. Chitra & Co., Post Box 1557, Madras-1.
6. Paterson & Co., Post Box 48,
22, Errabalu Chetty St., Madras-1.
7. Lewis & Jones,
Bank of Baroda Bldg., Apollo Street, Fort, Bombay-1.
8. Devkaran Nanjee & Co., 5, Hamam Street, Fort, Bombay.
9. P. R. Subramanyam,
70-A, Stock Exchange Building, Apollo Street, Bombay.
10. Harbans Singh Mehta & Co.,
33, Regal Bldg., Parliament Street, New Delhi.
11. P. Roy Company,
3/8, M.M. Road Jn., Panchkuin Road, New Delhi.

BROKERS

MADRAS :

1. Messrs. Chitra & Co.,
Share & Stock Brokers, 322—323, Linghi Chetty St., Madras-1.
2. Messrs. Paterson & Co.,
Stock Brokers, 22, Errabalu Chetty Street, Madras-1.
3. Messrs. Maconochie & Co.,
Share and Stock Brokers, Mercantile Bank Building, Madras-1.

BOMBAY :

4. Messrs. Lewis & Jones,
Stock Brokers, Bank of Baroda Building, Fort, Bombay.
5. Messrs. Devkaran Nanjee & Co.,
Stock Brokers, 5, Hamam Street, Fort, Bombay-1.
6. Messrs. P. R. Subramanyam, Stock Brokers,
70-A, Stock Exchange Building, Apollo Street, Fort, Bombay-1.

CALCUTTA :

7. Messrs. Place, Siddons & Gough,
Lyons Range, Calcutta-1.
8. Messrs. G. M. Pyne, Stock Brokers,
14, India Exchange Place, Calcutta-1.

DELHI :

9. Messrs. Harbans Singh Mehta & Co.,
33, Regal Building, Parliament Street, New Delhi.
10. Messrs. P. Roy Company,
3/8, M. M. Road, Jn. Panchkuin Road, New Delhi.

AUDITORS

Messrs. Suri & Co.,
Chartered Accountants, 1/29, Mount Road, Madras-2.

LEGAL ADVISERS

Sri R. Narasimhachari & Sri N. Varadarajan, Advocates,
No. 4, Dr. Rangachari Road, Mylapore, Madras-4.

REGISTERED OFFICE

No. 1, Alexandra Road, Cantonment,
Tiruchirapalli-1.

OBJECTS

The following are the main objects of the Company as contained in the Memorandum of Association:

1. To carry on the business of manufacturers, importers, and exporters of and dealers in ceramic products of all kinds including electrical insulators and other porcelain products and their parts and accessories.

2. To carry on the business of manufacturers, importers, exporters of and dealers in all kinds of transformers, switchgears, meters and their parts and accessories.

HISTORY OF THE COMPANY

Messrs. Seshasayee Brothers (Private) Ltd., Tiruchirapalli, obtained for the benefit of this Company two licences under the Industries (Development & Regulation) Act, dated 29th October, 1956 and 7th October, 1958 for the establishment of an industrial unit for the manufacture of porcelain High Tension and Low Tension insulators and associated cast iron and non-ferrous castings and malleable castings and mild steel forgings. The Company constructed a factory at Vadalur in South Arcot District and went into trial production early in 1960 and has now standardised the production of conventional transmission-line insulators and their associated metal parts.

Commercial production started early in 1961 and the company has effected deliveries of high tension and low tension insulators and hardware components to several State Electricity Boards and Private Undertakings against orders received and according to specifications required. The materials delivered have afforded full satisfaction to customers.

High Tension Insulators and porcelain accessories are being overwhelmingly imported into this country, as the small number of factories in India which are engaged in the manufacture of these products are able to meet only a fraction of the present demand. The Directors have carefully considered the demand for high tension insulators and are satisfied that a growing market exists for these goods. They believe, it would be of immense advantage to the Company to enlarge the plant and augment its installed capacity for production of insulators and malleable cast iron parts in order to meet the pressing demand that is in evidence from the various sectors of electrical industries. While the main consumers of high tension insulators are State Electricity Boards, electricity undertakings, manufacturers of switchgear and transformers, the Indian Railways who have recently been enlarging the area of their electrification have started making their demands for high tension insulators. The Directors believe that it is not only desirable but absolutely essential that the present capacity of the factory should be augmented with a view to meet both existing and anticipated demand.

The Company has now obtained a licence from the Government of India for expanding the present capacity from 1,200 tons to 3,000 tons of insulators per annum. The Directors expect that the entire output will be absorbed by current demands. The Company's Technical Consultant, Dr. Ing. habil Kurt Draeger, in consultation with the Company's engineers, has prepared a detailed scheme for the expansion of the factory and has recommended its immediate implementation. The more important items of plant and machinery required for this expansion will be supplied by Messrs. Franz Kirchfeld, Dusseldorf, West Germany. The Government of India have kindly allotted to this Company the foreign exchange required for the import of plant and machinery. Dr. Draeger has agreed to send technicians from Germany to India who will stay and work in both the Ceramic and Foundry Sections of the factory until such time as rated production capacity has been fully established. He will also be periodically coming over to India to advise on quality control and on the expansion of the range of the Company's products.

PLANT AND MACHINERY

The Company has obtained an Import Licence (No. 991677|TPWG|61|HQ-G-I dated 26-10-1961) for importing the necessary plant and machinery for this project and firm orders have been placed with the Company's suppliers, Messrs. Franz Kirchfeld, G.m.b. H., Dusseldorf, who have been able to negotiate and secure advantageous prices.

TECHNICAL COLLABORATION

The Company has entered into an agreement dated 1-7-1958 with Dr. Ing. Draeger of Honef, West Germany, in terms of which he has to render assistance to this Company, in the planning and supervision of the factory erection and in attaining rated capacity of 1200 tons of porcelain insulators per annum.

In pursuance of the said agreement Dr. Draeger has been responsible for the design and lay out of the existing 1200 ton plant. He has assisted in the purchase of plant and machinery for this project in Germany and India, provided personnel for erection of the plant, trained a team of the Company's engineers and technicians in one of his associated factories, namely, Rhein Westfallische Isolatern Werke at Siegburg in West Germany and two of his senior technicians are at present in the factory supervising production and training labour.

Dr. Draeger has agreed to give his assistance for the expansion scheme and the Company has agreed that the Company will seek the approval of the Government of India for payment of additional know-how fee and royalty and to pay him such amount as the Government may approve for the services to be rendered by him and his deputies in connexion with the expansion project.

Dr. Draeger has now completed the selection of the plant and machinery pertaining to the expansion project and has enabled us to place orders for the same. He is at present busy planning the lay out of the buildings and taking such further steps as are necessary to speedily implement the expansion programme. He has also agreed to send to India such technical personnel as his deputies and assistants as may be considered suitable for the purpose. He and his deputies will be entitled to such travelling and living allowances in India as may be in vogue from time to time in contracts for engaging foreign technicians.

MINIMUM SUBSCRIPTION

The minimum subscription on which the Directors will proceed to allot is equity shares of the face value of Rs. 15 lakhs.

The capital requirement for the proposed expansion is estimated is follows:—

It is proposed to provide for the above capital requirement as follows :—

(a) Buildings	.. .. ..	Rs.	11.00 lakhs
(b) Imported machinery including Import duty, freight and insurance	.. ..	,,	40.00 ,,
(c) Power Plant, Indigenous machinery & erection charges and contingencies	.. .. ..	,,	6.50 ,,
(d) Expenses of this issue	.. ..	,,	2.50 ,,
TOTAL	.. .. ..	Rs.	60.00 lakhs

It is proposed to provide for the above capital requirement as follows:—

By issue of fresh capital	.. ..	Rs.	40.00 lakhs
By Borrowings	.. ..	Rs.	20.00 ,,
TOTAL	.. .. ..	Rs.	60.00 lakhs

The present issue of Rs. 40 lakhs has been fully underwritten.

ESTIMATED PROFITS

It is estimated that within a short period after the completion of the expansion, the expected profits would be sufficient after payment of dividends on Preference shares to provide a reasonable and attractive return to the Equity Shareholders.

MANAGING AGENTS

Seshasayee Brothers (Private) Ltd. were appointed as the Managing Agents of the Company with effect from 6-3-1958 for a period of fifteen years by the Articles and by an agreement dated 6-3-1958 on a remuneration of 10 per cent of the net profits of the Company subject to a minimum of Rs. 12,000 per year in the absence of or inadequacy of profits which minimum shall, however, be increased to Rs. 18,000 per year if and when the paid up capital of the Company exceeds Rs. 20 lakhs.

PREFERENTIAL ALLOTMENTS

The Company has agreed to make the following preferential allotments, out of the present issue, namely, to the Life Insurance Corporation of India, shares of the face value of Rs. 10 lakhs in consideration of their having underwritten a like amount of shares, and Rs. 2,50,000 face value shares to the Investment Corporation of India Bombay, in consideration of their having agreed to subscribe for the said shares.

UNDERWRITING COMMISSION

An underwriting commission of 2½ per cent of the face value of the shares will be paid to each of the underwriters in respect of the shares underwritten by them respectively.

BROKERAGE

A brokerage of 1 per cent of the face value of the shares will be paid to the authorised brokers and bankers including the underwriters in respect of share applications bearing their rubber stamp.

All applications must be made on the form accompanying the Prospectus which can be had from the Registered office of the Company, the Company's underwriters, Bankers and Brokers.

(Sd.) S. NARAYANASWAMY, V. SWAMY IYENGAR, T. N. DORAISWAMI, S. N. A. S. A. ANNAMALAI CHETTIAR, K. S. RAMU, KHUSHAL CHAND SOOD, JANAB ABDULLABHOY M. BHAGAT, R. VENUGOPAL REDDIAR, R. VAIDYANATHAN, K. TIRUVENGADAM, N. KANNAYIRAM, P. SABHANAYAGAM, R. V. RAMANI, H. K. RAMASWAMI.

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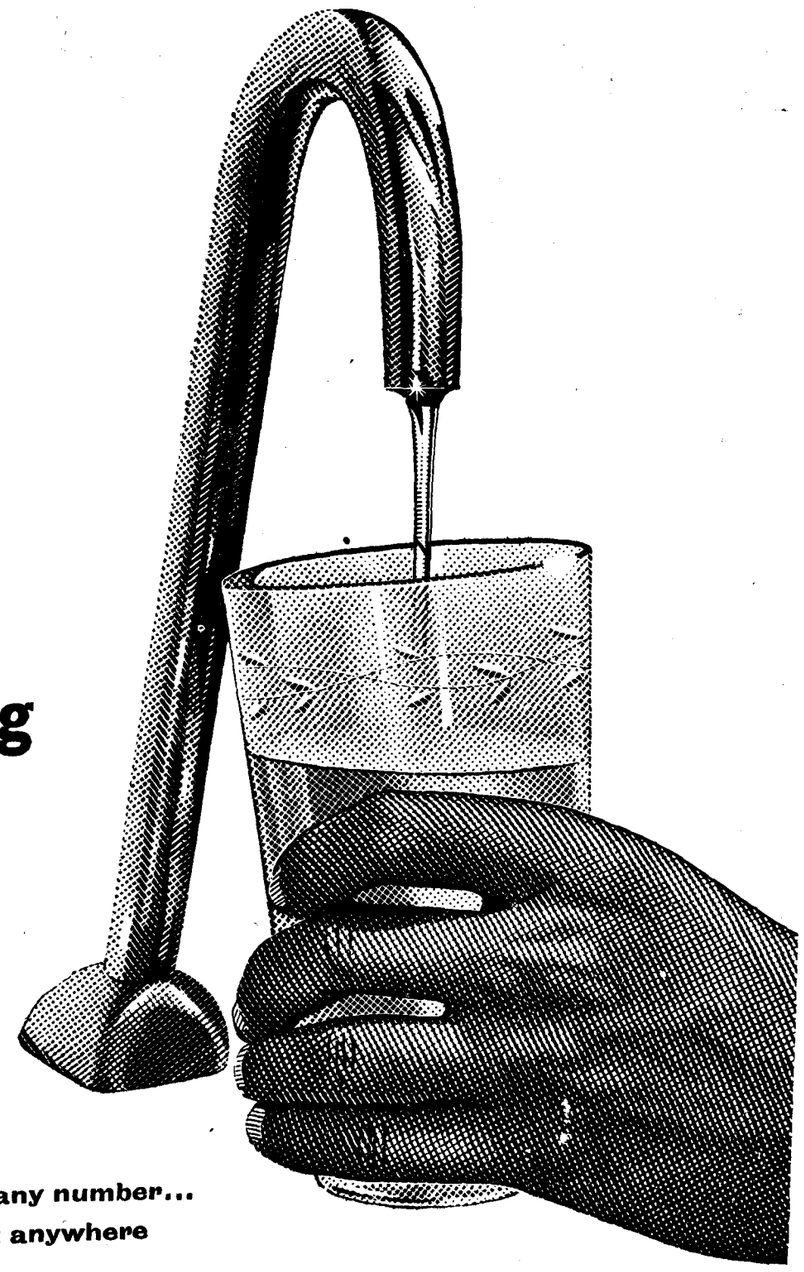
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THE EASTERN ECONOMIST

JANUARY 26, 1962

The Western India Coal Crisis

THE news that two mills in Baroda have closed down and the fact that practically all the mills at Ahmedabad might have closed down this week, brings into sharp focus the special coal crisis which attends on Western Indian factories. It should not be necessary to argue that, under the perilous circumstances in which coal supplies are allocated, adventurous business can hardly be undertaken. A radical policy is required for a desperate situation. The special Blue Supplement on the coal industry which was issued on December 22, 1961, has made it plain that the shortage of coal is a matter not for a year or so, but throughout the period of the Third Plan. Indeed, the current shortage is partly the result of the failure to achieve the Second Plan targets; in the opinion of *The Eastern Economist* it will not be relieved in any way by the Third Plan arrangements now proposed. The true demand for coal of good quality is likely to be well over 100 million tons in 1965-66. At the present time the manner in which good and bad coal are pooled together will require, in terms of quantities, something significantly larger.

It is right that Mr. N. Stenhouse, the retiring President of the Associated Chambers of Commerce and Industry, should have drawn attention to this particular crisis and have asked for a three-year 'crash' plan to deal with Coal, Power and Transport as the essential pillers of industrialisation. Unless coal and power in particular are dealt with on an emergency footing, all India's plans are likely to be built upon sand. There has been the wildest misrepresentation of the position on power and now a terrible penalty is being paid for the failure to think spaciously in the first instance. The Western Indian coal crisis which is rapidly coming to a head proves that the current supplies of coal and transport are totally inadequate to meet the needs of growing industries there. In addition to this, our export costs are being raised by the provision of supplies of second and third class coal which is leading to a great deal of wastage in casting as well as a rise in costs prohibiting exports from factories using high ash and badly selected coal.

There is only one immediate remedy for a situation whilst long term plans are changed to adjust themselves to the serious shortage of power and coal which will be developed in the next three years. The first priority should now be the import of high quality coal. This can be done for rupees, since Poland has an abundant surplus which it is able to supply continuously over a long period of years. It is suggested that in order to save Western India industries from the dislocation which is constantly threatening them, India should now make arrangements with Poland for the import every year of two million tons of high quality coal which will be supplied to the industries all along the Western Coast. It is possible that ships taking Indian ore to Western European and Eastern European ports may come back loaded with coal, and thus it might be an economical shipping operation as well as an essential strategic defence for India's industrial production in a strategic area in the country. It is sincerely to be hoped that the current emergency will lead to a final decision to recognise that the failure to import good coal at least two million tons a year will involve the country in much greater losses both in terms of domestic production and in important new exports.

The Crisis in Sugar Industry

THE news on the sugar front this week has indeed been critical. While the decision of the U.S. Government to abolish country-wise quotas for sugar imports into that country threatens to upset all calculations about the export of the commodity from here, the reported communication addressed by some 30 sugar mills of Eastern U.P. to the State Government, expressing fears that they may have to suspend crushing operations as a consequence of fall in prices from about Rs. 39 to Rs. 36 per maund during the past three months, poses a serious social problem. Sugar manufacture is the only well-established industry in the eastern districts of U.P. and the sufferings which the closure of over two dozen mills in the area would entail for thousands of labourers and cane-growers, who depend on this industry for their livelihood, can be well imagined.

The closure threat, coming as it does on the eve of the General Elections, is likely to be interpreted in some quarters as a coercive step on the part of the Eastern U.P. sugar mill-owners. Cynics might well argue that these sugar magnates are trying to wring some concessions from the politician who has an eye on the votes of the Eastern U.P. agriculturists and the sugar mill workers, by dangling before his eyes the serious contingency that would arise from their contemplated step. Faced with the dilemma of losing so large a vote, the politician can well be expected to yield under pressure. But is this interpre-

tation justified? *The Eastern Economist* does not subscribe to this view; in its opinion, to behold the move of the East U.P. mill-owners in this light is nothing short of perversity.

The present difficulties of the Eastern U.P. sugar mills — as a matter of fact, of a large number of others as well — obviously are the outcome of the huge surplus stocks which they were obliged to carry forward from the last season, when production reached an all-time record of 29.4 lakh tons, while consumption remained more or less static around 21 lakh tons. Exports to the tune of a couple of lakh tons have been of some help, but the burden of unprecedented carry-over of 11.5 lakh tons, in the face of an appreciable surplus expected from the current season, is crushing indeed. To service these stocks, the industry has had to foot a huge interest bill on the advances made to it by the banking system in the interest of avoiding a crash in the sugar market. Situation could have been relieved in no small measure, if the Union Food and Agriculture Ministry had taken the decision to remove all controls on movement, distribution and prices of sugar in time. But this decision came at least six months too late. During this period easy availability of sugar could have helped in raising consumption by at least 1.5 lakh tons and pushing another two to three lakh tons into the pipeline, bringing down the stocks with the mills by a corresponding margin. All this, however, is of only academic interest now.

To find a solution out of the current impasse in the sugar market, it is necessary to analyse the facts disinterestedly. The first important fact that is to be taken note of is that while despatches from the mills during the first two months of the current season have been 4.0 lakh metric tons (including 31,000 metric tons for exports) compared to 3.23 lakh metric tons (which included 21,000 metric tons for exports) during the corresponding period in 1960, the closing stock with the factories on December 31, 1961, was about 13.30 lakh metric tons, as against 10.07 lakh metric tons on the same date in 1960. Secondly, prices of all qualities of sugar, since October last, have gone down, though in varying degrees. While there has been about 8 per cent fall in the prices of inferior quality sugar, prices of bold grain sugar have receded only marginally. (Bold crystal sugar still enjoys a premium of 15 nP. to a rupee per maund over the pre-October controlled ex-factory prices). Thirdly, whereas there has been witnessed a recessionary trend in the sugar market under pressure of abundant supplies, export outlook for the commodity has become obscure as a result of the U.S. Administration's decision to go in for global tenders after the expiry, in another five months, of the present International Sugar Agreement, instead of effecting imports at a premium of about 60 per cent over the world prices from specified countries under a quota system. All this has shown up the Achilles heel of the Indian sugar industry, which obviously is the high cost of production.

The solution of the present-day difficulties of the sugar industry lies in stepping up of exports to whatever extent possible and encouraging the domestic consumption. Sugar exports from India can be effected, of course, at a heavy loss. But that should not deter us from making an all-out effort. The loss on exports also should not be passed on to the consumer who has felt some welcome relief from the break in prices. The consumer in this country has already paid too dearly for the development of this industry; he should not be expected to shoulder the burden of providing any additional crutches for it. The three vested interests —the State, the manufacturer and the cane-grower — who have prospered at his expense, must find among themselves the finances to meet the loss on exports.

While exports should alleviate the distress of the industry to some extent, the exigencies of the situation demand that no stone should be left unturned to increase domestic consumption. This implies that not only the current sugar prices should be maintained, but, if possible, they should be allowed to fall further slightly. How this can be done is the crucial problem. Two steps need to be taken with this end in view. Firstly, the excise duty on sugar should be immediately cut by at least Rs. 2.50 nP. per maund. This reduction would compensate the industry for the three-anna increase in cane prices effected two years ago, allow for some increase that has taken place in the cost of other materials used by the industry, and also for some further recession in prices. It will as well bring the cost of production more in line with the prevailing conditions in the sugar market. Any further loss that the industry may have to incur in marketing its huge surplus should, of course, be borne by itself out of the substantial profits which it has made in the last two years. It is legitimate to expect this gesture on the part of the industry for the record production of 1960-61 season was to a very large extent the result of the special concession given to it by the Government in the form of 50 per cent rebate in excise duty on production in excess of the average for the previous two years.

To put the industry on a sounder footing and to keep the cost of production at a lower level during the current season, so that exports may be possible at a smaller loss, it is also imperative to somewhat cut cane prices so as to bring them more in line with the return to the agriculturist from the competitive crops. It is an admitted fact that fixation of cane prices at Rs. 1.62 per maund for supplies at factory gates has been instrumental in diversion of land from under other crops to under sugarcane, implying thereby that this price of cane is rather too high. A cut in cane prices, say by 1½ annas per maund, will restore the balance. The Government may hesitate to take this step for it may not find it proper on its part to reduce cane prices arbitrarily having once fixed them. But *The Eastern Economist* does not think that the cultivator will have any objection to it since he will find a market for his produce which otherwise might not be there. The 10 per cent cut in sugar output during the current season over the 1960-61 level should also be strictly adhered to. This will not entail any big sacrifice on the part of the agriculturists.

If a solution is hammered out on the lines indicated above, many of the difficulties of the sugar industry can be resolved. The East U.P. sugar manufacturers would do well to reconsider their decision to close down their factories, for any precipitate step on their part will only alienate the sympathy of the general public for their cause. Of course, there can be little theoretical objection to any entrepreneur stopping his business provided he fulfils the conditions of the law. The social consequences of such a course on the rural community, however, cannot be overlooked. The wholesale closure of a vital industry in a particular region is not something which can be allowed. The suggestion put forth by these mills for the suspension of further monthly releases of sugar till the time the already released sugar is taken up by the trade is not a judicious approach. It may temporarily halt recession in prices, but it will only postpone the evil day. By hampering growth in consumption, it will lead to further accumulation of stocks since production has to go on.

Guest Editorial

Across the Widening Atlantic

By WILLIAM REES-MOGG

THE Bermuda Conference has come and gone, successful but unremembered.; Mr. Macmillan has already seen President Kennedy four times in his first year of office; in the Prime Minister's view, as he explained to the readers of *The Sunday Times*, relations between Britain and the United States remain very close, although there is freedom to differ. This is a somewhat different story from the one that has often been heard in Washington of an ending of the special relationship, and of a new concentration on Europe. What then is the truth about Anglo-American relations?

To some extent Britain has retained a most-favoured position, the closest ally and the closest confidant, in default of a challenger. The Americans have found President de Gaulle to be almost as impossible as President Roosevelt and Cordell Hull thought him during the war. No American administration entered office more francophile; on Inauguration Day they were humming "I Love Paris" as they rode in procession; no administration has been more quickly disillusioned or more exasperated. President de Gaulle seems to Washington to take a perverse delight in snubbing and obstructing American policy.

Nor has Germany been able to step into the role, though no doubt willing to do so. For much of the year Washington and Bonn have been in disagreement about the possibility and form of negotiations over Berlin. In the German elections Dr. Adenauer's political position was critically weakened.

Thus in many matters the Americans have to talk to Britain, or they have nobody useful to talk to. This has helped to re-establish a confidential position. Britain has also remained the steadiest of the allies of the United States. President Kennedy does not have to spend his time looking over his shoulder to see if Britain has gone absent without leave. Finally, of course, there is the question of language and of moral tone. Usually the Americans and the British are bad linguists; they also depend on the acceptance of some residual Protestant ethic; they prefer to do business with countries which see the difference between right and wrong in the same way as themselves.

Yet there are pressures which are pushing Britain and the United States apart. The first is the decline in British power. When the Empire was still an Empire, the Americans disliked it and on anti-colonialist grounds disapproved of it, but they had to reckon with it. The Commonwealth, however valuable to its members, does not work that way; it is not a power-group in this sense at all. Britain can no longer automatically deliver the combined weight of the Commonwealth and Empire, and many American observers exaggerate the degree to which the Commonwealth is in dissolution.

Oddly enough the decline in power also makes Britain less dependent upon American friendship, because it involves a comparative decline in responsibility. During the phase of unwinding the colonial empire, Britain was dependent on American support in recurrent crises; when, as at Suez, she tried to act alone, she was humiliated. Britain no longer has so many vital overseas commitments to be safeguarded.

More important, however, is the British decision to go into Europe. The Anglo-American relationship has normally in the past been the second closest of British ties, coming after the Commonwealth. Now, whichever order may be applied to Commonwealth and Europe, it is plain the United States cannot be put higher than third.

How sharp this contrast will be depends on the development of Europe herself. There is undeniably a third force tendency in the European movement as such. If Europe develops, as she can and should, into an economic power equal to the United States and the Soviet Union, then she is bound to pursue foreign policies of an independent character, though Europe is probably too mature for this to lead to an actual split with the U.S., particularly if Britain is a member.

There are still, however, many possibilities in this area. In particular the future of the French Government is unknowable; if the worst came to the worst, and an O.A.S. Government succeeded, then the economic arrangements of the Common Market might survive, but the European powers would not be likely to move towards closer political unity.

Another pressure on Anglo-American relations is the growing feeling of nationalism, probably in both countries. In America it is expressed at its worst in the activities of the lunatic right-wing fringe groups. But both in Britain and in the United States perfectly level-headed people are taking the view that a country must stand up for itself or be kicked around.

The United Nations has become the focus of much of this suspicion. Certainly the voting arrangements in the General Assembly are absurd, with one vote for each country, however large or small. Certainly also the Afro-Asian bloc is revelling in its now-found power. Britain and the United States do not see eye-to-eye over the U.N., and of course they particularly disagree on the admission of China.

These are important trends which will tend to worsen the present Anglo-American association. A certain vigorous style of independence is creeping in. Yet the ties of language and sentiment have in the past shown astonishing power of survival; they are not dead yet.

A DELHI DIARY

T. T. K.

THE news of the week, and perhaps for the year is — T.T.K. I happened to be in Madras when the bombshell burst. From profound knowledge of what is called business opinion, I prophesied correct (without consulting the stars) that there would be a Stock Exchange crash. May I, therefore, say proudly by a piece of scientific research — as distinguished from the fearful astrological predictions which the Prime Minister condemns so much in others —that I have become a true prophet. Unfortunately, I failed to back my own opinion on the Stock Exchanges. The net result is that, having failed to display the courage of my convictions, I am no richer than before. I am told, however, a very large number of people are poorer. Such is apparently the power of personality in the Indian political system; more things are wrought by personalities than this world dreams of.

People are asking me, as though I were a source of profound original news, how it has all come about so suddenly. I have deep respect for T.T.K. and I know that he had reconciled himself — unwisely, in my opinion — to a life of retirement. His vigorous mind and his great dynamic power of management — which made him the greatest Commerce and Industry Minister that India is ever likely to have — were valuable assets which the country should have been able to use. I myself have not thought that as a Finance Minister of India he was at his best, and I am hoping very much that when he comes back he will be Commerce and Industry Minister, and Minister of Steel, Mines and Fuel combined to evolve a co-ordinated policy of industrial development for the Third Plan covering every facet of that complex operation. If this should happen, in my opinion, the Stock Exchanges that have reacted so bearishly at his arrival, will be right to behave like the proverbial mad bulls. I, for one, will "bull" wildly on that occasion.

ELECTIONS: INSIDE AND OUTSIDE

Electioneering is an interesting fever whether one is in the hurly burly or whether one looks at it with what I would call detachment. T.T.K.'s case is one of the most fascinating operations of its kind. Mr. Kamaraj Nadar who, as is known, is a great personal friend of T.T.K., had not one, but two, seats in readiness should T.T.K. change his mind to stay out of the elections. The green signal appeared very late in the day in the form of a letter, it is believed, from the Home Minister to Mr. Kamaraj, indicating that T.T.K. could "certainly" stand. Almost by magic the great wheels of politics began to whirl. Apart from the South Madras constituency where T.T.K.'s nomination papers were first filed, in two days both Mr. Kamaraj and T.T.K. were at the Tiruchendur constituency, where another Mr. Nadar, who will go down in history for fame or notoriety (depending on the party affiliations of the persons commenting) was standing on the Swatantra ticket. The same concatenation of circumstances — this time men's not stars' — brought C.R. rapidly from Bangalore to the same turbulent scene. After a great deal of argument — I have no evidence of horse trading — Mr. Nadar agreed to stand down and T.T.K. was elected unopposed. Thereupon he withdrew his nomination from the South Madras constituency and except for the Stock Exchanges all was for the best in the best of all possible (Congress) worlds. I personally tender my congratulations to T.T.K. for one of the most brilliant operations that he has performed in a distinguished career.

NORTH BOMBAY

I cannot deal with the subject of elections and fail to deal with the most important election, almost for all the world, which is being conducted in North Bombay. The Prime Minister's trip which ended in a fierce speech in which members of the Anti-Menon Youth Front, led by Mr. Rama Krishna Bajaj, were invited to go to hell, was, it seems to me, to use a classical understatement, an unwise political expression. These ferocious outbursts which are sometimes popular when they come from the Hero of the Revolution can boomerang. Since the old tide is receding, the voter has got into his head that he has to be treated with some courtesy, and now in the Congress Party itself there is a feeling that the soft answer is a better instrument for turning away wrath. The present view is that the Prime Minister has lost some thousands of votes by throwing a very large number of energetic Congress volunteers into the anti-Menon camp. Also an assertion that Goa was an election issue has reduced a good deal of the halo from Mr. Krishna Menon's somewhat less impressive head. All in all, the election has been turned, my reports tell me, in favour of Acharya Kripalani. Without consulting the planets, may I make a prediction that Acharya J. B. Kripalani — other things being equal — will win by what, in racing language is called a 'short head' which might, with a constituency of this kind, be a matter of ten thousand votes. Even the Indian Institute of Public Opinion dare not predict victories with such adventurous accuracy.

THE PLANETS

So far as the Planets are concerned, we are awaiting this week, or to be precise on February 3 and 4, the coming of doom. But for the present, all I need to do is to record the view of my naughty cartoonist who, having been absent, for a week, has now returned from consultations in another world!

What a Life!



As you know, we're gathered here to determine how grave a threat to our existance the Earthlings pose.....

Courtesy "The Hindustan Times"

ARGUS.

THE WEEK'S NOTES

Saving-Income Ratio

AN OPTIMISTIC ESTIMATE

THE NATIONAL COUNCIL of Applied Economic Research released last week its findings of two household surveys — one directed to urban areas and the other to the rural areas. While the survey of the rural households was of a pilot nature, covering not more than ten villages, the study of urban households in regard to income and savings was on the basis of an All-India sample covering 4,650 households in no less than 30 towns with a population of more than 10,000. The findings of the urban household survey were:

(1) Eightyfive per cent of the households having income of less than Rs. 3,000 per annum owned 52 per cent of the aggregate net income.

(2) The remaining 15 per cent of the households having an income of Rs. 3,000 or more per annum owned 48 per cent of the aggregate income.

(3) The aggregate gross saving in urban areas was 17.2 per cent of the disposable income, while the net saving was 13.7 per cent of the income.

(4) There was a close correlation of income with occupation, education, age of the head of the household and the number of earners for households.

(5) The top 15 per cent of the households in the urban areas accounted for practically the entire amount of aggregate saving, while the remaining 85 per cent of the households either did not save, or dissaved.

(6) While the average propensity to save was 13.7 per cent of the disposable income, the marginal propensity to save was as high as 34 per cent of all income classes and 24 per cent when the lowest and the highest classes were left out.

The Council reiterated its belief in India's overall average saving ratio being 10 per cent of the total national income as established in another study published by the Council last year. The confirmation of the high rate of saving at 10 per cent was based only on the urban household survey because the rural pilot survey did not provide anything but too meagre an evidence, one way or the other.

Whether India's rate of saving is 8 per cent or 10 per cent of the national income, what has intrigued the students of economics is whether the large financial expenditure incurred by the Council on these household surveys has added to the information already available on the subject and whether they are sufficiently reliable in view of the vast element of error to which the household survey approach itself is vulnerable. Apart from the statistical errors, the administrative errors including that of the "interviewer bias" are likely to make the estimates of the Council highly questionable. On top of that, the urban sample has not provided regional break-downs of incomes and savings. Nor has the Council disclosed the list of the thirty towns included in its sample, when secrecy has no warrant whatsoever. There was every likelihood of the sample being heavily weighted in favour of some of the progressive States such as the Punjab and that element alone might have raised the saving ratio. Again 1960 was in no way a typical year in the sense that the incomes in the urban areas were fast expanding, at least in money terms, due to the vast increase in development expenditure. The inflationary pressure in the Indian economy in that year was one of the major causes of rising money incomes in urban areas. It is thus not logical to deduce possible trends of income and saving ratio on the basis of a static picture for a particular year. Unless surveys of a similar type are conducted from year to year over a period of 5 to 7 years, the thesis of the Council about the high saving ratio may not be confirmed. The highly fluctuating character of India's national income itself is likely to show wide fluctuations from year to year and on that score alone, it may not be wise to be carried away by the Council's "high optimism".

U.S. Budget

MR. KENNEDY'S COURAGEOUS STEP

CONFIDENCE AND ambition are deeply imprinted on President Kennedy's budget for the fiscal year ending June 1963. To his critics he has made it absolutely clear that pre-occupation with transient problems of the immediate future must not be allowed to distort the long-range perspective and America must face up boldly to the responsibilities which have devolved upon her as the leader of the non-Communist world. This explains the imaginative plan for defence expenditure for which generous appropriations are asked for from Congress. The overall expenditure is pitched at over $92,500 million which shows an increase of $10,900 million above the outlay in the budget for the current year. It is no surprise that a sizeable slice of 10 per cent in this increase goes to space research and something like 65 per cent of the increase is allocated to the strengthening of defence. Civil expenditure devoted to the domestic economy has been held practically at the level of the current fiscal year and certain economies have been invisaged. But in the face of the bold defence and space programme these economies totally disappear in the final shape of the budget. The President has categorically stated that neither the stresses and strains on the balance of payments nor the pressures of inflation ought to be allowed to make the nation deflect from its obvious responsibilities. Nevertheless, the budget shows a recognition of appropriate action to reduce the pressure of the payments deficit in the sectors from where it arises powerfully. Military aid abroad is being curbed and greater emphasis is being laid on foreign economic aid, which is now being pushed to higher levels.

In spite of this forthright increase in expenditure, the President strongly hopes that the economy will stoutly begin to look up as the revenue yield will rise appreciably. The corporation tax gets no relief in a phase of acute export competition and the other taxes have not been readjusted either for downward revision or virtual elimination. The tax-collecting machinery is to be enlarged and strengthened and this step, along with the higher rate of growth in the economy, is expected to create a nominal surplus of $500 million. It is in essence a balanced budget which the President is aiming at. Further indication of his confidence in the nation's capacity to bear a budget of a higher magnitude is to be gathered from the assertion that price stability and the competitive efficiency of American industry in the export market are to be boosted. When the Reciprocal Trade Agreement Act comes up for renewal after its expiry at the end of the current fiscal year, the President is asking for a five-year authorisation in the interest of a continuous and longer tariff policy.

Newsprint

ARBITRARY RESTRICTION

THE GOVERNMENT could not have exercised the discretion to clamp control on an essential import more arbitrarily and capriciously than in the case of newsprint. If dearth of foreign exchange is the justification behind the promulgation of the Newsprint Control Order, it could not have been pleaded more frivolously. Considered from any angle, this new restriction on the ceilings on increased supplies of newsprint may be

interpreted as vindictive, since it again seeks to make an indivious discrimination between newspapers and periodicals with a larger circulation, on the one hand, and those with a small circulation, on the other. The only saving grace is that, during the critical pre-election phase, additional quotas are to be made on an ad hoc basis, the presumption, of course, being that the ad hoc allocation will be fair and impartial. For the current calendar year as a whole, daily newspapers with a circulation of 10,000 copies will be entitled to an additional supply of 10 per cent in excess of their average certified circulation during 1961, while dailies with a circulation of less than 10,000 copies will be eligible for an additional quota up to 25 per cent on the same basis. This smacks of an attempt to revive the same type of discrimination to give an artificial boost to the smaller newspapers through the imposition of the price-page schedule — an attempt which was foiled by the Supreme Court as repugnant to the right of freedom of expression. But the more weighty objection to the Order rests on a fundamental ground.

The growth of newspaper circulation in a country is a vital index of the growth of the democratic consciousness of its people. The aggregate circulation of daily newspapers in India has yet to cross the 5 million mark. For a country with a population of 438 million it is a poor index in itself and no international comparisons are necessary for such a self-evident fact. To try to hold the growth of circulation at a margin slightly above this speaks for a deplorable lack of imagination. But to invoke balance of payments strain in this case is ridiculous. Between 1952 and 1960 imports of newsprint increased from Rs. 4.72 crores to Rs. 6.17 crores and the estimate for 1961 may be placed a little higher by Rs. 0.30 crores. An additional demand of Rs. 1 crores in 1962 on a very liberal reckoning is not going to distort, by any stretch of reasoning, our payments position, nor is it going to make any mentionable inroad on any other import requirement. The free flow of information on national and international affairs, the diffusion of ideas on these topics and moulding or influencing public opinion are basic functions of the Press — they are also basic to the healthy growth of democracy. To restrict them on a frivolous plea is in itself reprehensible — and much more so where the growth of the Press needs an enlightened policy of stimulation.

Nepal

SPORADIC VIOLENCE

THE DASTARDLY attack on the person of King Mahendra on January 22 at Janakpur, about 78 miles from Khatmandu, will stand condemned everywhere, as it has already been condemned in this country. The King is to be congratulated upon having escaped the nefarious design of the assailants. It speaks for his complete composure and equanimity that the outrage left him quite unperturbed and he fulfilled his engagements of the day according to the fixed schedule. This outrage is not an isolated act and for quite some time now violence and lawlessness on a sporadic scale are being resorted to by a small minority of anti-national elements in Nepal. The confidence with which the King is conducting the affairs of his State has won him nation-wide support for his regime and the activities of a disgruntled few cannot deter him from his set path.

The Government and the people of India have always maintained, ever since he assumed the reins of power, an attitude of detachment, believing fully in the principle that it is for the King and the people of Nepal to evolve a type of government best suited to their genius. At least the Ministers of the King should have taken note of this rational attitude. But it is certainly amazing that Nepal's Foreign Minister, Dr. Tulsi Giri, should take the licence to make certain insinuations calculated to impute to the Government of India connivance at this lawless activity. Normally, there exists a voluminous two-way flow of people coming from Nepal into India and going back to their home country. In the next place, the terrain on both the sides of the border between the two countries makes it extremely difficult to enforce strict vigilance and security measures. These two factors explain how subversive elements can exploit it to their advantage. But since the Government of India got the first inkling of the abuse of this situation by anti-national elements in Nepal, our State Governments on the frontier are taking, under its instructions, all practicable measures to prevent smuggling of arms into Nepal. No Government could do better than that.

If Dr. Giri chooses to make unwarranted insinuations against India, the proper inference to draw would be that this is an attempt to find a scapegoat. But without doubt the internal security of Nepal and harmonious relations between the two countries will best be promoted by the Minister and his colleagues, if they concentrate their energies on stamping out violence inside Nepal on the marginal scale that it exists. It is gratifying that the Finance Minister of Nepal, Mr. R. K. Shah, made forthright observations at a press conference held at the Nepalese Embassy in New Delhi on the day of the Janakpur outrage. What, in effect, he explained, was that neither the Government nor the people had anything to do with these activities. In robust contrast with Dr. Giri's attitude, he wisely stated that any misunderstanding that has arisen could be removed by patient diplomacy. King Mahendra is to visit this country very likely in March and this opportunity will no doubt be utilised to clear the atmosphere.

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The World Abroad

PERSONAL DIFFICULTIES OF INDIANS IN THE U.K.

By ODYSSEUS

THE CHIEF PROBLEMS that confront Indian students in the UK, apart from those of social adjustment described here last week, are emotional, financial, and academic, according to a survey made by Mr. A. K. Singh, just published by Political and Economic Planning, 16 Queen Anne's Gate, London. S.W.1. (32 pp. Price 4sh.).

Out of the sample of 400 Indian students questioned by Mr. Singh, 44 per cent had not foreseen emotional difficulties. These seem to me of particular interest because not only students but Indians of any type, who remain abroad for long periods, are likely to encounter them, not only in the UK but in any foreign country.

PERSONAL PROBLEMS

(Percentages)

	Upper Class Students 100%=150	Middle Class Students 100%=250
Felt lonely	29	68
Felt homesick	48	79
Had food difficulties	43	64
Had difficulty in shopping, washing, cooking etc. ..	13	57
Worried about domestic problems	27	74

More middle class than upper class students were vegetarians. Food taboos produced emotional difficulties for vegetarian students in particular, who hesitated even over vegetarian dishes because they suspected that they might have been cooked in animal fat. Even some non-vegetarians, who had no "rational" objection to beef, felt emotionally repelled after a few attempts to eat it. A greater number of vegetarians from both upper (64 per cent) and middle (74 per cent) classes experienced food difficulties than non-vegetarians (for whom the corresponding figures were 35 per cent and 52 per cent).

Emotional difficulties were a special strain on the predominantly middle class, older students. Eighty-six per cent of 131 married students were living without their wives in the UK. Seventy-three per cent considered that "separation from wife|children" was of "great or very great importance" in contributing to their dissatisfaction in the UK. Seventy-three per cent of the married students had been married for more than three years and 69 per cent had one or more children. Some were particularly worried about the finances of their families, which they had supported when they were in India. They had deprived their families of their financial help by going to the UK and had also put an extra burden on them by leaving their wives and children for the family to support. Some had arranged for their wives to be maintained and their children educated at the expense of friends and relations, who became less enthusiastic as time went by, so that the promised payments were delayed or ceased. A few students were forced to take temporary jobs, or use money from their scholarship grants, in order to send money to their dependents at home.

Most students had had no experience in looking after themselves in every day matters. Before going to the UK many "had not made even a cup of tea." To save money, many middle class students did their own cooking, washing, and shopping, which absorbed much time and energy. Older students, used to the comforts of family life, found it difficult to acquire new habits. One who had been married for eight year and was in the UK without his wife said:

"When I was unmarried I was the responsibility of my mother and sisters. Eight years of married life spoiled me. I had got used to a life in which every morning I found the bath ready, blade put into the safety razor, fresh clothes on the hangers, breakfast on the table. Now I have to do everything myself, and I cannot do them properly. My landlady always complains that my room is not organised and tidy. I often forget to take my key when I go out, which adds to her annoyance."

MONEY DIFFICULTIES

Most middle class students were handicapped by their finances. More middle class students than upper found that living costs were higher than expected and that jobs were more difficult to get. Some had had the false impression that they would be able to earn easily and study at the same time. Some came with just enough money to support themselves for one year, hoping to earn enough thereafter in part-time jobs. Many middle class students had arranged their finances from more than one source, scraping up all the available resources of their family and relations. Some were greatly inconvenienced in the middle of their stay in the UK when their arranged resources suddenly failed, because some relation was unable to keep his promise to send money, or the earning member of the family died, or a scholarship or grant came to an end.

ACADEMIC PROBLEMS

Two reasons for going to the UK mentioned most often were to gain advanced training in their subjects and to better their future prospects, which, of course, depend on academic success. Most students, therefore, were primarily concerned with their academic adjustment and only secondarily with other problems. Many, particularly the middle class, felt that academic achievement would amply compensate them for hardships and social and emotional deprivements: it was a British degree that would gain them a job on their return, not their acquaintance with the British people, however valuable that might have been as an experience. Fiftyfive per cent of middle, and thirty-five per cent of upper, class students were worried by fear of academic failure. Generally, their academic difficulties arose from the use of the language and the higher standards of British compared to Indian universities.

LANGUAGE DIFFICULTIES

Twentyfive per cent had experienced difficulties in their studies, arising particularly in expressing themselves in spoken English and participating in seminars. Ninetyseven per cent of those who experienced difficulties mentioned the language and seventyfour per cent considered it the "most important" of their academic problems. Their second most important difficulty was in writing essays. Sixtyone per cent who experienced academic difficulties mentioned this and fourteen per cent thought it the "most important" problem.

Perhaps an extreme example may help to explain the kind of language difficulties that we are talking

about. On his arrival, one post-graduate in political science went to see his tutor. After asking him about his plans, the tutor, omitting "If I were you," said to him: "I would write an eassay on...." The student was pleased to know that his tutor was interested in his subject, but when they met again he was puzzled to discover that his tutor expected him to have written the essay himself. He could only say: "Sir, I thought you were writing it!"

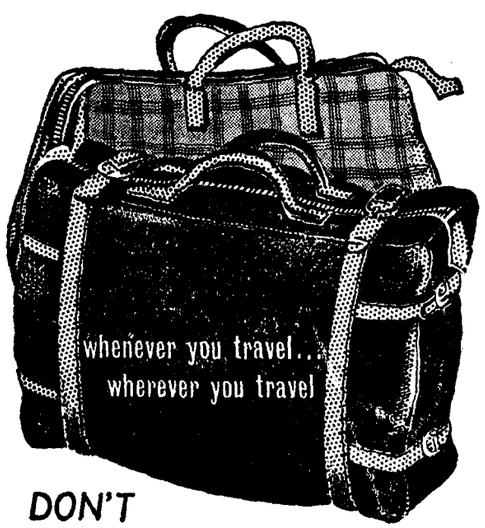
DIFFICULTIES OF HIGHER UNIVERSITY STANDARDS

Many students, particularly the post-graduates, who were predominantly middle class, soon realised that they were inadequately prepared for the level of study required. Thirtyone per cent of the post-graduates, as opposed to seven per cent of the undergraduates, urged that future students should have a better academic preparation before they went to the UK. Some of the research students arrived hoping to obtain a higher degree, but without prior training in research and without any clear idea about their work. To make up academic deficiencies, many had to put in extra work. They used up much valuable time in acquainting themselves with research techniques, and were only able to begin actual research after they had spent almost half of their available time and financial resources. They found the demands of the British universities both higher and different from those of India. It was not so difficult to make up for deficiencies in their knowledge of the subject, at least to some extent, by extra work, but it was more difficult to unlearn habits and acquire new attitudes of mind. As one student explained:

"In India, a student is given credit if he is merely able to memorise a number of quotations. Here, the teacher judges him by what he writes after these quotations, how he interprets them .... Here it is not enough only to know what others think, it is also essential to think for oneself. The transition from one approach to another is difficult, and takes some time and, of course, adaptability."

One of the main anxieties for many post-graduate students was their transfer from a Master's degree to a Ph.D. There is an appreciable difference between the two degrees in India, where the social and professional recognition of the Ph.D. is much higher. Many post-graduate students had registered themselves for a Master's degree, because they could not get direct admission for a Ph.D., and hoped to be transferred retrospectively to the latter after a year or so. Some found themselves in a difficult position when, with only a few months left to prepare for the Master's degree examinations, they were finally told that they could not be upgraded to Ph.D. An adviser to overseas students has commented that this has been a source of frustration to many "students who had to leave the university with a degree qualification lower than they had hoped to get, e.g. a Master's degree instead of a Doctorate." This put a great strain on the older students, particularly those who had already worked for a number of years in responsible jobs in India before going to the UK.

[This is the second of three articles on Indians in the UK. Next week's final article: "British and Indians: A Contrast in Attitudes."—Ed.]



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The European Scene

COMMON AGRICULTURAL POLICY

From Our Special West European Correspondent

PARIS, January 21.

NONE of the products covered by the joint agricultural policy that has just been sketched by the Common Market is of direct concern to India's foreign trade. (One forgets that protective duties for cereals, which caused so much trouble at Brussels last week, date from the time when cheap Punjab wheat was flooding Europe!) So the length and Byzantine complexity of the negotiations probably exhausted Indian interest in the affair; now that they are concluded, one ignores the details and retains only the fact that the Six succeeded in the intricate task they had set themselves. And indeed this is the main point. Whether the farm policy they have worked out is a good or bad one is a question that only specialists can judge and that only time will settle; and besides, which nation has a "good" farm policy?—certainly not the USA, Russia or Britain, all of whom have incoherent and uneconomic agricultures. The Six may have done no better, but the important fact is that, for the first time, a group of nations have managed to adjust the tangle of special interests that govern farm policy everywhere. GATT has completely failed on this chapter, and has never been able to get beyond trade in industrial manufactures; while the seven-nation Free Trade Area never even tried.

The Six took a long while about it, but then experts who participated in the Brussels battle estimate that it would have taken at least a year, if not two, to get a similar programme through a national parliament. At the risk of being disrespectful to parliamentary democracy, one is tempted to note that the issue of farm prices can be dealt with rationally only when it is taken away from the parties and lobbies who rule in national parliaments, and handled in the eminently undemocratic style of diplomats and technocrats horse-trading behind closed doors. Notice too that the plan worked out in Brussels, which will decide the future of tens of million of peasants and affect the lives of 160 million consumers, will not even be submitted to parliamentary ratification in any country; if it were, it would no doubt be rejected, because in every country there will be some powerful vested interest that finds its profits threatened. Since West Europeans talk so much about parliamentary democracy, it is worth noticing that they have succeeded in this vital and difficult affair only by pocketing [illegible]

Of course, they would have consented to do so only in the name of something else that is, just now, more vital without being inconsistent in the long run with parliamentary democracy: European unity. The dispossession of national parliaments of their powers over farm policy signifies the appearance of a supra-national authority in this field. Under the new plan, the Council of Ministers will have a real legislative power, and it will exercise it, on many subjects, by majority vote, i.e. even the biggest countries, France, Germany and Italy, lose their veto power. This raises the question of some sort of all-European parliament to control the use of this power. Once a supra-national authority emerges, there must be some supra-national representation to check abuses, unless democracies are to retrogress to the [illegible] where economic affairs can be controlled by irresponsible powers. By opting for a supra-national solution of their agricultural difficulties, the Six have brought nearer the day when they must attend to their political unification. Meantime, what is striking is how far the joint farm policy is a European affair, to what extent it views problems in the light of general interests, rather than a mere contract between nation-states. For all the bargaining that went on in Brussels this month and last, the plan as it emerges is remarkably similar to the original proposals of the EEC executive, specifically the plan drawn up by M. Mansholt who used to be Dutch Agriculture Minister and is now vice-president of the EEC Commission.

One must dwell on this victory of the European ideal not only because it is the most significant political aspect of the farm-policy agreement but because of what it foreshadows for the negotiations with Britain, where agriculture will once again be the greatest stumbling block. Several national delegations entered the recent Brussels conference highly suspicious of the "supra-national technocrats" of the EEC Commission, determined to keep the discussion on a government-to-government plane, and to seek contracts bringing short-term benefits. It was soon evident that, on that basis, the talks would fail, and they would have broken down if it were not for the tactful and resourceful intervention of the Commission's officials, who displayed treasures of ingenuity and patience. Without seeming to override Ministers, they guided the course of the talks at every critical moment, and eventually managed the tour de force of getting the Six delegations to accept, in substance, M. Mansholt's plan. Those nations that made sacrifices—and all did, notably West Germany—did so in the name of the European ideal; and the delegation that is doctrinally most opposed to supra-nationalism, the French, found itself arguing for a joint or communal management of Europe's agriculture.

The Six will carry over this community-approach to the bargaining with Britain, whereas it is highly unlikely that—at this early stage, at least—the British will be moved by a similar attachment to European unity. London, perforce, will enter the negotiations with a list of vital interests to be protected, i.e. just the approach that the Six had to abandon lately in Brussels, in order to place themselves at the community point of view that inspired M. Mansholt's proposals. It is evident that the Six and Britain will be on different wavelengths for a time. The Brussels talks lead one to foresee harder going in the discussion of Britain's application than was at first imagined. Besides, it would be as well not to hide from the Commons, who are quite opposed to supra-nationality, the real meaning of the Common Market's joint farm policy. Not only does it entail a majority vote on numerous questions, but it will oblige a co-ordination of national farm programmes, limit freedom in writing trade pacts with third countries, deprive national authorities of the power to fix independent support prices, and in general reduce sovereignty in everything that touches agriculture. Eventually, a single support price for each product will be fixed for the whole region by a conclave of Ministers meeting in Brussels. True, some of the specific timetables set in Brussels last week cover only the next three years, after which there will be review; and if Britain is in the organisation in time, she will be able to influence later developments—but only to influence, for no one will have a lone veto power.

On the other hand, the victory of the supra-national Commission (while it will offend British political preferences) is a guarantee that the Common Market's farm trade policy will be essentially liberal, for the Commission has a less protectionist approach than several of the national governments. M. Mansholt, perhaps because he is a Dutchman, has it in mind that Europe should concentrate on farm products containing much

dded value" and gradually reduce its output of crops
t are really the raw material of more profitable pro-
cts, i.e. Europe will promote the output of products
animal origin (meat, eggs, dairy produce) and im-
t freely cereals from North America. This squares
h the real food needs of Europe's populations and
l cause less conflict with overseas producers of tem-
ate-zone foodstuffs.

Nevertheless, the formation of a common agricul-
al policy for this region inevitably awakens the fears
other food producers, notably the USA and the tem-
rate Dominions of the Commonwealth, so it must pre-
itate a round-table conference between the lot of them
what to do with their surpluses. This is where the
estion becomes of direct concern to India. A show-
wn between Europe's united farmers and the food
porters of the Americas, north and south, and the
mmonwealth will inevitably bring them face to face
th the reality that there is no solution for their dilem-
a as long as they are pouring expensive food on to a
orld market where there are few buyers with the
sh to pay for it. They will not recognise this at first,
turally. The Americans will press for freer entry for
eir immense surpluses into the Common Market,
ritain will try to place there as much as she can of
e exports of Australia and New Zealand, Denmark
ill have to squeeze into the association with surpluses
at duplicate Holland's, and everyone will complain of
e system of export-subsidies included in the Common
larket's programme. One cannot foresee how long
e nations concerned will keep up this bickering before
eaking down and admitting that you cannot fit a
quart into a pint pot, but they will have to admit it
in the end.

At that point, they will have to take further the proposition of M. Wilfrid Baumgartner at the GATT ministerial conference at the end of November. Roughly, the then French Finance Minister suggested that the well-fed West as a whole would need to adopt something like the Common Market's joint farm policy, on a larger scale and suitably modified. The essence of this is the cautious introduction of as much free trade in primary produce as is consistent with the preservation of national farm groups whom no one wants to sacrifice; the joint fixing of support prices high enough to maintain the living standards of those under-privileged groups but low enough to discourage constant over-production; and then—granted that surpluses will continue to be produced—joint financing of their disposal. At the Common Market level, this joint financing means that West Germany will, in a few years, be subsidising the export of costly French surpluses, which will have the effect of worsening the situation in world food markets, by increasing the excess of supply over effective demand. But if the West as a whole adopted this policy, it could only mean that all the advanced nations were financing the disposal of their net surplus in regions outside the zone of well-fed peoples. In short, they would be channelling their excess food to that part of the world—and it is the greater part—where men today cannot eat their fill. It is as the first step toward this rational solution of the West's agricultural problems that the Common Market's agreement last week has its historic importance.

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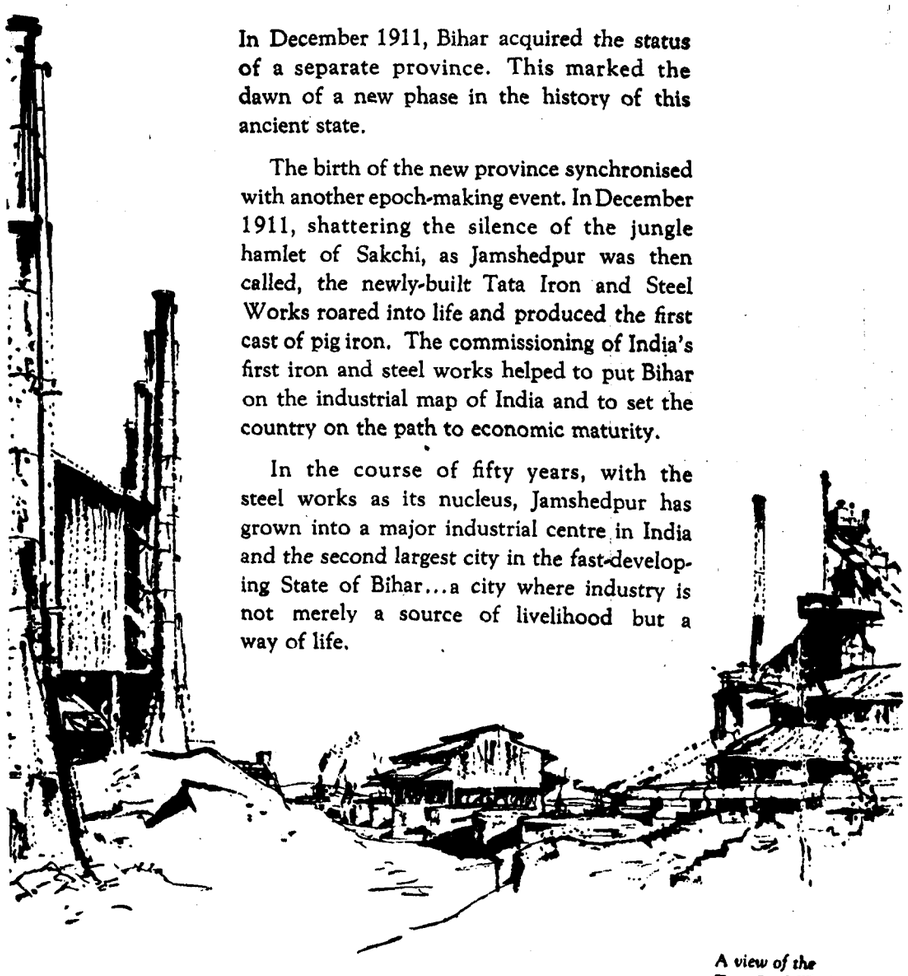
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A view of the Tata Steel Works in 1911

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The Tata Iron and Steel Company Limited

Economic Report from the U.S.

FEDERAL BUDGET

By GUY SIMS FITCH

WASHINGTON, January 18.

ANY national budget obviously must be designed to carry forward efficiently the legitimate activities of government. Beyond that, an enlightened fiscal policy will also seek to achieve a relationship between receipts and expenditures that will contribute to economic growth, high employment and price stability. These objectives are inherent in the Federal Budget President Kennedy has submitted to Congress for the 1963 fiscal year, which begins next July 1. At first glance, there is a seeming paradox in this situation, with a budget that appears to be expansive and restraining at the same time. Yet closer examination demonstrates that the two elements are not at all contradictory. The budget is expansive in the sense that it will contribute significantly to the nation's economic growth and strength. It calls for Federal expenditures of $92,500 million, an increase of $3,400 million over estimated outlays for the current 1962 fiscal year ending June 30.

These expenditures would make it possible for the Federal Government to meet all its priority obligations —not only in such fields as national security and foreign aid, but also in such diverse areas as space exploration, scientific research, education, urban improvement, and expansion of employment opportunities. Projected expenditures have been curtailed, postponed or eliminated only for those purposes deemed clearly marginal under present circumstances to the growth, strength and international responsibilities of the U.S. At the same time, the budget would act as a restraining force in the economy in the sense that fiscal 1963 estimates envisage a slight surplus of $500 million in the U.S. Government's accounts. This surplus is based on the expectation that budget receipts will total $93,000 million, a substantial gain of nearly $11,000 million over estimated receipts for the 1962 fiscal year. Since these anticipated receipts are related to projections about the state of the U.S. economy, it is evident that the Kennedy administration is looking forward to a continuation of the U.S. economic upturn in the year ahead. The thinking is that the gross national product (GNP), or total output of goods and services, will reach an annual rate of better than $580,000 million by the fourth quarter of the current year. Recent calculations have put the rate achieved during the fourth quarter of 1961 at about $540,000 million, and this may be revised upward slightly when an official estimate is released next week. This rising level of output is expected to bring with it substantial growth in personal incomes and business earnings, with consequent increases in government revenues from individual and corporate income tax payments. It is entirely possible, of course, that the rate of economic advance, which has been noticeably brisk since the early months of last year, may slow down a little during the second half of this year and the first half of 1963 as the economy comes closer to full capacity operations. But whether it slows down or not, the advance is expected to continue.

Judging from past experience, an economic upsurge generally can be expected to last 30 months or more. Continuation of this pattern would see the current period of expansion extending well into 1963, at least. In fact, the administration is hopeful that appropriate government policies will help the economy move ahead for a much longer period. What has been discussed so far is the so-called administrative budget for fiscal 1963, which is essentially the traditional projection of programmed Federal spending. But the essential soundness of the Federal financial picture is reinforced by other types of budget calculations. Federal accounts on the basis of the consolidated cash budget, for instance, show an estimated surplus — an excess of receipts from the public over payments to the public — of $1,800 million. This cash budget combines the regular administrative budget with other types of Federal activities — mainly the social security, highway and other trust funds. Most optimistic of all is the budget projection based on what are known as the national income and product accounts, which use accrued rather than cash receipts and expenditures, and include only transactions directly affecting production and income. This method of accounting, which is regarded by many experts as the most accurate representation of the actual state of Federal finances, indicates a surplus of $4,400 million for fiscal 1963.

The fact that the Federal government is expected to operate with a moderate budget surplus — no matter how it is figured — during the 1963 fiscal year is considered particularly constructive at this time. A deficit of any substance during a period of rising economic activity, when prospects are favourable for continuing expansion in consumption and investment, might only increase the risk of inflationary pressures, and will be damaging both to the domestic economy and the international balance of payments. On the other hand, some slack still is evident in the use of productive facilities and manpower resources. Thus, a large surplus, with its deflationary influences, would run the risk of choking off the economic expansion before it reached its full potential and of contributing to a premature downturn. Under the existing circumstances, therefore, a surplus of the general magnitude projected for fiscal 1963 is regarded as the most appropriate to meeting the nation's needs and objectives.

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THE BUSINESS WORLD

Some Company Law Problems

By CROESUS

IT could not have escaped anyone who has followed the proceedings at annual general meetings of joint-stock companies in India, particularly in Bombay, over the past 25 years, that steadily rising number of shareholders, especially equity owners, have been taking increasingly keener interest in the working of these companies. We owe this, in a very considerable measure, to the indefatigable efforts of a few individuals, like the late Mr. Jagmohandas Kapadia, who was responsible for founding the Bombay Shareholders' Association, and Mr. Shamdasani. Although, to begin with, they were probably interested in the working of only a few selected companies in which they might have had a professional interest, some discoveries they made presumably led them to extend their sphere of activities. Both were well-read and well-equipped, especially Mr. Jagmohandas, who was once aptly described as a "Veritable Walking Dictionary on both Company Law and Income-Tax Law". It is no exaggeration to say that the Company Law we have today would not be what it is, but for the unflinching labour of love of Mr. Jagmohandas. I can vividly recall his rushing to me for a copy of the Cohen Committee Report on Company Law in the U.K. immediately after reading an editorial on the subject I had written in "Commerce" after managing to secure the first copy that reached India and the several fruitful discussions that followed after he had gone through that Report. Anyone claiming to serve shareholders must first make obeisance to the memory of Mr. Jagmohandas and then start his work, taking care, at the same time, to become as well-equipped as was that great man (may his soul rest in peace!).

The late Mr. Jagmohandas' institution, as also his work is, of course, being continued, albeit in a modest way, thanks to the interest of a few educated young brokers. It is a pity that an organisation avowedly functioning for the benefit of shareholders should have more broker-shareholders than non-broker shareholders. This is not the fault of broker-shareholders. Nor am I suggesting that broker-shareholders must not be members and take active interest in the affairs of such associations, but, in order to lend balance and so as not to give the semblance of a Cabal of vested interests, shareholders' associations ought to have a fair sprinkling of shareholders drawn from all walks of life and from all over the country. This should not be impracticable, inasmuch as we are having more and more shareholders, thanks to a bulk of the expansion of our economic activities entailing an expansion of our corporate sector; further, more and more of these shareholders have begun to attend and take part in company meetings lately. One has to attend the annual meetings of the Tata Iron and Steel Co. Ltd., or the Associated Cement Companies Ltd. to believe this. In fact, the growing attendance has compelled the managements of these companies to hire out the biggest hall in the city—Birla Matusri Sabhagar or Sunderabai Hall—to hold these meetings.

Until I listened to the address of Mr. P. A. Macrory, Secretary of Messrs. Unilever Ltd. (London) to the Company Law Association last Monday, I felt hopeful that more shreholders would join these organisations and take an active part. But when he revealed that, out of about 190,000 shareholders of his company, not more than just 26 evinced any interest in what both the management and the Financial Press in the U.K. expected would raise a storm of controversy, I am beginning to despair. After making all allowances for several shareholders living hundreds of miles away and their other pre-occupations, not to speak of the difficulty of getting accommodation on the day or days needed, whether in trains or planes, or even in buses, I am afraid the number can never be much. My expectation of a maximum attendance at any company meeting does not go beyond 1,500 for some years to come. Maybe, there will be a marked improvement if the companies concerned undertake to arrange for free travel to and fro, free accommodation, free food, and free transport, if only for the day of the meeting, at the place of meeting, but how many of our companies—or, for that matter companies anywhere in the world—can afford this seemingly necessary luxury? If even a fairly representative, let alone a large, body of shareholders, cannot be present, then, for a variety of reasons, into which I need not go here now, one may well ask: where lies the security for the shareholder? It is here that I thought Mr. Macrory had a more or less acceptable dictum to offer, when he said: "Every company has a triple responsibility—responsibility to its shareholders, responsibility to its employees and responsibility to the public (in particular, the customers)". But I was not prepared for the remark that immediately followed, namely that "this is not the strict test of the present Company Law in the U.K." I wonder whether the Jenkins Committee which is perhaps drafting—if it has not already drafted—its report on the amendment to the present Company Law in the U.K. will have an answer to offer. Here, again, after hearing Mr. Macrory, I must say I don't feel quite hopeful. For the consensus of opinion among those who have tendered evidence to the Jenkins Committee in particular and the British public generally would appear to be that as the 1948 Act has worked well on the whole, there cannot be any great changes.

Even so, I feel, it would not be out of place for me to tell the readers of this column something about what the public in the U.K. think about some of the company law problems that interest us here, on the basis of Mr. Macrory's address.

(i) **Shares of no par value:** On this question, about which there have only recently been some discussions in the Indian Press, I gathered that a majority of the people in the U.K. are in favour, so that the new version of the Company Law in the U.K. to be based on the Jenkins Committee recommendations would probably provide for it. Two of the arguments heard in favour, I believe, are that (1) this would avoid the confusion among a considerable section of the public as between the face value (paid-up value) and the market value of a given share. (It is amazing that, despite all the education by the fairly old and established Financial Press in the U.K., such confusion should still persist!); and that (2) labour interests keep on pointing to high dividends (conveniently calculated as a percentage of return on the face or paid-up value) as fleecing the labour and the public. Here, again, it is not a little surprising that the public—atleast some shareholders thereof—(not only in the U.K. but probably everywhere) should be so gullible as to swallow this half-truth, if not a lie.

(ii) **Voting rights:** The provisions in the present Company Law in the U.K. are believed to be not quite satisfactory and there is an insistance on making a clear demarcation between shares owned by the promoters or other interested parties usually styled as 'A' or 'B' shares and holdings of the general ity of shareholders. The demand particularly of the Stock Exchanges, it would appear, is for specifically styling the former as non-voting shares.

(iii) **Disclosure of ownership of shares:** This problem is not unknown to us and arises e pecially in the case of nominee holdings. About 40 per cent of those who tendered evidence before the Jenkins Committee are believed to have demanded a disclosure, partial or full, if the holding by any one party should exceed 10 per cent of the total paid-up capital of a joint-stock company.

(iv) **Disclosure of parties interested in take-over bids:** Here too,—by no means an unfamiliar trend to us—there would appear to be more and more public pressure for disclosure of the interests concerned. This is not surprising that, in the year 1961 alone, there were reported, in Britain, as many as 21 prop sals for mergers or take-overs, the combined assets in the largest of these aggregating as much as £900 million.

(v) **Transfer of shares:** I was under the impression that it was only in our country that the procedure for transfer of shares was so complicated and cumbersome. But even the U.K. obviously is no exception, considering that there is stated to be a growing demand there also for simplifying the procedure. One suggestion, I believe, is that this should be left to the stock and sharebrokers so as to eliminate avoidable delay and red-tape.

(vi) **Accounts:** The stress in regard to accounts would appear to be rightly on providing a correct view of fixed assets, in the context of frequent revaluations of assets by unscrupulous persons.

(vii) **Annual returns:** An interesting suggestion which seems to be confronting the Jenkins Committee is that for doing away with the provision in the Company Law to furnish information regarding shareholders every time, when the number of shareholders of a company runs into several thousands. Considering that even the hoary provision requiring directors to sign all share certificates has been amended in exceptional cases, it is not improbable that this demand too would be conceded.

(viii) **Qualification shares for a director:** There is no provision in the British Company Law on this point, but the stock exchange authorities there have certain regulations. Public opinion would still seem to be crystallising on this question. For instance, there is a school of opinion that wants that no whole-time directors should be subjected to such a requirement. In view of the increasing trend for more and more directors to be whole-time directors, especially if they happen to be drawn from the technician or expert staff who are slowly coming into their own (this is so even in this country) there is validity in this argument.

(ix) **Directors' duties:** Incidentally, the foregoing demand raises the question of what should be the duties of directors. (In India, we may have to ask also: what should be the duties of "deemed directors", a special creation of our new Company Law, even as the term "deemed public-limited company"). There is a feeling in the U.K., we are told, that these duties require to be clearly defined, in the context of the controversy as to whether (and if so, how far) the Directors' powers should be curtailed and those of shareholders increased. Mr. Macrory was brutally frank when he said that there was a lot of woolly talk on the subject of more powers to shareholders, in that not many shareholders care to evince interest in the working of their companies, the greater percentage being content to receive a steady and handsome return on their investment. He, therefore, suggested: "Give them sufficient information at frequent intervals to enable them to decide whether they would like to keep on the investment or switch over to another or to retain or remove the management. Shareholders should be treated neither as sheep nor as sacred cows"!

Generally speaking, Mr. Macrory seemed inclined to the view that shareholders ought not to be allowed to be unduly inquisitive. For he asked: Do investors in government securities ask the Government to answer all and sundry questions? This maybe a very clever question, but it does not provide an answer to the question of safeguards for the investor. Unlike in the case of a Government, there is no parliament of shareholders. However, one must agree with Mr. Macrory that the best safeguards for our investor lie in the Stock Exchanges and the Financial Press, but I must enter a caveat here: 'provided both the authorities and the company managements look upon these two in this spirit'. Unfortunately, if the stock exchanges are always suspect in the eyes of our Government, the Financial Press, even such as we have today, is often looked upon by company managements with an air of lofty patronage. With the removal of untouchability, Harijans may have access to the sanctum sanctorum of our most sacred shrines, but even the seniormost financial journalist in the country cannot have access, as in the U.K. (in that country, a financial editor is, in fact, specially invited and his views are eagerly solicited) to some of the captains of our industry even for days together. So 'busy' are some of them!

(x) **Donations to political parties:** This would appear to be much taken for granted that no one (excepting, of course, the Trade Union Congress) seriously wants any change. The directors have the discretion to make donations to any political party or to any charitable purpose, only bearing in mind the best interests of the company, but there would appear to be a growing insistence on the amount being disclosed at the end of every year. We can at least flatter ourselves that we have already anticipated this change.

Business Notes

Co-operatives

REMARKABLE BUT UNEVEN PROGRESS

DESPITE THE remarkable progress recorded by the Co-operatives between 1951-52 and 1958-59, their level of development was rather uneven as between one selected district and another, according to the Report of the Third Rural Credit Follow-up Survey which was recently conducted by the Reserve Bank of India. This unevenness in the development, the Report observes, was mainly due to factors relating to co-operative planning, structure of the Movement, and working of the Co-operatives. Thus, among the five selected districts, the proportion of cultivating families borrowing from Co-operatives increased from 4 per cent to 31 per cent in Ahmedabad, from less than 1 per cent to 13 per cent in Hissar, and from 4 per cent to 11 per cent in Mirazapur, while in the rest of the two districts, namely Cuddapah and Jalpaiguri, it was negligible. The report also says that the average borrowing from Co-operatives rose from Rs. 22 to Rs. 188 per family in Ahmedabad, from less than one rupee to Rs. 75 in Hissar, from Rs. 4 to Rs. 9 in Mirzapur and from Rs. 7 to Rs. 12 in Cuddapah. It is noteworthy that borrowings from the Co-operatives as a portion of total borrowings also showed a sharp rise from 6 per cent to 42 per cent in Ahmedabad, from less than 1 per cent to 14 per cent in Hissar, and from 3 per cent to 7 per cent in Mirzapur.

Another important finding of the Report was that the average size of the cultivated holdings was fairly large in Hissar and Ahmedabad, but relatively smaller in other districts. Except in Jalpaiguri, in all the districts, the Report disclosed, the cultivated area was concentrated in the hands of big and large cultivators. In all the districts, excluding Mirzapur, a high proportion of output (ranging from 44 per cent to 59 per cent) was sold by cultivators. Ahmedabad and Cuddapah showed a fairly high degree of commercialisation and monetisation, followed by Jalpaiguri and Hissar, while Mirzapur revealed a still low monetised subsistence type of economy.

At the end of the Survey year, according to the Report, the outstanding debt was still quite high. While, in Ahmedabad, Cuddapah and Hissar, it ranged from Rs. 640 to Rs. 800 per family, it was around Rs. 200 in Mirzapur and considerably low at Rs. 33 in Jalpaiguri. Furthermore, the latest Survey would appear to have disclosed a substantial rise in the proportion of indebted families, as also in the average debt per family, when compared to previous years. The major purpose of borrowing in all districts, except in Ahmedabad, was generally for family expenditure; in Ahmedabad, the current expenditure on agriculture accounted for 57 per cent of the total borrowings. The rates of interest charged were relatively higher in Mirzapur and Hissar, as three-fifths or more of the borrowings were obtained at rates exceeding 18 per cent. It is revealing to note that, of the total borrowings, a major part was still being contracted from money-lenders and traders in all the districts, except Ahmedabad; only about 42 per cent of the total borrowings of cultivators in Ahmedabad was provided by the Co-operatives, while it formed still less at 14 per cent in Hissar and lower still at 7 per cent or less in the other districts.

The Report has emphasised among other, the need for reorientation of the loan procedure, for introduction of the crop loan system, and for making the primary credit society a 'Viable Unit' so that it might employ a full-time trained Secretary.

Agriculture

PACKAGE PROGRAMME FOR OILSEEDS

THE INDIAN CENTRAL OILSEEDS COMMITTEE (I.C.O.C.) has recommended, at its 15th annual general meeting, held in Madras recently, a 'package programme' for oilseeds production in the country. The programme, covering 25,000 acres in each of the major oilseeds-producing states, namely Uttar Pradesh, Maharashtra, Madras, Andhra Pradesh, and Mysore — it is later hoped to extend the scheme to Punjab also — entails on outlay of Rs. 15 lakhs, and embraces intensive production of oilseeds, through supply of selected seeds, resort to improved agricultural practices, adoption of greater plant protection measures, and application of better fertilisers. The I.C.O.C. feels that the implementation of the programme should yield a 40 to 50 per cent increase in the production of oilseeds. The Committee has also taken certain decisions regarding the Integrated Oilseeds Development Schemes which have already been launched in some States. Following these decisions, the expenditure on this programme has been pruned from Rs. 200 lakhs to Rs. 213 lakhs, and further, this expenditure is to be borne by the Centre and the State Governments concerned on a fifty-fifty basis. In the event of higher expenditure by any State, however, the Committee has agreed to extend some monetary help.

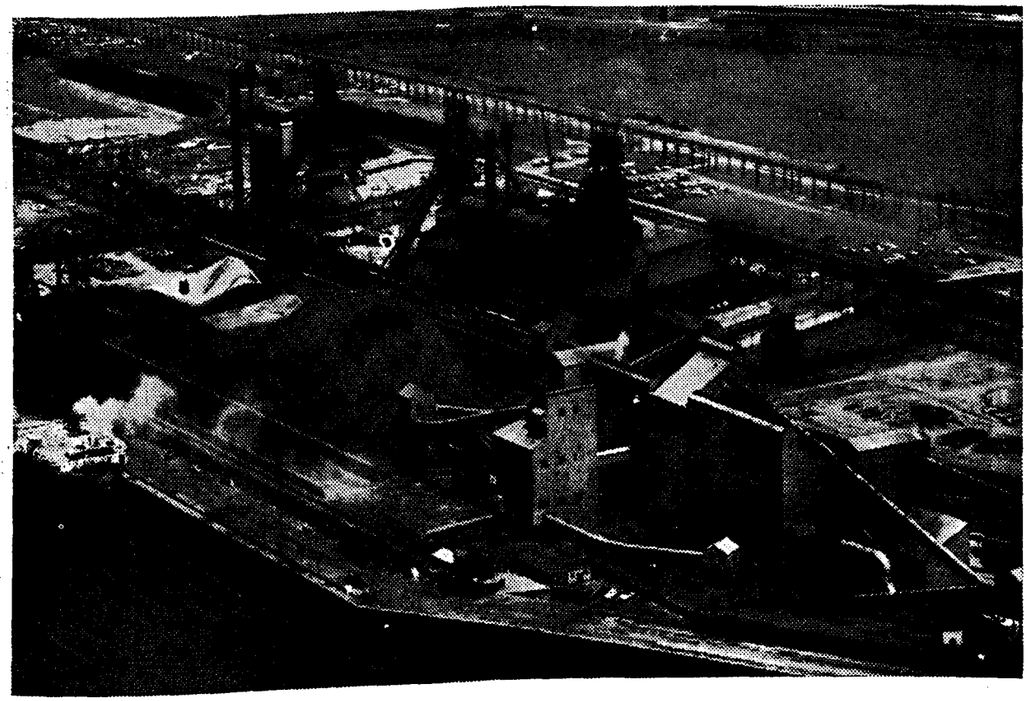
Yet another important decision taken by the I.C.O.C. relates to technological research which is estimated to cost another Rs. 25 lakhs. The proposed research programme is to consist of experiments in milling extraction of oil, research on cottonseed oil and also castor oil. More significant than even this is the contemplated research on a variety of non-edible oils like neem, with a view to ascertaining their suitability for industrial purposes. If the results are satisfactory, this would mean a welcome decline in the pressure of demand for our edible oils. This research is to be jointly conducted by the Council of Scientific and Industrial Research at the Oilseeds Laboratory in Hyderabad, the Oilseeds Technological Institute in Anantapur and the Department of Chemical technology in Bombay, as also the Technological Institute in Kanpur. In this connection, several proposals were also dismissed by the I.C.O.C. for exploring the uses of sesame, linseed, rape and mustard seeds in a greater measure than now inside the country, so as to permit of as much as possible of groundnut and other oilseeds, for which there has been a great demand abroad, to be exported.

As a result of action to be taken on these lines, it is hoped, the Third Plan target of 98.2 lakh tons oilseeds output would be achieved. The porgramme is believed to be practicable by the concerned circles, in that it is realistic, especially as there has been no glib talk about bringing more land under oilseeds cultivation. Not only oilseeds, but practically everyone of our cash crops is in the unenviable position of being unable to extend the area under its cultivation. Intensive cultivation and application of modern and scientific methods of farming would appear to constitute the only royal road to richer harvests of many of these precious foreign exchange earners of our country.

Cement

RISING COSTS

SHRI DHARAMSAY M. KHATAU, Chairman of the Associated Cement Companies Ltd. at the annual general meeting reviewed the conditions that led to rather disappointing results of the company during the



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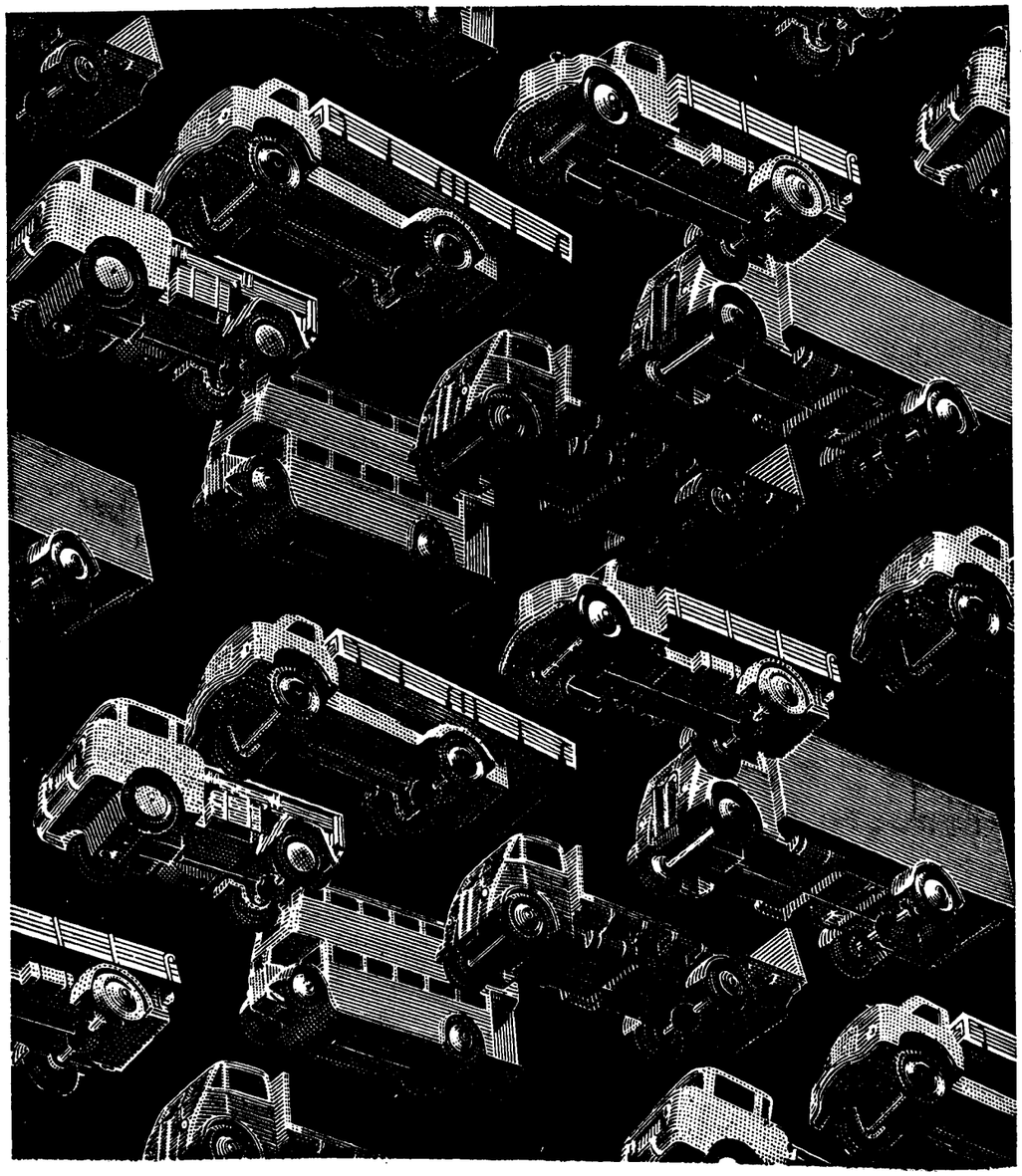
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year 1960-61. The year, he pointed out, had witnessed a progress for the cement industry in the country in terms of increased production and dispatches but the rather gloomy picture in terms of profits was due to the rising costs of materials and services which offset the benefits accruing from increased output. The cost of coal which had been rising during the last few years was perhaps one major factor which led to this increased costs. Apart from the price, shortages and deterioration in the quality of coal supplies further created problems for the industry. The coal shortages, Mr. Khatau added, could, however, be got over as a result of the timely action taken by the Ministry of Commerce and Industry following the representation by the company. But the Government's policy to conserve high grade coal for consumers like steel plants and railways led to certain complications.

Mr. Khatau further indicated that the introduction of new B.O.X. type wagons introduced by the railways were responsible for considerable shortloading of coal. Apart from this the paucity of railway wagons which to some extent was aggravated by the strike of Central Government employees in July 1960 also influenced the results of the company adversely.

Another factor that caused higher costs was the Government's arbitrary decisions in fixing the packing charges for cement for the last quarter of 1960 below rates recoverable from consumers. An urgent representation by the company ultimately persuaded the Government to allow the industry to pack a portion of its cement in sound reusable bags as from January 1, 1961. The decision in itself quite welcome, was vitiated by the fact that a charge of Rs. 13 per metric ton fixed on the average packing charge for new and used bags taken together was low and unrealistic. It was only after further repeated representations that the Government adopted a realistic basis for fixing the average cost of new and reusable packing materials. Some damage was done during the intervening period.

Another factor which led to rather discouraging results was the fact that the price revision by Tariff Commission was awaited by July 1961 when the previous formula was to expire. The revised price, however, came into effect only on November 1, 1961, thus putting the industry to a further loss of earnings. The Chairman expressed satisfaction in regard to the fact that the general approach of the Tariff Commission to the question of revision of cement prices was by and large quite fair. It revealed a sympathetic awareness of a difficulty which the industry had to face. But the effective increase recommended by the Commission will not cover the full requirements of the industry and the Government further scaled down even that increase in price of Rs. 12.11 per ton by Rs. 1.25 per ton. Moreover the Tariff Commission had recommended that the new prices should come into operation from July 1, 1961 and remain in force till June 30, 1964. The Government has however made these prices operative from November 1961 and extended the duration to March 31, 1966. In a period of steadily rising costs a fixed price for a period of nearly 5 years can possibly affect the industry adversely.

Paper

STAR PAPER MILLS TO RAISE CAPITAL

STAR PAPER MILLS LIMITED is entering the market to raise from the public a sum of Rs. 27,78,830 through 2,77,883 equity shares of Rs. 10 each. The issue comprises the residue of he 5,00,000 shares offered by the company some time ago to its existing shareholders. The list opens on January 29 and will close on February 7 or earlier at the discretion of the directors, but not before January 31.

The proceeds of the issue are proposed to be utilised for meeting part of the expenditure on the company's expansion programme which, according to the revised estimates, has cost it Rs. 415 lakhs. (The expansion plan has already been executed and the full rated production is envisaged to be reached shortly.) Two MG paper-making machines have been installed — one having a daily production capacity of 20 to 25 tons of thin substance paper and the other having a capacity of 30 to 35 tons of heavy substance paper. These machines are suitable for the manufacture of MG kraft paper of superior quality not previously manufactured in the country. Besides MG kraft paper, M.G. sulphites, pressings, Manilas, posters and other varieties of M.G. papers can also be manufactured by these machines. The present capacity of the company is about 6,500 tons paper output a year — mainly writing and printing papers.

The raw material for the manufacture of kraft paper is twisted pine wood. The company has obtained a long-term lease in Almora and Nainital forest divisions of U.P. to ensure adequate supplies of it. The company's plant is located at Saharanpur.

The Industrial Finance Corporation of India, which has already made available a loan of Rs. 137 lakhs for the company's expansion plan, has underwritten 50,000 of the shares offered for public subscription. The remaining shares have been under-written in varying proportions by the Bank of Baroda and three stock brokers of Calcutta and Delhi.

The new shares will rank, as regards dividend and in all other respects, peri passu with the existing equity capital, except that they will not rank for any dividend that may be declared in respect of the company's financial year ended September 31, 1961. The company declared a dividend of 12.5 per cent in 1955. But since then the rate of dividend has gone down progressively to 10.5 per cent in 1956, 6 per cent in 1957 and 1958 and 3 per cent in 1959. Dividend had to be gradually reduced due to increase in the company's share capital, which went up from Rs. 40 lakhs in 1955 to Rs. 70 lakhs in 1956, Rs. 87.85 lakhs in 1957, Rs. 100 lakhs in 1958, Rs. 123.25 lakhs in 1959 and Rs. 169.98 lakhs in 1960. The expansion programme, the directors think, will lead to substantial increase in the gross profit of the company during the current and the subsequent years and despite reduction in selling prices of paper and the rising costs of raw materials, chemical stores, fuels and overhead charges, the profit would be commensurable to enable declaration of reasonably good dividends.

Ball Bearings

SHRI RAM GROUP'S NEW VENTURE

A NEW enterprise, Bharat Ball Bearing Co. Ltd., is being added shortly to the Shri Ram group of industries. This company will have an authorised capital of Rs. 2 crores, of which Rs. 75 lakhs, consisting of Rs. 55 lakhs in equity shares and Rs. 20 lakhs in preference shares, will be paid-up in the first instance. The preference shares will carry a fixed cumulative dividend of 9.3 per cent per annum, subject to statutory deduction of tax.

The company proposes to set up its plant at Ranchi which has low humidity and narrow temperature variations, considered to be conducive to the attainment of high surface finish and precision so essential in the manufacture of bearings. Ranchi has been selected as the site for the plant on some other considerations as well as such that it is within easy reach of Calcutta where the bulk of the company's products will be consumed and Tatanagar and Durgapur from where supplies of alloy steel are to be obtained. The company

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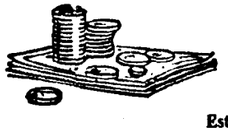
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CORRIGENDUM

Regarding Announcement of Public Issue by

SESHASAYEE INDUSTRIES LIMITED

It is regretted that an error has crept in under the heading, 'Preferential Allotment' in the abovementioned announcement. The New India Assurance Company Limited and The Investment Corporation of India Limited have not been given any preferential allotment of shares as stated therein. The Investment Corporation of India Limited are the Underwriters only to the extent of Rs. five lakhs face value of equity shares offered for public subscription.

proposes to specialise in the manufacture of precision type bearings for fans, fractional horse-power motors, machine tools etc. The installed capacity envisaged is 2.5 million bearings a year.

The gross outlay on the project, it is estimated, will be of the order of Rs. 2 crores. Share capital will provide Rs. 75 lakhs. A 15-year loan of Rs. 60 lakhs has been arranged from the Industrial Finance Corporation of India. Another Rs. 35 lakhs are proposed to be secured through borrowings from the company's bankers. The current earnings of the company will provide the rest of the Rs. 30 lakhs. The plant is expected to be commissioned into production by July this year. The land development and building construction work has already been taken up.

The foreign exchange component of the project is estimated at Rs. 65 lakhs. The company has been given import licence under the U.S. D.L.F. credit.

Technical collaboration is being arranged with the Fafnir Bearing Company of New Britain, which is one of the largest integrated manufacturers of ball bearings in the United States. Fafnir will not only supply all the technical know-how and train Bharat Ball Bearings' technicians, but also make available to it the benefit of its research in the field.

The company is expected to go into the market for public subscriptions for the whole of the preference issue and Rs. 26.95 lakhs worth of equity shares sometime next month. The remaining equity shares have already been subscribed or committed for privately.

The Shri Ram Group has also plans to set up an integrated PVC-Calcium Carbide-Caustic Soda plant and a Rayon Tyrecord factory under the auspices of the Delhi Cloth and General Mills, a new sewing machine factory under the aegies of the Jay Engineering Works Limited, an integrated Tungston Carbide Tools Plant under the control of India Hard Metals P.L., and a plant for the manufacture of Sealed Compressor units for air-conditioner and refrigerators. The manufacture of Sealed Units is envisaged to be undertaken by a newly formed company which will float a public issue of shares sometimes in the middle of the current year. Technical collaboration for this project has been arranged with the Westinghouse Electric International Company, U.S.A. This plant is to be located at Hyderabad.

Engineering

MANUFACTURE OF CUMMINS DIESEL ENGINES

AT A press conference held recently, Mr. S. L. Kirloskar, Chairman of new Company Kirloskar Cummins Ltd., formed for the purpose of manufacturing cummins diesel engines in the country disclosed that an agreement has been arrived at between the two major companies Kirloskar Oil Engines Ltd. and Cummins Engine Company of the U.S. for the aforesaid purpose. The Government of India has approved of the agreement and a licence has been issued to the company to go ahead with its plans i.e. the manufacture of cummins diesel engines upto 800 h.p. The participation is on a 50-50 capital basis. At present Kirloskar Oil Engines Ltd. is manufacturing stationary diesel engines within the range of 3 h.p. to 440 h.p. The project will be located at Poona and is likely to go into operation within 18 months. Nearly 1,000 workers are expected to be provided with jobs at the works. The engines will be sold abroad through the Cummins international sales organisation. Cummins Engine Company of the U.S. is one of the largest concerns in the world and is already operating in Scotland, Australia, Japan and Brazil. Its service locations extend to 115 countries.

The authorised capital of the company is Rs. 3 crores and the issued capital Rs. 1.50 crores—all in equity shares. Of the 50 per cent of the capital to be subscribed by Indian participants, 25.5 per cent will be offered to the public. The company is likely to go in the market in April. That the issue will have an immediate response from the public is, of course, a foregone conclusion. It is because of the fact that the concern is very sound and the engines are going to have an expanding market. The terms extended to Cummins are quite favourable and they will get 2½ per cent commission by way of technical fees. The greatest advantage that will accrue by the production of these engines is that a good deal of foreign exchange will be saved. It is estimated to be round about Rs. 5 crores.

Indian Oxygen

BRIGHT PROSPECTS

THE STATEMENT circulated by Sir John Douglas Keith Brown, Chairman, Indian Oxygen Ltd., to the members of the company with annual report for the year 1961, presents a bright outlook for the company. It is also clearly visible that the company in the past has been faring pretty well. The profit for the year 1961 after providing Rs. 44,95,981 for depreciation and Rs. 36,25,000 for taxation, amounted to Rs. 71,30,284 as compared with the net profit for the previous year of Rs. 62,98,449 after charging depreciation of Rs. 37,10,806 and taxation of Rs. 38,85,900. Although the profit after taxation shows a fair increase over the previous year, it was earned at a relatively lower rate. This low rate can be attributed to increase in works costs and a shortage of power experienced by the company. Calcium carbide which has been giving unsatisfactory yields and has been in short supply has been one of the factors for this increase in works costs. Sale on the whole have been quite satisfactory and reached a level of just over Rs. 756 crores, about Rs. 1.1 crores higher than the previous year. This represents an increase of little over 17 per cent. So far as dividend is concerned it was maintained at the rate of 15 per cent.

Since the demand for industrial gases is increasing by leaps and bounds the company is considering the next phase of the expansion programme. Steps have already been taken to install three additional 400M3 oxygen plants in Jamshedpur factory to augment production from the existing plants. Production at the Bangalore factory has started and the oxygen plant set up at Gauhati in the Indian Refinery Ltd. will begin production soon. An industrial license for installing a secondary 400M3 oxygen plant in the Bombay factory was obtained during the year and arrangements are now in hand for its installation in order to increase oxygen availability in the Bombay area. Plans are also in hand to increase the production of electrods at the factory at Khardah near Calcutta. Steps have also been taken to supplement the machinery installed in the equipment factory at Beliaghatta and to extend the factory premises. It is hoped that the expansion and modernisation of facilities at the electrode and equipment factories will allow the production of not only larger quantities but also a wider range of products.

Regarding exports, Sir John underlined that measures have been taken to export nitrous oxide and electrodes on a bigger scale. With the successful execution of the plans, it is expected that the exports of nitrous oxide and the electrodes would increase considerably to the South-East Asian countries. Demand for company's products no doubt is bound to increase with the advance of industrialisation and with increased sales profits will not only be maintained but they might also show some reasonable increase in the years to come. From a record of the Indian Oxygen Ltd., it can be safely said that the tempo of progress would be maintained.

Shipping

SCINDIA STEAM NAVIGATION

AT THE 42nd annual general meeting of Scindia Steam Navigation Company Ltd., Mr. Dharamsey Mulraj Khatau, Chairman, revealed that the company was fortunate in making the nominal profit of Rs. 4.5 lakhs and declaring a dividend of 60 nP per share after drawing Rs. 25 lakhs from the Dividend Equalisation Reserve. The position cannot be said to be satisfac-

tory because cost of operating ships showed continued signs of increasing. There was also the problem of uneconomic rates of freight, serious delays and detentions to ships and reduced cargoes due to the deteriorating Hooghly draughts. Mr. Khatau pointed out that unless these problems were tackled expeditiously and the much needed relief and assistance given, the future of coastal shipping will continue to remain in jeopardy. As costs continued to increase, it was fair that there must be an upward revision of freight rates.

It is a welcome development that Mr. R. G. Abbhi, the Government's director on board of Indian Shipping Companies has been asked by the Government to go into the costs of operations on the coast and it is to be hoped that keeping every thing in view he would be able to recommend to the Government a level of freight rates for the coast which would not only take care of increased costs but would also give a satisfactory return to the companies and the capital employed in the coastal trade.

The Chairman felt that in view of the size of the company's business and fleet, it was very necessary to work out a steady programme of building new vessels every year. Since ships were ready earners of foreign exchange, it was imperative that requisite foreign exchange should be made available for the aforesaid purpose. So far as future prospects of the company are concerned, it is expected that as a result of rationalisation of services by all member lines of the India-U.K.-Continent Conference, the next year would show better results.

TIFR

IS FUNDAMENTAL RESEARCH FUNDAMENTAL?

ADVANCED STUDY and fundamental research into nuclear science and higher mathematics are as essential and important as any industrial project or economic programme, at any rate in this era of space science. Maybe, fundamental research will not yield direct or short-term results nor the knowledge stemming from it of any practical value, on the face of it. Even so, it is considered to be of vital importance to Society for two very valid reasons, among others: first, it helps train and develop young men of the highest intellectual calibre in a society into people who can think about problems with a freshness of outlook and make an original approach to them, such as what was instrumental for the invention of Radar and Atomic Energy (which have since turned out to be of immense use to humanity); secondly, the history of science teems with endless examples to establish that there is, in fact, no genuine knowledge of the universe that is not potentially useful for man.

Making these much-needed points, Dr. H. J. Bhabha, Director, Tata Institute of Fundamental Research (TIFR), disclosed, in the course of his speech at the opening of the Institute's new buildings at Colaba, (Bombay), that the establishment of the Institute was the outcome of the awareness and far sightedness of men like Mr. J. R. D. Tata, and the Government of Maharashtra. Incidentally, T.I.F.R. is the oldest of our post-war National Laboratories. As much credit is due for this achievement to Dr. H. J. Bhabha, whose drive, initiative and imagination it is that have primarily contributed towards this consummation, as Mr. J. R. D. Tata declared publicly, much to the embarrassment of Dr. Bhabha, though. Within a decade of its existence the T.I.F.R. came to be recognised not only as the National Centre of the Government of India for advanced study and fundamental research in nuclear science and higher mathematics, but al o as an important international institute. During the past sixteen years, besides conducting research, the Institute has trained scientific personnel for the Atomic Energy Commission and has facilitated the establishment of the Atomic Energy Establishment at Trombay, which is now producing most of the electronic instrumentations used at Trombay, including the control systems of reactions, as also others needed in agricultural, biological, industrial and medical work with radioactive materials. Prime Minister Nehru aptly described the T.I.F.R. as "the cradle of India's atomic energy programme", whilst formally opening the new buildings in which the Institute will now be fully housed.

It may not be out of place to mention some of the important inventions and advanced studies that the Institute has to its credit. These include, 'inter alia' the historic discovery of the 'K-Meson', a negatively charged particle which makes it possible, for the first time in the world, to use emulsions without glass backing for studying phenomena at high energies; the development of large plastic balloons capable of carrying loads of scientific equipment upto 250 lbs. to altitudes of some 110,000 ft. for high energy research, and the designing and construction of what has been termed a cloud chamber, which is operated by a special device, the only one of its kind in the world, for measuring the energy of particles upto a hundred thousand billion electron volts. In short, as Professor Niles Bohr, Nobel Laureate, said in his message that was read out on the occasion, the study of cosmic radiation which the Tata Institute has pursued so purposefully and with such success is a suggestive example of how co-operation between people living in distant parts of the globe and under different climatic conditions can be achieved by the exploration of nature. Needless to add, it is the intellectual eminence of Dr. Bhabha and his world-wide contacts which are mainly responsible for the international prestige and reputation that the T.I.F.R. enjoys today.

Foreign Trade

INDO-BULGARIAN TRADE

NOW THAT the Bulgarian Trade Delegation is in the country to hold trade negotiations with the Government of India, it is time to review the development of trade between the two countries over the past few years. At present the trade between the two countries is governed by the three-year Trade Agreement signed on March 3, 1960, under the terms of which trade is on a balanced basis and payments are regulated through non-convertible Indian rupees. The table below gives an idea of the trade between the two countries:

(Rs. lakhs)

Year	Imports from Bulgaria	Exports to Bulgaria	Balance of Trade
1956 ..	23	6	—17
1957 ..	13	2	—11
1958 ..	7	7	Nil
1959 ..	25	24	— 1
1960 ..	37	15	—22

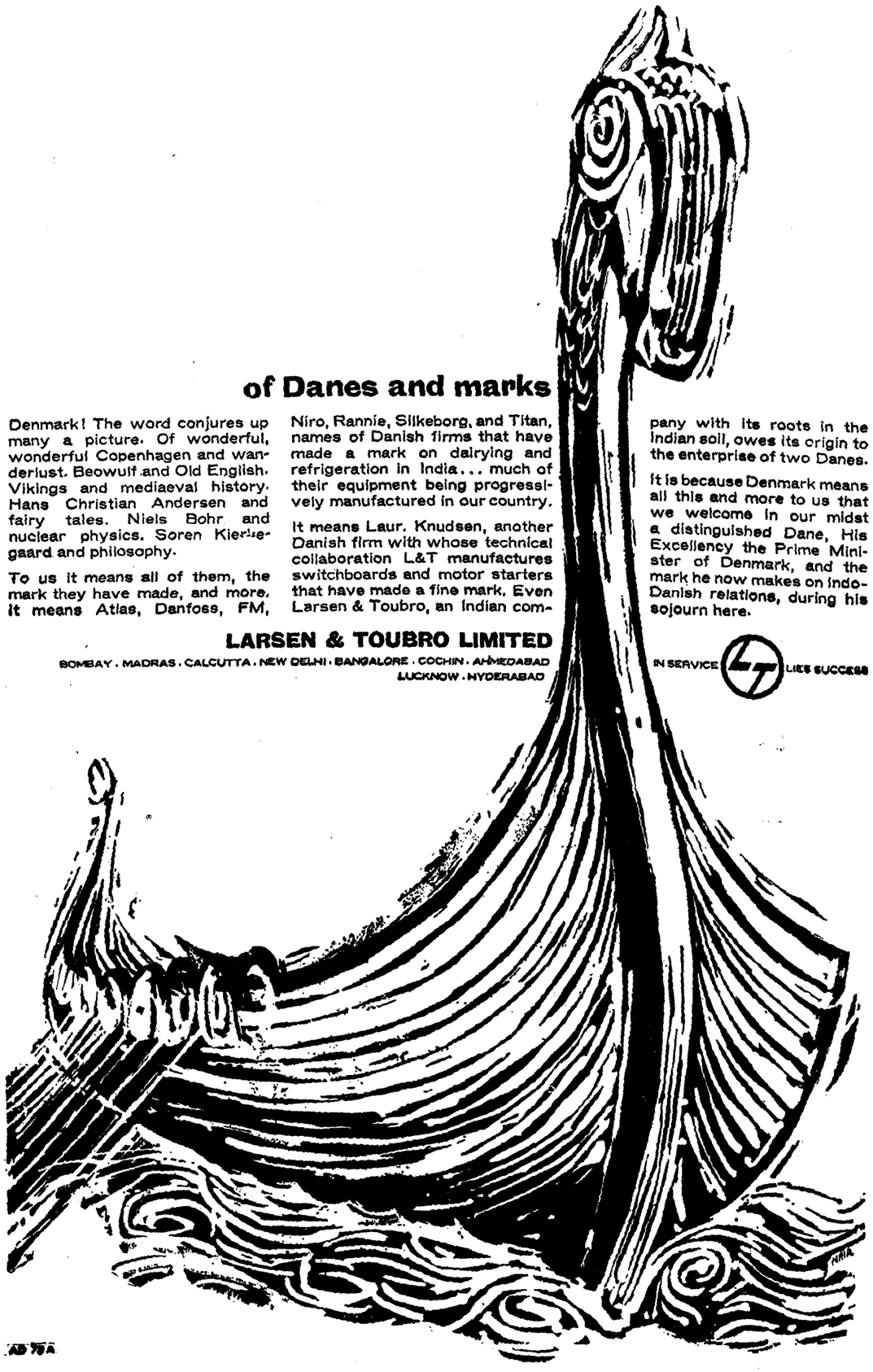
It will be interesting to note that trade between India and Bulgaria has progressively increased during the last two or three years. While the total trade was to the tune of Rs. 49 lakhs in 1959, it was Rs. 52 lakhs in 1960 and Rs. 1.2 crores in 1961. During these years India has been having all along an adverse balance of trade. In 1960, the adverse balance of trade was Rs. 22 lakhs. Imports and exports both, of course, have been fluctuating. Imports were highest in 1960 and exports to Bulgaria were highest in 1959 in the table referred to above.

Exports from India to Bulgaria consist of mostly coffee, tea, cocoa, spices, hides and skins, leather and leather manufactures, textile yarn, textile fabrics and footwear. Imports from Bulgaria into India on the other hand consist of animal and vegetable crude materials, chemical elements and compounds, dyeing and tanning materials, medicinal and pharmaceutical products, electrical machinery, apparatus and appliances, scientific and controlling instruments, photographic and optical goods, watches and clocks.

Trade talks are being held in a favourable climate and it is expected that this might lead to encouraging results.

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PUBLIC RELATIONS





of Danes and marks

Denmark! The word conjures up many a picture. Of wonderful, wonderful Copenhagen and wanderlust. Beowulf and Old English. Vikings and mediaeval history. Hans Christian Andersen and fairy tales. Niels Bohr and nuclear physics. Soren Kierkegaard and philosophy.

To us it means all of them, the mark they have made, and more. It means Atlas, Danfoss, FM, Niro, Rannie, Silkeborg, and Titan, names of Danish firms that have made a mark on dairying and refrigeration in India... much of their equipment being progressively manufactured in our country.

It means Laur. Knudsen, another Danish firm with whose technical collaboration L&T manufactures switchboards and motor starters that have made a fine mark. Even Larsen & Toubro, an Indian company with its roots in the Indian soil, owes its origin to the enterprise of two Danes.

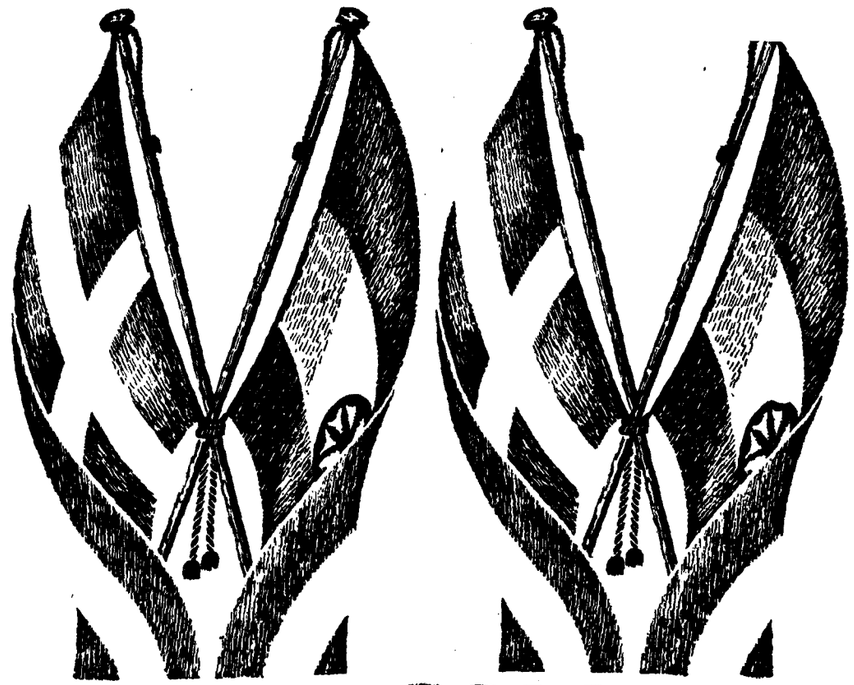
It is because Denmark means all this and more to us that we welcome in our midst a distinguished Dane, His Excellency the Prime Minister of Denmark, and the mark he now makes on Indo-Danish relations, during his sojourn here.

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FROM THE CAPITAL'S CORRIDORS

NEW WRIST WATCH FACTORY

FULLER details are now available for the proposed wrist watch project likely to be located in Jammu. This project will also have Japanese collaborators, Seikosh Watch Company, Ltd., of Tokyo.

It will be recalled that the Government of India has, so far, approved four schemes for the production of 1,260,000 watches a year. One of them is the State undertaking, Hindustan Machine Tool Factory, Bangalore, which is in collaboration with Citizen Watch Company of Japan to manufacture 3,60,000 watches a year.

The proposed factory will be established with an annual capacity on single shift basis, of 4,80,000 watches as indicated below:

Year	Annual Capacity in Numbers
First	60,000
Second	1,80,000
Third	3,60,000
Fourth year and onwards	4,80,000

Imports of components will be on a sliding scale basis, as under:

	C.I.F. Value of imported components per watch in each phase
First phase (one year)	Rs. 13.31
Second phase (one year)	upto „ 8
Third phase (one year)	upto „ 3
Fourth phase (one year)	upto „ 3

The c.i.f. value of components from second year may be reduced by Rs. 1.33 per watch. In the first six months of the first phase of the manufacturing programme import of complete watch components for assembly of a limited number of watches is not ruled out. The import of both the components and raw materials will always be regulated by the Government's overall import policy in force, and announced every six months. From the fifth year onwards, however, no imports of any part is envisaged, except some quantities of main springs and hair springs under special circumstances.

The investment in the Project has been placed at Rs. 155 lakhs; Rs. 10 lakhs for land and building, Rs. 95 lakhs for Plant and Machinery and Rs. 50 lakhs for working capital. Thirty per cent of the total value of plant and machinery, namely Rs. 24 lakhs will be invested in the Indian company by the Japanese collaborator and the balance will be a loan to be paid as under:

i. No payment in the first three years from the last date of shipment of the machinery.

ii. Payment will start from the 4th year, extending over a period of 7 years, each annual instalment being 10 per cent, (about Rs. 8 lakhs) of the cost of machinery. Interest at the rate of 6 per cent per annum will be payable to the collaborator on deferred payments.

iii. The instalment payments referred to in (ii) above will be met from the export earnings of the wrist watches.

iv. The Indian firm expects to export 21,000 watches at Rs. 35 each (total value Rs. 7,35,000) annually in settlement of the dues. However, if larger exports are possible during the initial years, the extra foreign exchange earnings will be utilised for payment of imported machinery.

v. The import of components and raw materials will be financed by the foreign collaborator on a loan basis to be settled by export of watches.

The foreign firm will furnish complete know-how drawings/specifications etc. to enable manufacture of watches of a quality no less superior than their own product. They will also provide the facility for training Indian personnel in their works and send their experts for guiding the manufacture of watches in India. The foreign collaborator will furnish a guarantee on terms acceptable to Government to export watches from India of substantial value each year, in any case to cover the value of imported capital goods, components etc.

AID TO INDIA

Mr. T. Swaminthan, Additional Secretary, Ministry of Commerce and Industry, left for Bonn, West Germany on Tuesday, January 23, primarily to persuade the German Government to further step up its aid to India and later to lead the Indian delegation to G.A.T.T. meeting on textiles.

A part of German aid is totally untied, permitting India to utilize it to finance any project or on maintenance imports from any source. It will be noted that a portion of the United Kingdom and U.S.A. aid is also untied with the reservation that it can be used on purchases from these two countries. The rest of the aid is tied to projects.

To all appearances no new members are likely to join the Aid to India consortium, which meets in Washington on January 29. Indian aid is short by 220 million dollars for the Second year of the Plan. The commitment indicated for the United States in 1962-63, namely five hundred million dollars is related to the prospects of additional and commitments by other members, new or old. It has been estimated that if the U.S. were to abide by this undertaking, there would then be a gap of 440 million dollars for the second year of the Plan. The net effect of the gap in aid, if it remained unbridged, will be that certain projects awaiting financing, will be held up or may be crowded out into the Fourth Plan. By and large the gap will hardly have any effect on the tempo of industrial production during 1962-63, which, by better house-keeping, the Government expects to maintain, if not better, at least on the 1961-62 level. Incidentally, some Japanese businessmen are reported to have indicated their country's desire to step up its aid.

It may, however, be added that no agenda for the Consortium meeting has yet been indicated. What will be the size of the gap will only be known after the meeting. One view here is that this forthcoming meeting will largely be a stock-taking meeting, leading to another meeting, during summer, which should indicate foreign commitments for the remaining three years of the Plan.

AGENDA FOR E.C.A.F.E.

The Chief Controller of Imports Mr. Satarawala, is leading the Indian delegation to the Bangkok meeting of E.C.A.F.E., which commenced on January 22. This meeting is a prelude to the fuller Session, on ministerial level, commencing in Tokyo from March 6. The Bangkok meeting is likely to hold preliminary discussions on the K. B. Lal report, which has envisaged the organisation for Asian Economic Co-operation. A study of the working of the ECM and the European Free Trade Association will also be made by the Committee. Other items on the agenda are a review of the development of trade in the region and consideration of proposals for organising and Asian trade fair.

HIGHER COAL OUTPUT TARGET

The Coal Industry in the private sector which had submitted plans for 16.83 million tons of additional production in the Third Plan period has now raised the figure to 23.63 million tons following the grant of a loan by the World Bank. As the plan allocations are made on yearly basis, the Government has asked the Industry to go ahead with its plans for achieving the higher target. It is presumed that efforts would be made to secure foreign exchange for the additional 6.80 million tons in due course. Meanwhile every effort is being made to secure the rupee finances to match the World Bank loan for the private sector of the coal industry.

The National Coal Development Corporation, has similarly raised its target of additional production by two million tons thus raising the Plan target of 97 million tons to nearly 106 million tons.

The Government has also appointed a study team for assessing requirements of electric power for the coal mining industry in the Third Plan in the country. The team, with Mr. P. P. Agarwal, Joint Secretary, Union Ministry of Irrigation and Power, as Convenor, will also recommend steps to be taken to meet the demand for power by the coal mining industry during this period. Other members of the team are Mr. T. N. Idnani, Member (Utilisation), Central Water and Power Commission; Mr. Chhedi Lal, Joint Secretary, Union Ministry of Steel, Mines and Fuel; Mr. A. Zaman, Coal Controller, Mr. Balwant Singh Nag, Adviser, Planning Commission, and Mr. V. Kalyanasundaram, Director, Minerals, Planning Commission. According to the terms of reference, the team will assess requirements of power of the coal mining industry, collierywise and yearwise, examine the present position in regard to power supply, and suggest measures for augmenting it to meet future needs, year by year, in the Third Plan period. The team has also been asked to examine whether private licencees supplying power to collieries are utilising their full firm capacity, and if this was not being done, the team should go into the reasons for it.

The recommendations of the team will include revised allocations of power to various consumers of Damodar Valley Corporation power supply, keeping in view the requirements of the coal mining industry. The coal mining industry which is mainly concentrated in West Bengal, Bihar and Madhya Pradesh is also located in Andhra Pradesh, Orissa and Maharashtra. At present, the demands of coal mining industry are met by their own thermal generating units and State Electricity Boards. The Damodar Valley Corporation power system also supplies approximately 80 per cent of the power requirements of colleries in West Bengal and Bihar. The study team, which will also review measures for matching power supply with the programme of coal raising in various coalfields in the country, will submit its report within a period of one month.

ALUMINIUM INDUSTRY

Mr. Nathanael Vining Davis, President of Aluminium Limited of Canada, arrived in New Delhi on 21st January on a short visit to India. During his visit Mr. Davis will meet Government officials, leaders of industry and other important people and study at first-hand the progress achieved by industry in India, particularly in the field of aluminium. In addition to being President of Aluminium Limited, a two billion dollar corporation, Mr. Davis is also a Director of the Bank of Montreal and the Canada Life Assurance Company apart from being a member of the Board of Overseers of Harvard College, an honour which he shares with President John F. Kennedy of the United States.

Another Aluminium magnate who is shortly visiting India is Lord Plowden. His organisation, it is learnt, has developed a new process which uses less electricity than conventional aluminium producing units.

INDIAN COTTON YARN

At the invitation of the Indian Cotton Mills Federation, a four-man delegation from Britain's Cotton Board is arriving in Delhi next week for consultations on imports of yarn into Britain. On its return journey, the delegation will visit Karachi, where it will hold similar discussions with representatives of the Pakistani cotton industry. The delegation consists of Sir Cuthbert Clegg, President of the United Kingdom Textile Manufacturers Association, who is also the Chairman of Combined English Mills Ltd., and of Clegg and Orr Ltd.; Colonel J. B. Whitehead, President of the British Spinners and Doublers Association and Managing Director of the Lancashire Cotton Corporation Ltd.; Mr. C. Henniker-Heaton, Director of the British Spinners and Doublers Association; and Mr. T. D. F. Powell, Deputy Director-General of the Cotton Board.

POULTRY INDUSTRY

The Government of India has recently sanctioned a collaboration programme with Messrs. Arber Acres Farm, Connecticut, U.S.A. for the setting up of a composite plant comprising commercial hatchery, breeding farm, feed manufacturing unit and poultry processing plant. The authorised capital of the programme will be Rs. 25 lakhs on a 50:50 share basis. Under this collaboration it is proposed to establish two farms, one at Bombay and the other at Calcutta. It is expected that these farms will produce about half a million breeding stock of egg-laying and meat type strains of poultry for further multiplication in the country. It is also planned to breed the well-known Ventessa male bird in India. The possibility of Rockfeller Farms giving aid to India is not ruled out.

It will be remembered that Poultry industry in India is essentially a cottage industry with employment potentialities in both the rural and urban areas. At present it is not linked with commercial hatcheries, commercial feed industry and organised marketing of its products. During the Second Plan, five Regional Poultry Farms and 269 Poultry Extension Centres were established and equipped for the production of nucleus stock of superior birds. During the Third Plan, it is proposed to establish three more Regional Poultry Farms in addition to expanding some of the existing State Poultry Farms. It is also proposed to set up commercial hatcheries. All these measures are designed to increase the annual average egg production from 60 to 70 eggs per hen. The adoption of mechanical means for multiplication and rearing has revolutionised the poultry industry all over the world. Sound poultry industry depends upon three basic requirements, namely (i) large sized hatcheries for production and supply of breeding stock (ii) availability of compound poultry feed and feed supplements, and (iii) proper marketing facilities so as to provide remunerative prices to the producers and supply quality products to the consumers at reasonable prices. The advancement of the Industry is possible only if the poultry raising is done on a commercial scale.

MORE GENERATING CAPACITY FOR BENGAL AND BIHAR

The Planning Commission has agreed to the installation of one additional 75,000 kw power generating unit in the Durgapur Coke Oven Plant power station of West Bengal and to the procurement and installation of six 1,000 kw package units. These decisions have been taken in the light of the Sachdev Committee Report which was set up to enquire into the causes of recent failure of power supply in West Bengal and Bihar and to assess the power situation in these States. Installation of two 50,000 kw units at Barauni in lieu of two 30,000 kw units originally included in the Third Plan has been accepted. The Calcutta Electric Supply Corporation are also going ahead with the installation of an additional 50,000 kw unit which had been approved earlier but had not yet been implemented.

The aggregate installed generating capacity throughout the country which was 2.3 million kw. in March 1951 rose to 5.7 million kw by March 1961. The augmentation of the generating capacity during the five years of the Second Plan, despite foreign exchange and other difficulties was almost equal to the total generating capacity installed up to March 1951. Installed generating capacity by 1965-66 is expected to be about 13 million kw, an increase of nearly 125 per cent in the five years as compared to 66 per cent in the Second Plan and 48 per cent in the First Plan. The shortage experienced in the West Bengal area has been attributed by the Sachdev Committee to two or three factors: (a) inexorable growth of demand for power in the Calcutta area, (b) delay in the installation of a 50,000 kw unit by the Calcutta Electric Supply Co., permission for which had been obtained earlier and (c) the delay in commissioning three 75,000 kw generating units in the Damodar Valley Corporation area.

PEOPLE'S SHARE HOLDING

The Government, through the Controller of Capital Issues is evolving a pattern of greater participation of the public in the capital structure of public limited liability companies. By an unwritten convention, the Government has insisted that at least forty-nine per cent of the equity capital should be offered to public, even in undertakings where foreign capital participated. It is claimed that, at least in urban areas, industrial stock was rapidly replacing gold and ornaments as a store of value. This tendency is partly responsible for the boom conditions in industrial shares, it is stated.

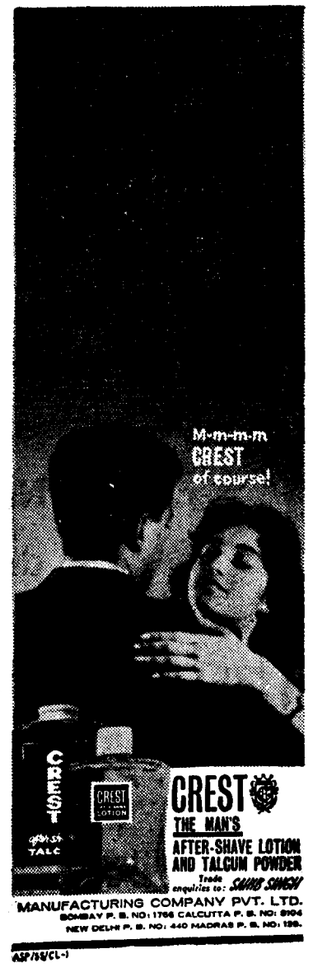
NEWSPRINT CONTROL

The Government of India has, during the week, promulgated the Newsprint Control order to regulate the acquisition, sale and consumption of newsprint in the country. The Order, which comes into force immediately, has been issued under the powers conferred on Government by the Essential Commodities Act, 1955.

Following are some of the provisions: Under the order, no person, other than an importer, shall acquire newsprint except under an authorisation issued by the Controller, who will be the Chief Controller of Imports and Exports or any officer appointed by the Central Government to exercise the powers under this Order. It has also been stipulated that no dealer in newsprint shall sell newsprint, unless such sale is authorised by the Controller. The Order further stipulates that no consumer of newsprint shall, in any licensing period, use newsprint in excess of the quantity authorised by the Controller from time to time. Where there has been an increase in the circulation of a newspaper or a periodical, the printer or publisher may, however, consume or use some of his reserve stock of newsprint required to meet the increase to the extent permissible under the Import Control Policy announced from time to time. The Order empowers the Controller to require any person, other than the consumer, holding stocks of newsprint to sell such stocks to the Government or to such other persons and at such price as may be specified by the Controller. Similarly, any such person may be required not to sell or deliver the stocks without the permission, in writing, of the Controller. Dealers and consumers of newsprint have been required to maintain a true and correct account of newsprint acquired and disposed of by them. They shall also submit to the Controller within one month of the commencement of this Order a return showing the stock of newsprint held by them as at the commencement and later, at such intervals, as the Controller may specify.

URBAN SAVINGS

The results of the survey conducted by the Council of Applied Economic Research of a number of households in the urban areas show that urban household saving is about 14 per cent of the household incomes (including savings in consumer durables). This together with the Government and Corporate sectors saving lend support to the view that the "average rate of saving in India is now well over 10 per cent". It will be



recalled that the Planning Commission has estimated an overall saving rate of 8.5 per cent in India.

The survey further reveals that Income distribution of households and savings were highly uneven. 85 per cent of the households having an income of less than Rs. 3,000 owned 52 per cent of the aggregate net income, while the remaining 15 per cent having an income of Rs. 3,000 or more owned 48 per cent of aggregate income. Only top 15 per cent of the households in the urban sector accounted for practically the entire amount of aggregate saving while the remaining 85 per cent either did not save or dissaved.

The Council has expressed the view that even at the present level and distribution of income, increase in saving is possible by the extension of life insurance and provident funds, which at present constitute a small percentage of income but which have considerable scope for increase. The Government, the Council adds, can also mobolise saving through higher direct or indirect taxation.

INDO - BULGARIAN TRADE TALKS

Trade talks between an Official Delegation from Bulgarian People's Republic and the Government of India began here during the week. The Bulgarian Delegation was led by Mr. Dragan Draganov, Deputy Director in the Ministry of Foreign Trade, Bulgarian People's Republic. The Delegation from Bulgaria has arrived to hold trade negotiations with the Government of India and review the development of trade over the past few years. Prospects of developing trade to a much higher level than in the previous year will also be discussed.

At present, there is a three-year Trade Agreement between India and Bulgaria signed on March 3, 1960, under the terms of which trade between the two countries will be on a balanced basis and payments regulated through non-convertible Indian rupee. In the past few years, India's trade with Bulgaria has been progressively increasing. In 1961, India's trade with Bulgaria is estimated to exceed Rs. 1.12 crores approximately both ways, as against Rs. 56 lakhs for the year 1960.

BRIEFS

The Government of India, in the Ministry of Finance has appointed Mr. P. Govindan Nair, I.C.S. as a Special Officer in-charge of Oil Industry, in the public and private sectors. Mr. Nair, till recently, was the Counsellor for Economic Affairs in the Indian Embassy at Washington.

*

The rate of employers' special contribution towards Employees' State Insurance Programme would be raised in the areas where the scheme has been implemented from 1¼ per cent to 2½ per cent from April 1, 1962. The employers' special contribution in the non-implemented areas would continue to be at the present level, namely ¾ per cent of the wage roll.

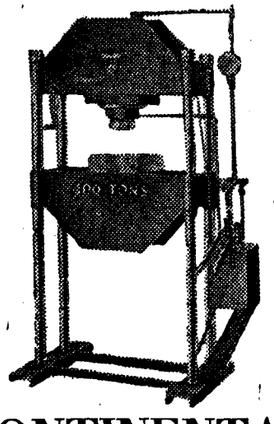
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The practice of drawing persons from private industrial firms and employing them in a department dealing with private industry when they have liens on their old posts has been stopped, except in very exceptional circumstances.

*

Workers of the Rourkela Steel Plant earned their first bonus for the month of December 1961 along with their normal monthly wages on January 1 this year under the Hindustan Steel Bonus Scheme. The scheme came into force on December 1, 1961. The bonus has been received by all the units in the Production, Maintenance and Service groups. The Coke Ovens earned the highest percentage of bonus. Following implementation of the bonus scheme, it is claimed that production in the steel plant has shown an upward trend.

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COUNTRIES WE EXPORT TO (2)

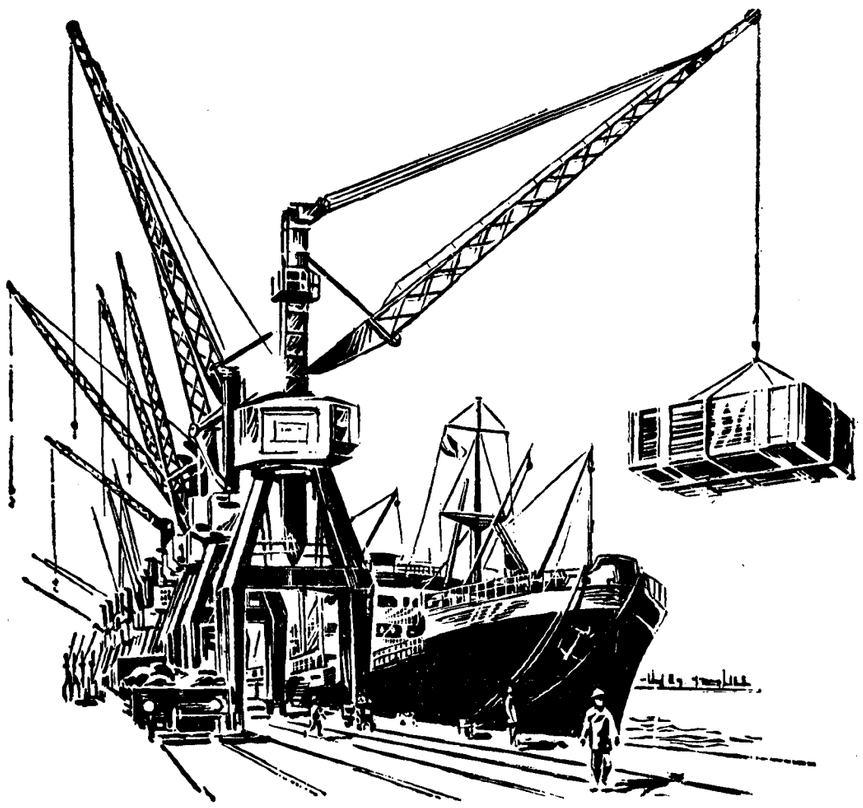
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COMPANY AFFAIRS

FERTILIZER CORPORATION OF INDIA

All-round progress marks the first year's working of the Fertilizer Corporation of India during 1960-61. One highlight is the declaration of dividend amounting to Rs. 39.27 lakhs. The integration of fertilizer projects under the overall administrative control of the Fertilizer Corporation of India was effected in January 1961 with a view to securing co-ordination in policy and ensuring efficient and economic expansion and working of fertilizer factories in the public sector. As a result of this integration, the constituent units of the Corporation are the two operating factories at Sindri in Bihar and Nangal in Punjab and three projects which are still in the construction stage, namely Trombay, near Bombay, in Maharashtra, Nahorkatiya (Namrup) in Assam and Gorakhpur in Uttar Pradesh. The Corporation has an authorised capital of Rs. 75 crores and a subscribed and paid up capital of Rs. 39.63 crores.

Production in the Sindri factory showed an appreciable improvement during 1960-61. The total production of ammonium sulphate was 3.05 lakh metric tons as against 2.90 lakh metric tons in the preceding year. There was a corresponding increase in the production of ammonia from 73,797 to 84,174 metric tons. Various short-term and long-term measures, some of which have already been initiated, are being devised to ensure the establishment of full production conditions at Sindri by the end of 1962-63.

The Nangal Fertilizer Factory was successfully commissioned on February 22, 1961. By October 31, 1961, the factory produced a total quantity of 1.18 lakh metric tons of calcium ammonium nitrate, out of which 88,000 metric tons were sold to the Fertilizer Pool by that date. The erection of the Heavy Water Plant at Nangal is nearing completion and it is expected that the installed plant will be commissioned early in 1962. The plant will have an output of 14.5 tons of heavy water per year.

In the light of the up-to-date progress in the execution, it is expected that the Trombay factory will go into initial production sometime during the first half of 1964. The factory will have an installed capacity of 2,54,000 metric tons of nitro-phosphate, a complex fertilizer containing two soil nutrients, nitrogen and phosphate, and 97,500 metric tons of urea per year. The project is estimated to cost about Rs. 25 crores.

The Nahorkatiya factory will have an installed capacity of 1,00,000 tons of ammonium sulphate and 55,000 tons of urea per year, while the installed capacity of the Gorakhpur Factory will be 1,80,000 tons of urea per year. The Nahorkatiya factory is expected to go into production by the end of 1964 or early in 1965. It is estimated to cost Rs. 20 crores. The Gorakhpur Factory is expected to be commissioned by the end of 1965. It is estimated to cost Rs. 25 crores.

A significant development has been the establishment of a Central Institute of Fertilizer Technology at Sindri, where an increasingly large band of engineers and scientists are engaged on research and technological experiments, development of new designs and processes and construction and operation of pilot plants.

The Corporation has been entrusted with the construction of the nitric acid and nitrolimostone plants at Rourkela for Messrs. Hindustan Steel Ltd. with storage and bagging and other ancillary facilities. Considering the present state of the job, it is hoped that two out of the four streams in which the Rourkela plants have been designed and arranged will be installed and commissioned by the autumn of 1962 and the rest of about 6 to 8 months' time thereafter.

NEW CAPITAL ISSUES

Six companies have received recently authorisation for the issue of further capital totalling over Rs. 2 crores. Two of them have been permitted to issue Bonus shares and the other Equities. The consent is valid for 12 months in all cases. A seventh company has been given extension for the redemption of mortgage debentures.

The Modern Mills Limited, Bombay has been granted consent to the issue of bonus shares of the value of Rs. 15,49,117 in ordinary shares of Rs. 50 each on capitalisation of share premium of Rs. 2,80,220 and general reserve to the extent of Rs. 12,68,897.

The Madras Circle Pipe Dealers Association Ltd., Madras, is to issue bonus shares of the value of Rs. 3,33,300 in the ratio of one bonus share for every three equity shares held by the existing shareholders.

Kanoria Chemicals and Industries Ltd., Calcutta, will issue capital of Rs. 1 crore divided into 8,00,000 equity shares of Rs. 10 each and 20,000 cumulative redeemable preference shares of Rs. 100 each carrying dividend of 9.5 per cent free of tax but subject to deduction of tax at source at the prescribed rates. The capital is required for the establishment of a factory at Pipri, District Mirzapur, U.P. for the manufacture of caustic soda, chlorine and dicalcium phosphate at a capital cost of Rs. 198 lakhs which will be met by issue of capital and by loans from the Industrial Finance Corporation.

Lepetit Ranbaxy Laboratories Private Ltd., Delhi, has been accorded consent (in supersession of one issued on August 17, 1961) to issue capital of Rs. 35 lakhs divided into equity shares of Rs. 100 each to be issued to the foreign collaborators and Indian nationals in the proportion of 50 : 50 for cash at par. This Company was incorporated in June this year for the manufacture of chloramphenical in collaboration with an Italian firm.

The Indian Overseas Bank Ltd., Madras, will issue further capital of Rs. 25 lakhs in equity shares of Rs. 100 each for cash at a premium of Rs. 10 per share. The proceeds will be utilised for strengthening the banking company's capital base.

Globe Motors Ltd., New Delhi, has been authorised to issue further capital of Rs. 25 lakhs in equity shares of Rs. 100 each, for cash at par. The proceeds of the issue will be utilised for undertaking manufacture of Laminated springs and Malleable steel castings. This Company has a paid up capital of Rs. 25 lakhs.

The Chrestien Mica Industries Ltd., Calcutta, has been granted an extension of the date of redemption of the First Mortgage Debentures issued in 1946 from December 31, 1961 to December 31, 1971 subject to the condition that those debenture-holders who are not agreeable to the postponement should be paid in cash before March 31, 1962.

THE BANK OF INDIA LIMITED

The Profit of the Bank of India Limited for the year ended 31st December, 1961, after providing for Income-tax and Super-tax and making the usual provisions for contingencies and subject to audit, including the sum of Rs. 12.85 lakhs brought forward, amounts to Rs. 1,23,16 lakhs. A sum of Rs. 15 lakhs has been transferred to the Reserve Fund. Interim Dividend at the rate of 8 per cent subject to deduction of tax at the prescribed rates for the half-year ended 30th June, 1961 absorbed Rs. 24 lakhs. The Directors propose to pay a final Dividend at the rate of 12 per cent subject to deduction of tax at the prescribed rates making 20 per cent for the year, which will absorb Rs. 36.00 lakhs.

Company Meetings

INDIAN OXYGEN LIMITED

The following is the statement circulated by Sir John Douglas Keith Brown, Chairman, Indian Oxygen Limited to the Members of the Company with the Annual Report for the year 1961.

Following the precedent established last year, I am again circulating with the Directors' Report and Accounts for the year ended 30th September last the statement which I would otherwise make at the forthcoming 27th Annual General Meeting.

PROFITS, TAXATION AND DIVIDEND

The profit for the year, after providing Rs. 44,95,981 for depreciation and Rs. 36,25,000 for taxation, amounted to Rs. 71,30,284 as compared with a net profit for the previous year of Rs. 62,98,449 after charging depreciation of Rs. 37,10,806 and taxation of Rs. 38,85,900. Although the profit after taxation shows a fair increase over the previous year, as stated in the Directors' Report, it was earned at a relatively lower rate. The reason for this lay primarily in an increase in works cost which, I am afraid, is today all too familiar a trend throughout the Indian economy. Persistent shortage of power in several regions where your Company operates contributed significantly towards these increased costs. Calcium carbide which, as stated by me last year, is now procured almost wholly from indigenous sources, continued to give unsatisfactory yields and also remained in short supply, leading to multiple transfers of our stocks between consuming points at heavy additional cost. The result of all this was an appreciable increase in the cost of production of dissolved acetylene, which has not been compensated by any increase in selling prices.

A refund of tax on profits of an earlier period received during the year and an amount rendered surplus in the tax provision account on the finalisation of the relative assessments have accounted for a total credit in the appropriation account of Rs. 10,50,133. The question of the disposal of the available balance on Profit and Loss Account of Rs. 57,06,872 has received the most careful consideration of your Directors in the light of commitments in respect of our various expansion schemes and the further demands which seem likely to be made on us to meet the country's requirements of our products. Having regard to all these considerations we decided to recommend a dividend at the rate of 15 per cent, which is the same rate as was declared in respect of the previous year. This dividend, however, will be paid early in March on the share capital of the Company as increased during the year through the rights issue to which members subscribed between the middle of April and the middle of May, 1961.

SALES

You will see from the accounts that sales during the year reached a level of just over Rs. 7,56 crores, being about Rs. 1.11 crores higher than the previous year. This represents an increase of a little over 17 per cent and I am sure you will agree that it may be considered very satisfactory, particularly bearing in mind the limitation placed on our sales by power cuts suffered by our customers. Sales of all products increased, including, I am glad to say, a satisfactory increase this year in the sales of dissolved acetylene, the sales of which in the previous year, you will recall from my statement, were a little disappointing. I told you last year about the argon purification facilities which the Company had installed at its Burnpur factory and which would for the first time allow argon to be produced in India. The benefits accruing to those who use argon in their production processes are clearly indicated by the spectacular increase in the sale of this gas, which is particularly essential in fabricating aluminium. Substantial increases were recorded in the sales of gas-user equipment and electrodes, both of which were manufactured in the two works at Beliaghatta and Khardah respectively in larger quantities during the year. Better availability of bought-out items from feeder industries also allowed us to sell increased quantities of electric welding equipment and equipment for the administration of medical gases.

FINANCE

The issue of further share capital which was approved at the last Annual General Meeting was completed during the year and provided additional finance to your Company to the extent of Rs. 1.08 crores, of which Rs. 48 lakhs was accounted for by the share premium. The scubscription of The British Oxygen Co. Ltd., of Rs. 64,80,000 towards this rights issue was a valuable contribution towards meeting our requirements of foreign exchange for expansion and this sum has since been earmarked for major projects in hand.

Capital expenditure incurred during the year amounted to Rs. 1,43,09,027 and almost half of it was accounted for by the purchase of oxygen and dissolved acetylene cylinders from the United States of America against accommodation received from the Export-Import Bank. This provides a timely increase in the stock of cylinders carried by the Company, which otherwise would be considerably strained in meeting the increasing demand for industrial gases.

Arising out of the increasing tempo of the industrialisation of the country based on a growing volume of steel production, as I have already indicated a further large increase in the demand for our products is anticipated during the Third Plan period and subsequently. In view of this we are already giving thought to the next phase of our expansion beyond the programme now under way. Ours being a capital-intensive industry, this will necessarily give rise to additional requirements of finance, particularly foreign exchange, and this important matter is at present receiving careful consideration.

DEVELOPMENT AND EXPANSION

In my statement last year, I referred to the fact that by including our industry's requirements, the draft outline of the Third Five-Year Plan had recognised the importance of industrial gases and electrodes in the country's economy. I have been grateful to find that the Plan as finally published has also recognised the importance of liquid oxygen explosives and included requirements thereof in the official plan targets, showing incidentally a larger than fourfold increase during the Plan period.

Oxygen requirements in the Jamshedpur area have continued to grow and the Company has in hand a programme to install three additional 400M3 oxygen plants in the Jamshedpur factory to augment production from the existing plants. The first of the three additional plants has just recently been installed and trial runs are scheduled to begin almost immediately. The second and third additional plants have been shipped from the United Kingdom and should be installed at the Jamshedpur factory shortly.

The oxygen and dissolved acetylene factory which has been built at the new site at Bangalore was completed during the year, together with an administrative block. Production of dissolved acetylene at the new factory commenced in September this year, while the oxygen plant came on stream in November.

I mentioned last year that at Gauhati, we had installed an oxygen plant within the premises of Indian Refineries Ltd. You will be glad to learn that during the year the Company acquired its own plot of land and commenced erecting an oxygen and dissolved acetylene factory at the new site. The oxygen plant which had been installed in the premises of Indian Refineries Ltd. was transferred to the new factory and oxygen production commenced last September. A dissolved acetylene producing plant is now being installed in this factory and it is hoped that production will commence in February, 1962.

An industrial licence for installing a second 400M3 oxygen plant in our Bombay factory was obtained during the year and arrangements are now in hand for its installation in order to increase oxygen availability in the Bombay area, which practically throughout the past year has been barely sufficient to meet the rising demand there.

Plans have been laid to increase the production of electrodes at the factory at Khardah, near Calcutta, within the present licensed capacity and work was commenced during the year on extending the factory buildings to house additional plant and afford further storage capacity. An industrial licence has also been obtained for setting up, a wire mill within this factory and the necessary plant and machinery has already been ordered against import licences inhand. The setting up of this wire mill will render our electrode production independent of suppliers of core wire on the basis of arrangements that are envisaged for obtaining suitable rods for wire drawing.

Steps ave also been taken to supplement the machinery installed in the Equipment Factory at Beliaghatta and to extend the factory premises. The expansion and modernisation of facilities at the Electorode and Equipment Factories will allow the production not only of larger quantities but also a wider range of products.

The Company continued during the year to pursue actively the development of indigenous manufacture of items of equipment hitherto imported. As explained by me last year, wherever possible and economic, this is being done by encouraging the growth of feeder industries wihch are helped with technical assistance and designs. Notable among last year's achievements were the production of the 'Cub' machine, a small oxygen profile cutting machine, as well as items of medical equipment, for the production and assembly of which at the Equipment Factory at Beliaghatta an industrial licence was received during the year. Another important step was the indigenous development of 'Indarc' welding transformers, which are now marketed by us.

From all that I have said on this subject of development and expansion you will appreciate that our efforts are not confined to increasing our sales of industrial oxygen and dissolved acetylene in cylinders, with which products we are probably principally associated in the public mind, but that we are making substantial progress on the engineering side of our business also. Those of you who have seen our pavilion at the Indian Industries Fair currently in progress at New Delhi may have been surprised at the range and diversity of our production, which has increased in both respects to a remarkable degree in recent years. Incidentally, we have been gratified by the many favourable comments which have come to our notice on our exhibit at this Fair, with its accent on progress, indigenous manufacture and diversification, and it gives me great pleasure to commend those responsible for its organisation.

COMPETITION

In my statement last year, I referred to the policy of the Government of India, which envisaged a widening of the base of ownership in the industrial gases field through new entrants into the industry. In pursuance of this policy sixteen new industrial gas units have been licensed in the last year and a half. A significant increase has taken place in the total licensed capacity of our competitors in this field, and in the year under review these licensed capacities have about doubled in both oxygen and dissolved acetylene.

Perhaps the most important outcome of Government's policy in this regard was the development which took place during the year in connection with the tonnage oxygen plant which your Company had agreed to install at Jamshedpur so as to make available to The Tata Iron & Steel Co. Ltd. its requirements of oxygen in the process of steel making. This projected arrangement was referred to by me in my address to members at the 26th Annual General Meeting held on the 14th February, 1961. Government's reaction to our application for a licence for substantial expansion at Jamshedpur to allow the installation of this plant has best been summed up by Mr. J. R. D. Tata in his statement as Chairman attached to the 54th Annual Report of The Tata Iron & Steel Co. Ltd., in the following words:

> "In this connection, I regret to have to report that the Government of India have refused to sanction a very satisfactory arrangement we had concluded with Indian Oxygen Co. whereby that Company was to put up, at its own cost, a tonnage oxygen plant at Jamshedpur from which the Steel Company was to purchase on favourable terms its greatly enlarged requirements of oxygen. On the ground that the Indian Oxygen Co. already has too large a share of the business, Government have decided that the plant should either be put up by another company in collaboration with a different foreign firm or that the Steel Company should put up the plant itself. As the first alternative would have resulted in delay and unnecessary complications through the presence of two oxygen suppliers at Jamshedpur, and in the loss of certain financial benefits which would have accrued from the proposal initiated with the Indian Oxygen Co., we had no alternative but to decide to put up a tonnage plant of our own and to shoulder the additional capital expenditure which will amount to over a crore of rupees."

Mr. Tata's statement gave rise to some comment at the time when it was published in August last, the burden of which was hat this was a case where economic considerations appeared to be overlooked in favour of ideology. This brings me to the point that while the social objective of planning is not disputed, in my opinion the attainment of planned industrial development on an economic basis must receive equal consideration; and I feel that a compromise between the two is possible within the framework of the Government's policy. My suggestion is that on the basis of the estimated demand during the next five or ten years, an allocation of at least a portion of the considerable additional production

UNDER 1 FEB 1962

capacity required may be made among the existing enterprises after taking into account their relative sizes and technical and financial resources. This will enable them to proceed with perspective planning on a fairly firm basis and will ensure that at least a part of the additional capacity is made availble in the most economic manner, in step with the increase in demand, without allowing a particular unit to grow too large. I fear that unless something like this is done not only the economies but indeed some of the products themselves of large-scale organisation in this field will be denied to Indian industry.

EXPORTS

No one connected with industry in this country today can fail to be acutely conscious of the absolute necessity of increasing exports to enable the mounting demand for imports of essential raw materials and components to be met, and we in Indian Oxygen Ltd. are wholly in sympathy with the Government's aspirations in this regard. I must, however, point out the difficulties that are encountered by an industry such as ours since products like oxygen and acetylene are basically unexportable. However, inasmuch as these products constitute the raw materials for industry in general and facilitate indigenous metal fabrication, their contribution to the solution of this problem lies in the saving of foreign exchange which takes place by the progressive elimination of imports of manufactured items and by incorporation in the manufactured products exported by the Indian engineering industry. Nevertheless, mindful of our responsibilities, we arranged during the year for one of our senior executives to visit the South-East Asian countries to assess the market for such of our products as can be exported. Your Company now exports nitrous oxide and electrodes to this region and we are hopeful that this flow will increase and widen in time with the reorganisation and modernisation of our Electrode and Equipment Factories.

MANAGEMENT AND PERSONNEL

Your Directors are keenly aware that the years that lie immediately ahead contain a challenge that in the final analysis must be met mainly by the competence and stature of the management. Following from this awareness, the top management structure of the Company was strengthened and reorganised during the year by the creation of functional divisions each headed by a Chief Executive. Considerable thought has also been given to training schemes within the Company, some of which were satisfactorily started during the year. A search for talent within the organisation was made and I am glad to say that four members of the staff were selected for intensive management training. You may be interested to know that as at the close of our financial year we employed in all 3763 men and women. Of these, 131 were in the officer grades of whom only six were non-Indians. I take this opportunity to extend once again to our Managing Director, Mr. A. K. Sen, and to his colleagues in the management and to all staff and workpeople our thanks for their part in producing the results which are before you.

In these days it is essential that an organisation should develop its own personality and this can be done no better than through an efficient system of communications within the organisation itself. Towards this end, and also with a view to projecting the personality of your Company to individuals and bodies outside, the publication of a House Journal called "Oxygen News" was commenced during the year. You will be glad to know that this publication has been well commended for its quality and presentation.

TECHNICAL COLLABORATION

Active technical assistance continued to be received during the year from our parent company, The British Oxygen Company Limited. Specialist personnel from the parent company visited our factories, studied our problems and gave us most valuable advice to enable us to improve our efficiency. A number of our personnel also visited the establishments of The British Oxygen Company Limited in Great Britain and have undoubtedly benefitted from the specialist guidance and training so readily offered them.

We were particularly glad to welcome a few weeks ago, Mr. T. E. Potts, Managing Director of The British Oxygen Company Limited Group. Mr. Potts stayed with us for about three weeks, visiting Calcutta, Jamshedpur, Burnpur, Madras, Bangalore, Bombay and Delhi in a strenuous and crowded programme. Your Directors look forward with interest to receiving shortly from The British Oxygen Company Limited their commens and advice on our future expansion plans, of which Mr. Potts made a particular study during his visit. Visits such as this are invaluable for the opportunities which they afford us to discuss our problems with those who are able to draw on a world-wide experience of our industry. I take the opportunity to record here our thanks not only to Mr. Potts but also to the Chairman and the other members of the Board of the parent company.

In June last The British Oxygen Company Limited celebrated the 75th anniversary of its incorporation and on the occasion held a conference of Chairmen and Managing Directors of all its associated companies overseas. Your Managing Director, Mr. A. K. Sen, and I had the pleasure and the privilege to attend this conference, which gave us a welcome opportunity of meeting our counterparts in the other companies and discussing common problems. We also gained an insight into the wide range of interests covered by the parent company and the scale of effort which is being devoted to research and development, in the benefits of which we in Indian Oxygen Limited will continue to share.

PROSPECTS

It is too early in the new financial year to give you any firm indication of the likely trend of profits this year. Sales so far compare favourably with the corresponding period in the previous year and having regard to the continuing development of the metal using industries, we would expect this progress to be maintained. At the same time, we found that in the second half of our last financial year, our activities were affected by power shortages, and I fear that this is a feature which will, unfortunately, recur for some years yet. We have also to bear in mind the increase in the cost of production to which I have referred earlier in this statement. Nevertheless, we have no reason to fear that our profits will not be maintained and indeed, it would be reasonable to expect some modest increase. At the same time, I must again point out that the extent of our existing foreign exchange liabilities and the prospects of our having, within the next few years, to shoulder further loan liabilities, demand from shareholders the exercise of a degree of patience. Our prosperity is, I would repeat, tied up with the growth of important sectors of the country's expanding industry and I am confident that, organised as we are on the basis of technical competence, service to our customers and personnel who have the welfare of the Company and its growth at heart, our performance in the years ahead will be found not wanting.

CALCUTTA,

23rd December, 1961.

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

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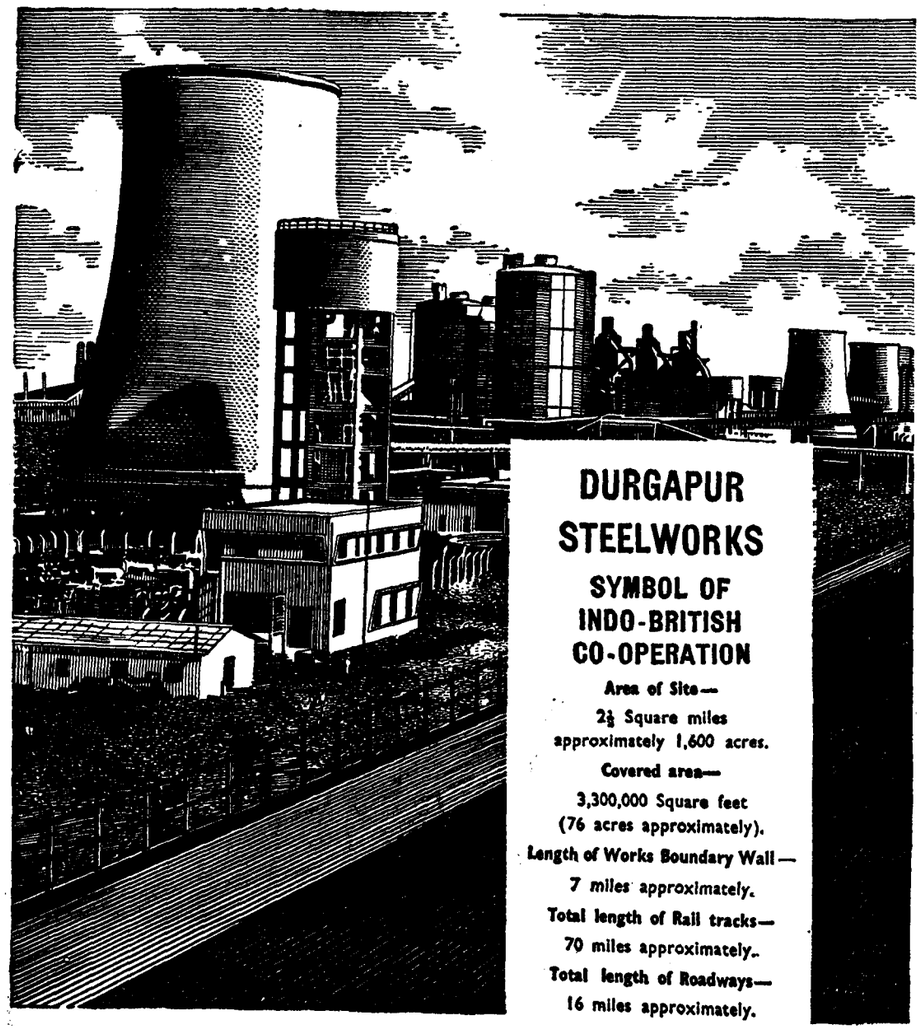
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BRITISH COMPANIES WORKING FOR INDIA

ISCON-67

THE ASSOCIATED CEMENT COMPANIES, LIMITED

TWENTY-FIFTH ANNUAL GENERAL MEETING OF THE COMPANY

Speech by the Chairman, Shri Dharamsey M. Khatau

PRODUCTION AND PROFITS

Speaking at the 25th Annual General Meeting of the Associated Cement Companies Limited held in Bombay on Friday 19th January, 1962, the Chairman, Shri Dharamsey M. Khatau said: "Although the year under review has been one of further progress for the Cement Industry in the country—in terms of increased production and despatches—rising costs of materials and services have more than offset the benefits accruing from this increase in production. Our financial results for the year are rather disappointing despite the fact that the effective installed capacity and actual production were higher. Profits have declined due to an abnormal rise in the cost of coal, stowing excise duty, railway freight and electric power-supply rates. The incidence of these increases was higher than the economies effected by continuous technical and other improvements. There was also loss of production at some Works mainly due to coal and power shortages, and loss of despatches due to paucity of railway wagons, which to some extent was aggravated by the strike of the Central Government employees in July 1960. The cumulative result of all these factors was that the ratio of production to capacity could not be maintained at the level of the previous year."

COAL SHORTAGE

Referring to the acute coal shortage in the country, the Chairman stated that the timely action by the Ministry of Commerce and Industry, following representations by the Company, had enabled its factories to tide over this coal famine. "I would however refer here", Shri Khatau continued, "to two factors which currently threaten to make matters difficult for the Cement Industry—viz. the deterioration in the quality of coal supplied and the new B.O.X. type wagon introduced by the Railways. While the quality of coal has been lowered as a matter of Government's general policy of conserving high grade coal, the new type wagons, which owing to their outsize dimensions cannot be weighed on the existing weigh-bridges, have been responsible for considerable short loading of coal resulting in heavy losses to the consumer. Your Company is continuously taking such steps as are possible to meet the situation."

PACKING CHARGES

The Chairman mentioned another set-back suffered by the Company as a result of Government's arbitrary decision in fixing the packing charges for cement for the last quarter of 1960, at rates far below the rates recoverable from consumers. This decision caused heavy losses to the Company, though repeated and urgent representations by the Industry persuaded Government later to allow the Industry to pack a portion of its cement in sound reusable bags as from 1st January, 1961. "While the decision was in itself most welcome it was vitiated by the fact that a completely unrealistic low charge of Rs. 13 per metric ton, which bore no relation to the prevailing market prices, was fixed as the average packing charge for new and used bags—taken together. This further added to your Company's losses on account of packing charges. Further repeated representations by the Industry finally led Government to adopt a realistic basis for fixing the average cost of new and reusable packing materials. However, the heavy initial losses which your Company suffered on this account could not be recouped during the period under review."

DIVIDEND

"Blocked as we were by a fixed retention price, already too low, it was inevitable that, against the tide of rising costs of materials and services, the profits of the Company should steadily diminish over the past three years. During the year under review, the unexpected hapennings to which I have referred above made further inroads into our profits. In the last three years the Company has had repeatedly to dip into its meagre reserves to be able to pay a modest dividend to shareholders. This year the withdrawal from Reserves has been as high as Rs. 98 lakhs.

"Despite the reduction in the net distributable profits as compared to last year, your Directors have decided to maintain the dividend at the same level, namely Rs. 12 per share, subject to deduction of tax. Your Company has been emboldened to do this in the hope that the relief which has come—although belatedly—by way of a higher retention price, will yield better results in the next few years."

TARIFF COMMISSION

Reviewing the circumstances that led to the belated Tariff Commission enquiry into cement prices, after Government's refusal to grant interim relief despite Industry's numerous representations, the Chairman said: "It was hoped that the enquiry would be completed in time for Government to announce the revised price from 1st July, 1961,—that is, immediately after the expiry of the previous price-period. The revised price, however, came into effect only on 1st November, 1961, thus putting the Industry and your Company to a further substantial loss of earnings."

"I think I must dispel the belief held in certain quarters that the price increase granted to the Industry by Government is generous. The increase awarded falls considerably short of what was expected to enable your Company even to earn a reasonable net return on capital employed, much less to recoup past loss of earnings or to energise it for a vigorous future."

The Chairman continued: "I should like to say that the general approach of the Tariff Commission to the question of revision of cement prices was, by and large, fair. It has shown a sympathetic awareness of the difficulties which the Industry has had to face. Stating that Cement ranks in importance next to Iron and Steel in the economic development of the country, it recommended certain steps to stimulate the Industry's

growth on a high priority basis. The fact that its final recommendations, pruned still further by Government fell short of our expectations, does not take away the basic merit of its method of approach."

"After carefully investigating all the factors involved, the Tariff Commission recommended an effective increase of Rs. 12.11 per tonne in the retention price allowed to your Company—which did not cover its full requirements. Unfortunately, Government has scaled down even this increase in price by Rs. 1.25 per tonne. It is frustrating to note that the recommendations of an independent statutory body, made after a most detailed and searching scrutiny of costs, should have been scaled down by Government."

"It is to be regretted that, once again, the Tariff Commission declined to consider the payment of bonus to employees and Managing Agents' remuneration as legitimate items of cost. It is also to be regretted that the Tariff Commission has not recommended automatic escalator clauses to cover subsequent increases in the price of fuel and power, railway freight rates, and increased dearness allowance linked to the cost of living index. The Commission has apparently left it to Government to vary the price in relation to these factors as circumstances may warrant. This is unfortunate because our past experience shows that redress in such matters by Government is, unhappily, too long delayed.

"The Tariff Commission recommended that the new prices should come into operation from 1st July, 1961 and remain in force till 30th June, 1964, i.e. for three years. Government has, however, made the new prices operative only from 1st November, 1961 and has extended the duration to 31st March, 1966. In an era of steadily rising costs a fixed price for a period of nearly five years is, in my opinion, bound to affect the Industry adversely."

The Chairman added that all these matters will be taken up with Government through the Cement Manufacturers Association which was formed in February 1961 to protect the interests of the Cement Industry.

DEMAND FOR CEMENT

On the question of the current and future demand for cement, the Chairman mentioned that during the year under review there was a rise in the tempo of demand in all sectors, which available supplies were unable to keep pace with, due partly to shortages in production and partly to inadequacy of rail transport. To meet this transport gap at least partially, the Company had been developing the transport of cement by road where conditions are favourable and during the year, the Company was able to transport nearly 25 per cent of its despatches of cement by road. Mentioning the reimposition of control over distribution of cement by State Governments, the Chairman felt that the shortage of cement was likely to continue for some time.

THIRD FIVE-YEAR PLAN

"The Planning Commission has estimated the demand for cement at 13.2 million tonnes in 1965-66 and has fixed a target of 15.24 million tonnes of capacity to be achieved by the end of the Third Five-Year Plan period. This seems to be a realistic target both financially and technically."

Judging from the present trends, however, the Chairman felt that a prodigious effort was necessary to achieve these targets. While welcoming the appointment by Government of the two important Panels for the Cement Industry—one to look into the problems facing it and to stimulate research and development, and the other to increase its productivity, he hoped that these Panels would see that bottlenecks impeding production and productivity are expeditiously removed.

Shri Khatau continued: "Judging from the performance of the Industry under prevailing conditions, production is likely to be about 10 per cent lower than demand over the next few years, unless prompt action is taken to secure for the Industry reasonable foreign exchange facilities, adequate supplies of coal, power and wagons for the movement of raw materials as well as the finished product. It is also necessary that the resources and 'know-how' of established manufacturers of cement should be utilised to the fullest extent possible."

EXPANSION AND REHABILITATION

Reviewing the Company's planned programme of expansion, rehabilitation and modernisation, Shri Khatau reported the completion of the second unit at Mancherial raising its rated capacity to 3.3 lakh tonnes and that of the Blast Furnace Slag Cement project at Chaibasa and the slag granulation plant at Jamshedpur. Though the manufacture of blast furnace slag cement had commenced soon after, owing to preliminary teething troubles the licensed capacity of 1.7 lakh tonnes of slag cement could not be fully achieved. The Chairman said, however, that the Company as well as TISCO were making every effort to increase the slag cement output. The work on the construction of administrative and residential buildings for the Company's new dry process cement plant at Jamul (formerly Durg) was progressing according to schedule and the bulk of the machinery for this plant was being manufactured at ACC Workshops. The construction of factory structures for the extension to Dwarka Works which would raise annual capacity from 2.46 lakh tonnes to 3.5 lakh tonnes had already commenced.

REFRACTORIES AND SILVICRETE

The extension to the Company's refractory plant at Katni raising its capacity from 17,640 tonnes to 30,000 tonnes a year, was also completed and the annular kiln was put into operation recently. Efforts in diversification in the manufacture of products like Accoset-50, Accocid, ceramic grinding media etc. were being intensified. The demand for the Company's Silvicrete white cement was steadily growing and that product has been well received. The construction work on the foundations and structures of the new white cement plant at Kymore with an annual capacity of 25,000 tonnes had been completed.

NEW PRODUCTS

Shri Khatau also announced that the Company had commenced at its Shahabad Works the manufacture, for the first time in India, of a special cement known as Oil Well cement for the Oil and Natural Gas Commission, for use in oil wells in Assam and Gujarat. The demand for this product was at present small, but it is likely to increase with the development of the country's oil resources. The Chairman also reported that the Company had successfully manufactured a portland cement with water-repellent properties which would overcome in a large measure the storage and handling difficulties experienced at present by the cement consumer under highly humid and moist conditions. The new product will be marketed in the near future.

NEW ENGINEERING WORKS AT SHAHABAD

Continuing, the Chairman reported that the Company's new Engineering Works at Shahabad which was only in the planning stage last year had made considerable progress. The factory buildings and housing colony were coming up and most of the plant and machinery required for the project had been ordered from abroad and some had already arrived at site.

ACC - VICKERS - BABCOCK LTD.

Referring to the completion of the AVB Heavy Engineering Works, the Chairman stated that the factory had commenced partial production and had already secured orders for the manufacture of boilers as well as cement machinery. The Chairman cautioned, however, that a capital-intensive project like the AVB would take a few years before it could materially add to the profits of ACC.

PAKISTAN

The Chairman also announced that negotiations for the sale of the Company's factories in Pakistan had now reached the final stage and the matter would be placed for the consideration of the shareholders at the meeting.

MANAGING AGENCY

The Chairman then refered to the Company's proposals for the extension of the duration of the Managing Agency Agreement from five to ten years and raising the Managing Agents' remuneration to 7½ per cent. The matter was under negotiation with Government and the Chairman expressed the hope that, in view of the time-consuming nature of the Company's development projects and the special responsibilities shouldered and services rendered by the Managing Agents, Government will appreciate the Company's views and accede to its request.

LABOUR - MANAGEMENT RELATIONS

Reviewing labour-management relations Shri Khatau stated: "The labour situation at our Cement Works was fairly peaceful, principally because in cooperation with our Unions, we had voluntarily implemented the Wage Board recommendations. A part of the credit for this satisfactory position must also go to the Chairman of the Wage Board whom the Government of India constituted as the Central Machinery to resolve differences of interpretation arising in the process of implementing these important recommendations."

"I am afraid our Collieries have a different story to tell because there were no less than five strikes during the year 1960-61, and similar interruptions in production have continued during the current year also for no valid reasons. The principal cause of this sorry state of affairs is the irresponsible attitude and behaviour of union leaders whose continued indulgence in factional fights has seriously interfered not only with the production of coal but also with the peace of the Kotma Colliery and its colony. The Code of Discipline which all the Central Organisations of Labour had accepted is not always being implemented. This is most unfortunate for, if it is to bring about any appreciable improvement at all, it must be continuously acted upon as an article of faith by all the contracting parties. In this joint endeavour, the role of the Government cannot be over-emphasised. There have been frequent complaints against the procedure adopted by the Machinery set up by the Central and the State Governments to implement the Code."

BONUS

In spite of lower net profit this year the Chairman said, the Directors had decided to maintain the rate of bonus to the employees at the same level as the previous year, solely with a view to preserve cordiality of labour-management relations. As a result, the large majority of employees, particularly those in the lower scales of pay would receive substantially higher amounts of bonus, in view of the increase in their basic wages, as recommended by the Cement Wage Board.

Shri Khatau concluded with an expression of warm appreciation of the hard work and unstinted co-operation of all the Company's employees.

NOTE: This does not purport to be a report of the proceedings of the Annual General Meeting which will be sent separately to shareholders on request.

A PASSENGER FROM CALCUTTA WRITES:

... Just a line to thank you and KLM for looking after us so well prior to our departure from Dum Dum, and during the flight to London. The service on the plane was excellent and the hostesses charming ...

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KLC-54

SCINDIA STEAM NAVIGATION CO. LTD.

SUMMARY of the Address of Shri Dharamsey Mulraj Khatau, Chairman, The Scindia Steam Navigation Co. Ltd., delivered at the 42nd Annual General Meeting of the Shareholders, on Wednesday, the 24th January, 1962 at Scindia House, Ballard Estate, Bombay-1.

After welcoming the Shareholders the Chairman referred to the Audited Accounts and Directors' Report for the year ending 30th June, 1961 and stated that the results of the year could not be considered to be encouraging and that they reflected the situation faced by shipping companies all over the world and India in particular. Despite this adverse economic situation, the Company was fortunate in covering its costs, making a nominal profit of Rs. 4.5 lakhs, and declaring a dividend of 60 nP. per share after drawing Rs. 25 lakhs from the Dividend Equalisation Reserve.

The Chairman stated that the level of freight rates in Overseas Liner trades showed no improvement during the year whereas costs of operating ships showed signs of continued increase. However, as a result of rationalisation of services by all member lines of the India/UK-Continent Conference, the next year should show improved results.

Shri Dharamsey added:

"One significant event of this year has been the decision of the Shipping Corporation of India to join the Conference covering the India|Pakistan| U.K.-Continental trades as also in the U.S.S.R. trade. I sincerely hope that their association with India Steamships and ourselves will be a source of strength and will enable the Indian Lines to cater more effective and efficiently to the requirements of the trade because this co-operation between the Government Corporation and the Indian Lines will lead to the growth of mutual confidence. I say this because I believe that there is considerable scope for expansion of Indian Shipping in trade not yet served by Indian ships. It, therefore, is very necessary that this expansion should cover trades and routes not yet catered for and take place along strictly planned and rational lines."

He further stated that the Conference members were greatly concerned over increased expenditure to cover which an increase in rates was the only answer. The Conference representatives have placed this position before the Ministers of Transport and Finance, who whilst appreciating the situation, felt that owing to the difficult foreign exchange position of the counry, the problem of freight increase had become a little difficult of solution. It could, however, be expected that this situation would not continue for long and would soon right itself.

In regard to coastal and adjacent trades, the Chairman pointed out that there was further deterioration and hence the coastal results were very disappointing. The basic problems facing coastal shipping are uneconomic rates of freight, serious delays and detentions to ships and reduced cargoes due to the deteriorating Hooghly drafts. Unless these basic problems are tackled expeditiously and the much needed relief and assistance secured, the future of coastal shipping will continue to remain gloomy. The obvious answer, therefore, lies in permitting upward revision of freight rates as costs increase. In this context the Chairman said that Shri R.G. Abbhi, the Government director on boards of Indian Shipping Companies, had been specially asked by the Government to go into the costs of operations on the coast. It was a sincere hope that when Shri Abbhi had finished his examinations he would be able to recommend to Government to fix a level of freight rates for the coast which would not only take care of increased costs but would also give a satisfactory return to the companies on the capital employed in the coastal trade.

The Chairman mentioned that in addition to the delivery of m.v. 'Jalakirti', further orders were placed with the Hindustan Shipyard Ltd., and felt that in view of the size of the Company's business and fleet, it was very necessary to work out a steady programme of building new vessels every year. As ships were ready earners of foreign exchange he hoped that the requisite foreign exchange would be made available for this purpose.

As regards future prospects Shri Dharamsey stated:

"You naturally expect me to tell you something about our future. I know it will not satisfy you if I say that it is difficult to forecast the future with any degree of certainty. On the other hand, there are so many "imponderables" in the shipping business and possibly the uncontrollable items of expenditure far exceed the controllable one. The adjustment of freight rates can be the only answer to compensate for increased and increasing costs of operation and the maintaining of a modern fleet. I feel that in our developing economy, transportation has still to receive the priority it deserves in terms of planning and quick execution. If this important industry is to survive and if the confidence of the investing public is to be restored, it is very necessary that early steps should be taken to decide upon a suitable machinery that would enable the industry earn reasonable rates of freight having regard to the factors mentioned above. It would also create a feeling amongst the shareholders that theirs too is an industry whose problems receive the same consideration from Government as those pertaining to the other industries ashore. The National Shipping Board could play an important part in this context by advising Government as to how the shipping industry could maintain its proper place in our economy. However, I do not wish to place before you a gloomy and pessimistic outlook as to the future of this Company. As you are no doubt aware, the shipping industry the world over is one where lean periods by far exceed the boom periods; I would, therefore, venture to express the hope that the lean period is more or less over and that we should see signs of an improvement, even though gradual, before long."

The Chairman referred to the Konkan Services and the report submitted to Government in 1960 by the Konkan Coastal Shipping Services Committee and added:

"We conveyed the acceptance of recommendations of the Committee early in January 1961. The decisions of the Government of India, on the report of the Committee were conveyed to us only in October 1961. These decisions, however, fell far short of the recommendations of the Committee. Due to this disturbing development, the B.S.N. Co. (1953) Ltd. had no alternative but to announce the closure of its services from 1st December, 1961. I am happy to say that both the Government of India and the Government of Maharashtra have shown due appreciation of the Company's position and negotiations with the two Governments are still continuing. In the meanwhile, in the hope of a satisfactory settlement, the Company has agreed to maintain its services till the end of May, 1962. The situation will be reviewed before then."

After placing on record the long and valuable services rendered by Shri Dinshaw D. Romer, a director of the Company who retired due to ill health, Shri Dharamsey thanked the Minister of Transport and his colleagues in the Transport Ministry for the interest shown by them in furthering the cause of Indian shipping. He also appreciated the services rendered by the Company's agents abroad and in India and thanked the shippers and consignees for their continued support.

The Audited Statement of Accounts were placed before the Shareholders for their approval and adoption

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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
October 1960 ..	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
December " ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
October 1961 ..	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
December " ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
25-11-1961 ..	118.7	97.0	122.4	136.6	139.9	123.6	125.9	123.2
2-12-1961 ..	118.3	95.1	121.4	136.7	139.8	124.3	126.5	123.1
9-12-1961 ..	117.8	95.1	122.3	137.4	138.1	124.1	126.1	122.9
16-12-1961 ..	117.7	95.1	122.4	137.5	137.6	123.9	125.9	122.8
23-12-1961 ..	117.9	95.6	121.6	135.4	138.1	124.8	126.7	122.8
30-12-1961 ..	117.1	95.6	121.6	136.2	138.4	124.9	126.8	122.6

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	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	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 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	302*	171	406	482	498	166	480	172	168	173
August	419	438	302	171	410	491	501	167	181	171	170*	175
September	417	436	302	169	410	491	499	168	479	171	170*	175*
October	215	434	302*	168	412*	499	501	—	480	172*	174*	175*
November	215	434	—	170	—	508	497	—	481	—	—	—
December	—	—	—	171	—	—	—	—	481	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED	12-1-1962			5-1-1962			29-12-1961			22-12-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	117.65	116.00	116.65	119.65	118.05	119.07	120.50	118.05	119.57	120.20	117.05	118.70
Silver (per kilogram)	211.10	209.60	210.19	211.95	210.55	211.39	211.85	210.45	211.11	211.75	209.55	210.59

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: 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	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										
Oct. 1960 ..	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
Dec. „ ..	1,855,90	16,59	1,872,48	117,76	127,01	..	..	127,66	1,500,06	1,872,48
Oct. 1961 ..	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
Dec. „ ..	1,937,46	14,76	1,952,22	117,76	116,86	234,62	12.02	122,78	1,594,82	1,952 22
Week-Ending										
8-12-1961 ..	1,947,89	12,38	1,960,27	117.76	116,86	234,62	11.97	121,81	1,603,83	1,960,27
15-12-1961 ..	1,947,78	12,65	1,960,43	117,76	116,86	234,62	11.97	122,00	1,603,81	1,960,43
22-12-1961 ..	1,939,56	21,61	1,961,17	117,76	116,86	234,62	11.96	122,74	1,603,81	1,961,17
29-12-1961 ..	1,943,66	17,80	1,961,46	117,76	116,86	234,62	11.96	123,02	1,603,81	1,961,46
5-1-1962 ..	1,969,90	14,77	1,984,67	117,76	126,86	244,62	12.34	121,24	1,618,81	1,984,67

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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 ..	61,78	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														
Oct. 1960 ..	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
Dec. „ ..	60,25	15,71	95,20	91,78	26,295	104,08	452,03	16,69	19,53	26,35	37,78	135,04	198,94	16,70
Ooct. 1961 ..	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
Dec. „ ..	56,83	20,23	82,90	147,22	307,18	120,02	512,20	14,81	28,61	31,95	66,61	136,85	207,67	21,70
Week-Ending														
8-12-1961 ..	53,76	10,19	74.33	147,14	285.42	113,54	483,96	12,42	32,09	29,93	72,10	132,36	179 63	25.43
15-12-1961 ..	51,31	27,32	77,43	147,18	303,24	121,82	510,06	12,69	30,57	31,58	64,66	135,31	209,74	25,51
22-12-1961 ..	75,92	15,71	79,41	147,32	318,36	122,47	525,83	21,65	25,41	35,96	69.63	137,34	209,82	26,01
29-12-1961 ..	49,76	32,59	105,16	147,42	334,93	126,06	545,99	17,85	35,20	33,46	60,49	148,21	224,54	26,24
5-1-1962 ..	61,21	11,81	78,85	147,82	299,69	128,39	513,08	14,82	39,22	16,59	61,73	143,83	210,62	26,27

* 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: Demand	Time	Total (2+3)	Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Government Securities in India
(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	7.58	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										
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
Dec. 1961	847,91	1,156,07	2,003,98	48,00	78,75	6.32	1,073,18	183,83	62.72	604.47
Week Ending										
15-12-1961	847,02	1,155,25	2,002,27	47,32	71,89	5.95	1,076,83	175,84	62,56	606,31
22-12-1961	840,58	1,159,41	1,999,99	47,07	74,88	6.10	1,084,45	178,59	63.15	600,06
29-12-1961	855,50	1,162,75.	2,018,25	51,97	99,37	7.50	1,095,81	189,47	63.68	579,94
5-1-1962	856,94	1,158,81	2,015,75	48,02	80,61	6.38	1,104,81	194,03	64.43	593,84

† Including foreign bills purchased and discounted.

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	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
April 1961 ..	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 „ ..	2,798,56*	1,921,03	877,53	857,04*	20.49*	— 10,17
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*
November „ ..	2,829,21*	1,944,51*	884,70*	864,08*	20,62	+ 21,53*

' Provisional

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

D.L.F. LOANS TO INDIA

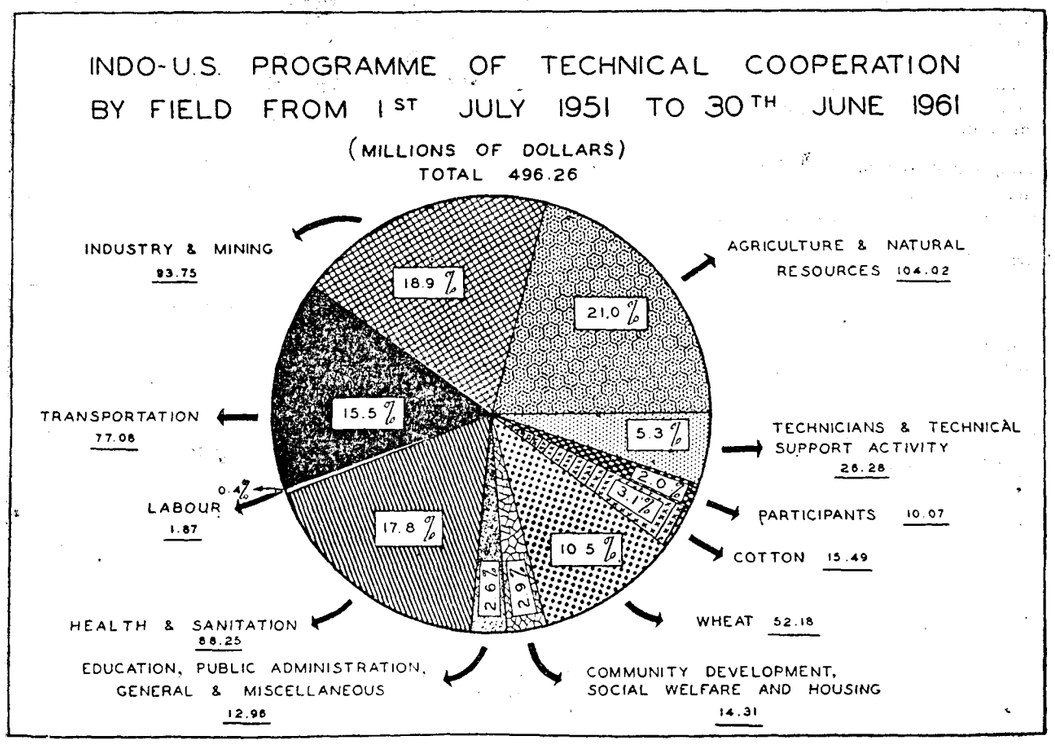
Project	Date when signed	Amount (In million dollars)	Rate of interest per annum	Terms of repayment
First Railway Loan	23-6-58	30.0 (excludes $10 million on account of savings transferred to the Third Railway Loan).	3½%	40 equal semi-annual instalments, beginning 30th June, 1959.
Automobiles, Jute & Cement Industries	„	35.0	5¼%	30 equal semi-annual instalments, beginning 30th June, 1959.
Road Transportation	„	25.0)		
Cement and Refractories	„	5.0)		
Jute	„	5.0)		
Second Railway Loan	24-12-58	35.0	3½%	40 successive semi-annual instalments, beginning 15-10-1959.
Steel for Public Utility (First Loan)	„	18.0	3½%	30 successive semi-annual instalments, beginning 15-1-1960.
Steel for Private Sector Industries	„	22.0	5½%	„
Equipment for Power Development	„	10.0	3½%	40 successive semi-annual instalments, beginning 1-12-1959.
Capital Equipment for Private Industries (First Loan)	„	15.0	5¾%	20 successive semi-annual instalments, beginning 15-1-1960.
Steel for Private & Public Sector Projects (Second Loan)	27-7-59	20.0	5¾%	30 successive semi-annual instalments, beginning one year after the first disbursement.
Private		12.0)		
Public		8.0)		
Sharavathi Hydro-Elec. Power Project (1st Stage)	30-6-60	8.4	3½%	39 semi-annual instalments, beginning one year after the first disbursement.
Ahmedabad Elec. Co. Ltd., (direct loan to the Company in the private sector, not guaranteed by Government.)	„	3.9	3½%	23 semi-annual instalments, beginning three years after the first disbursement.
Barauni Thermal Power Project ..	„	3.8	3½%	39 semi-annual instalments, beginning one year after the first disbursement.
Chandrapura Thermal Power Project	„	30.0	3½%	39 semi-annual instalments, beginning one year after the first disbursement.
Durgapur Thermal Power Project ..	„	20.0	3½%	39 semi-annual instalments beginning one year after the first disbursement.
Road Transport Project	30-6-60	13.1	5¾%	9 semi-annual instalments, beginning one year after the first disbursement.
Kanpur Thermal Power Project ..	5-12-60	1.6	3½%	39 semi-annual instalments, beginning six months after the first interest payment is due.

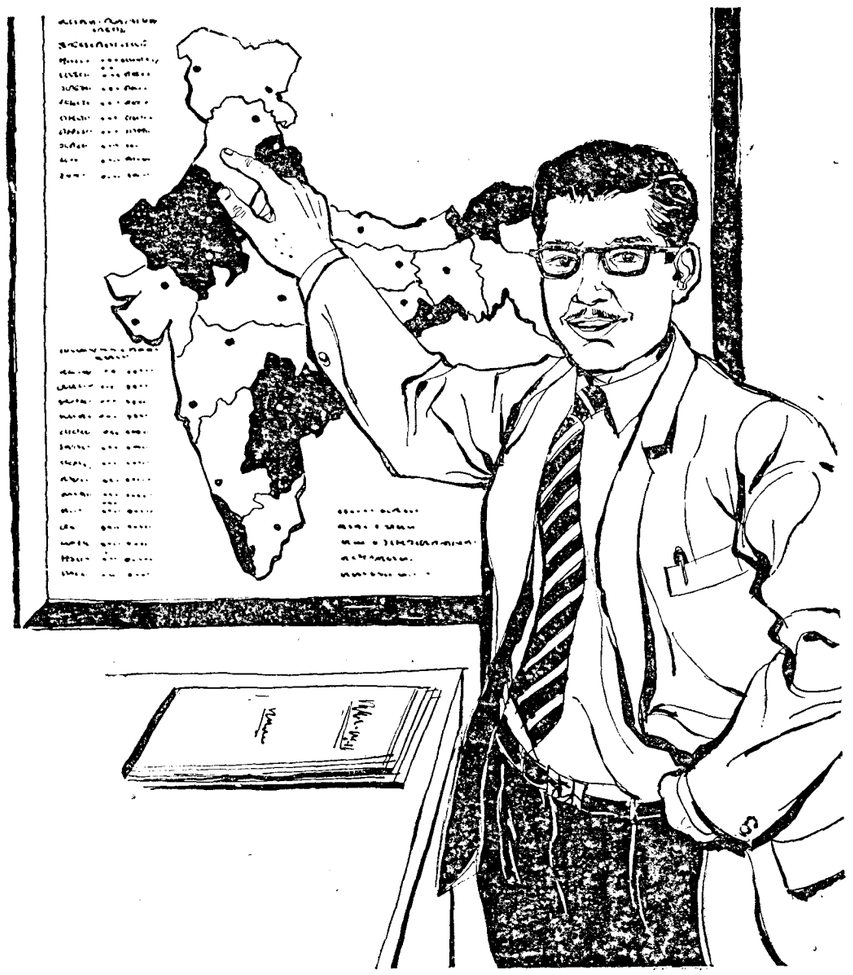
D.L.F. LOANS TO INDIA (Contd.)

Project	Date when signed	Amount (In million dollars)	Rate of interest per annum	Terms of repayment
Barapani Hydro-Electric Power Project	5-12-60	2.5	3½%	29 semi-annual instalments, beginning six months after the first interest payment is due.
Third Railway Loan	„	50.0 (includes $10 million on account of savings from the First Railway Loan)	3½%	39 semi-annual instalments, beginning six months after the first interest payment is due.
Capital Equipment for Private Industries (Second Loan)	„	25.0	5¾%	19 semi-annual instalments, beginning six months after the first interest payment is due.
Steel for Private and Public Sector Projects (Third Loan)	„	25.0	5¾%	29 semi-annual instalments, beginning six months after the first interest payment is due.
Private		22.0)		
Public		3.0)		
Industrial Finance Corporation (direct loan to the Corporation, guaranteed by Government) ..	„	10.0	5%	29 semi-annual instalments, beginning one year after the first disbursement.
Trombay Fertilizer Plant (direct loan to the fertilizer Corporation of India, guaranteed by Government).	29-12-60	30.0	5¾%	29 semi-annual instalments, beginning six months after the first interest payment is due.
Industrial Credit and Investment Corporation of India (direct loan to the Corpn., not guaranteed by Government)	23-3-61	5.0	5%	29 semi-annual instalments, beginning six months after the first interest of payment is due.
National Small Industries Corporation (direct loan to corporation, guaranteed by Government) ..	10-4-61	10.0	5%	19 semi-annual instalments, beginning six months after the first interest of payment is due.
Premier Automobiles Ltd., (direct loan to Company, not guaranteed by Government)	21-8-61	7.2	5¾%	27 semi-annual instalments beginning eighteen months after the first interest payment is due.
Talcher Thermal Power Project ..	16-8-61	33.0	3½%	39 semi-annual instalments beginning six months after the first payment is due.
Birsinghpur Thermal Power Project	16-8-61	8.4	3½%	39 semi-annual instalments, beginning six months after the first interest payment is due.
Sharavathi Hydro-Elec. Power Project (2nd Stage)	„	21.5	3½%	39 semi-annual instalments, beginning six months after the first interest payment is due.
Non-Ferrous Metal Imports ..	26-10-61	20.0	3½%	29 semi-annual instalments, beginning six months after the first interest payment is due.

VALUE AND QUANTITY OF PL 480 COMMODITIES

	Wheat	Rice	Cotton	Tobacco	Milk Powder	Corn (Maize)	Sorghums (Milo)	Soya-bean	Ocean Trans-portation	Total
Agreement dt. 29-8-56										
Quantity	3,760.70 (000 metric tons)	196.86 (000 metric tons)	247,000 bales (480 lbs. each)	6 (Mil. lbs.)	20,700 (Metric tons)	—	—	—	—	—
Value ($ million)	225.000	26.400	42.000	6.000	3.500	—	—	—	51.656	354.556
Agreement dt. 23-6-58										
Quantity	597.40 (000 metric tons)	—	—	—	—	97.000 (000 metric tons)	97.3 (000 metric tons)	—	—	—
Value ($ million)	37.000	—	—	—	—	5.00	4.000	—	9.277	55.277
Agreement dt. 26-9-58										
Quantity	3,443.000 (000 metric tons)	—	—	—	—	78.000 (000 metric tons)	—	—	—	—
Value ($ million)	208.950	—	—	—	—	4.050	—	—	46.800	259.800
Agreement dt. 13-11-59										
Quantity	3,000 (000 metric tons)	210 (000 metric tons)	3.5 (Lakh bales 480 lbs. each)	5 (Lakh lbs.)	—	94.00 (000 metric tons)	—	—	—	—
Value ($ million)	182.000	23.450	45,200	.500	—	4.700	—	—	42.020	297.870
Agreement dt. 4-5-60										
Quantity	16,000 ('000 metric tons)	1,000 (000 metric tons)	7 (Lakh bales)	2 (Mil. lbs.)	—	136 (000 metric tons)	1,000 (000 metric tons)	3,600 (Tons)	—	—
Value ($ million)	965.000	116.000	73.200	2.000	—	6.800	4.300	1.000	201.500	1,369.800





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THE EASTERN ECONOMIST

FEBRUARY 16, 1962.

Interest Rates on Bank Deposits

THE meeting of bankers scheduled at Bombay for Friday, February 16, has naturally awakened substantial interest amongst depositors, no less than among the bankers themselves. For a long time the position on rates of interest accorded to depositors has been anomalous. While, in fact, the bankers have exercised restraint in regard to raising interest rates very much in their own interest—as though a cartel were operating—they have been driven by the Reserve Bank to raise the rates of advances so that they have become the fortunate beneficieries of a widening gap between the rates charged on advances and the rates they pay on their deposits. It is obvious from the balance sheets of various banks that this has been a great windfall to them; it has been achieved almost with only a small murmur of discontent either from bank employees or from depositors who, by and large, have not noticed that their opportunities in circumstances such as prevail at the moment, could well have been exploited by concerted action.

If money has high price because of its scarce character to users of money in industry, surely depositors, as the providers of this money, have an equal right to share with the bankers—the middle men—in the advantages accruing from the higher rate necessarily to be paid for the scarce commodity. As it happens, the bankers themselves and the Reserve Bank of India have joined together to prevent depositors from benefiting adequately from conditions prevailing. When the bankers meet in Bombay on February 16, they will naturally consider whether or not a rise in interest rates is likely to be a major element in the attracting of new deposits. It is not doubted that a marginal rate of rise is no answer to a great campaign for deposits. Evidence has been obtained from recent surveys to the effect that 'convenience' and 'safety' rank higher among depositors than a marginal rise in interest rates so far as attracting current deposits are concerned. So far as time deposits are concerned, they tend naturally, because money is not immediately required, to seek the higher interest rate possible. The diversion towards time deposits from current deposits is, in fact, merely a reflection of this fact that a higher interest rate is effective in this field. This analogy should suggest that, if the banks could raise their rate on deposits by about 2 per cent, the interest rate, far from being a marginal effect in attracting new deposits, might well be decisive. It is extremely unlikely that the bankers will take this adventurous step. It is even more unlikely that the Reserve Bank, which is responsible for raising vast sums for Government loans, would advocate a higher rate of interest of this order. The Reserve Bank rate itself would need to be altered since there would be no meaning in having a rate out of line with that available to depositors for savings bank accounts, which can be drawn on quite readily under various attractive terms now available. It may safely be stated, therefore, that an adventurous rise by 2 per cent in the rate of deposits is quite out of the question. In fact, things are likely to remain very much as they are with the banks declining to help their depositors with the higher rate of interest, while, nevertheless, charging as high a rate as 8 per cent on their advances and sometimes more where personal guarantees are not available.

Irrespective of the decision reached by the banks and the Reserve Bank of India on this matter, there is here an issue of national policy which needs to be decided as much in political as in economic terms. Rising bank profits are already raising anew the question of the Bank Award and the controversial rates of scales of bank employees. But the fact remains that there must be a major campaign for deposits. If the answer is not to be found in interest rates it must be found elsewhere. Are the banks in a position to attract substantial additional deposits under present conditions? The answer is contained in the statistics on scheduled bank deposits over the last year. There is no doubt that the current policy has failed. It is not enough for the bankers to decide that a rise in interest rates is not the solution of their particular problem of raising deposits. They will need to take the whole problem a stage further and find the means whereby they can sell to all holders of money the attractions of banking instead of hoarding money or, indeed, revolving it in a pattern of rising consumer expenditure which is threatening increasingly to add to inflation within the country. There seems something to be said for a commission on the lines of the Radcliffe Committee to examine the whole purpose of financial and banking policy in the management of India's financial resources in the Third Five-Year Plan.

Power Demand and Heavy Electrical Machinery Production

THE opening of the impressive AVB factory at Durgapur last week has naturally turned attention to the problem of India's manufacturing of heavy electrical machinery and equipment, not in isolation but in terms of growth of power demand over the next decade. Too often Indian statistics are so absorbed with percentages that complacency is induced by the fact that we are rising from nothing to, say, Rs. 20 or Rs. 25 crores. The improper feeling is generated that this is an act of remarkable achievement. The Government of India has recently been circulating a statement of production of machinery and equipment in 1961 and estimates of production at the end of the Third Plan. The list is a very large one with 25 elements in the production of machinery outside electrical machinery and equipment. It is argued that production will rise from about Rs. 192.54 crores in

1961 to Rs. 642.42 crores in 1965. The conclusion is intended to be drawn that India is moving in a grand manner in the heavy machinery field.

Anyone looking at this list, and bearing in mind the desperate shortage of power, will wonder whether or not India is wise to spread her attention in a machinery field with this enormous range, instead of concentrating it on the elements most important for the development of power units in the shortest possible time. Recent studies have indicated that the target of 13.4 million KW in 1965-66 will be substantially short of demand. In Quarterly Economic Report No. 30 the Economic Intelligence Unit of the Indian Institute of Public Opinion made an estimate that power requirements in 1965-66 would be 5.9 times the figure for 1955-56 and 3.31 times the figure for 1960-61. This seems to be the most detailed estimate which has yet been made relating power consumption to industrial production as well as other uses. It has been pointed out that the factor relating consumption to industrial growth as a result of the change in the structure of certain industries is rising continuously so that whereas power consumption in 1960-61 was only 1.79 times the figure for 1955-56 the new co-efficient for 1965-66 against 1960-61 is almost double the old one. In other words, whereas supply in the Second Plan was only moderately short, the contemplated rate of development in the Third Plan will leave us desperately short at its conclusion. A strong bias towards power must now invade the Plan, changing priorities in terms of foreign exchange requirements. It surely is equally important, since foreign exchange will be a bottleneck in any case, to manufacture as much as possible power machinery in the country. The proposal, therefore, to raise heavy electrical machinery and equipment from nothing to Rs. 25 crores is an absurd underestimation of the crisis which invades the power field. Similarly, a figure of Rs. 30 crores for boiler machinery is inadequate. A substantial revision of priorities inside the machinery field is as important as the change in priorities all round.

Since new factories will take considerably more time to expand than other factories, there

REGIONAL POWER REQUIREMENTS, 1965-66

(I.I.P.O. Economic Intelligence Unit's Estimates)

(Million kwh.)

State/Territory	Power Consumption in			Power Requirements in		
	1955-56	1960-61*	1960-61 as multiple of 1955-56	1965-66	1965-66 as multiple of 1960-61	1965-66 as multiple of 1955-56
Andhra Pradesh	333.5	745.7	2.24	2400	3.22	7.20
Assam	7.9	38.4	4.86	700	18.23	88.61
Bihar	1113.1	1856.4	1.67	4400	2.37	3.95
Gujarat	612.4	1042.6	1.70	2800	2.68	4.57
Jammu & Kashmir	16.3	43.2	2.65	320	7.41	19.63
Kerala	274.3	582.6	2.12	2100	3.60	7.66
Madhya Pradesh	214.2	612.2	2.85	2970	4.85	13.87
Madras	818.7	1719.3	2.10	6390	3.72	7.80
Maharashtra	1998.4	2965.8	1.48	7200	2.43	3.60
Mysore	587.2	966.5	1.65	4100	4.24	6.98
Orissa	87.1	592.7	6.80	2800	4.72	32.15
Punjab	287.4	637.6	2.22	3970	6.23	13.81
Rajasthan	117.9	212.6	1.80	1470	6.91	12.97
U.P.	554.1	979.8	1.77	4430	4.52	7.99
West Bengal	1876.3	2871.5	1.53	6775	2.36	3.61
Delhi	262.8	465.4	1.77	1080	2.32	3.93
Rest of Territories	2.9	34.7	11.96	195	5.62	67.24
All-India	9164.5	16367.0	1.79	54100	3.31	5.90

* Estimated.

Note: Power requirements in 1965-66 are based on the latest estimates published by the Power Wing.

is everything to be said for pressing existing units to throw forward their expansion plans by two to three years in order to bring about, within the next five years, a revolutionary change in regard to boiler machinery and heavy electrical machinery and equipment. It is believed that the figure for boiler machinery should be nearer Rs. 60 crores and that of heavy machinery and electrical equipment should be Rs. 100 crores, if necessary, setting back several items including machine tools which are now absorbing an unduly large area of capacity. It is much more necessary in the realm of maintenance of existing units to provide power than to provide machinery to the new units which, in these circumstances, must take a lower place in the queue.

So far as both private sector and public sector plans are concerned, it seems increasingly clear that incentives do not exist for a throw forward of expansion plans in the power machinery field. This is time for a high-powered committee to investigate the prices to be paid for boiler and heavy machinery and electrical equipment so as to generate funds rapidly for a much more rapid expansion than is at present contemplated.

Pakistan's Internal Crisis

THE demonstrations staged by the students of the Dacca University early this month could not have taken such a riotous turn so swiftly, if the grievances that provided the provocation were entirely superficial. Nor can their intensity be explained largely with reference to the surprise arrest of Mr. Suhrawardy, although it is obvious from the subsequent flare-up that the arrest was also resented. Mr. Suhrawardy's arrest and the move for the compulsory closure of the university at best advanced the commencement of the lawless activity. In any event, the tenth anniversary of the Language Martyrs' Day—due on February 21—was not far off and ominous developments were apprehended around that time. The fact that the student community indulged in violent acts of lawlessness during the presence of Field Marshal Ayub Khan in the city and in its frenzy went to the extremity of making an ugly exhibition of personal disrespect to the Head of State gives enough measure of the depth of the discontent which was simmering for quite some time.

The state of siege under which the trouble spots in the university were laid for about four days and the chain reaction of the Dacca riots in Chittagong, Sylhet, Barisal, Comilla and Noakhali districts provide an index of the determination of the younger generation to resort to agitation. It is not surprising that the agitational approach should find ready practitioners in East Pakistan even during the military regime. The Eastern Wing had always been politically conscious in a high degree—and vociferously articulate, too. Unlike the Western Wing, which is a blend of regional patterns, the Eastern Wing commands the benefit of homogeneity by reason of the population's Bengali extraction—a source of strength as demonstrated in the overthrow of the Muslim League from office over the language issue.

Political consciousness, combined with a profound sense of dissatisfaction, derived from regional disparities of national income and perhaps still more disparities in per capita income due to a prolific population, has made East Pakistan a source of explosion. The administration is trying sincerely to remove genuine economic grievances by making a greater allocation of outlay on development projects, but the sensitive population has little patience with the inevitable lags involved in their gestation. Development of backward regions cannot but be a gradual process. Meantime, the intelligentsia in East Pakistan went on reviving the demand for parity with the Western half. In the days of parliamentary democracy this demand took the major form of parity of seats in the legislature (and, though not in a strict sense, also in the distribution of ministerial offices). With the establishment of the present interim regime, the emphasis was switched on to parity in the civil services and the armed forces. Field Marshal Ayub Khan showed a conciliatory mood in making concessions to this demand, but obviously he could not allow parity to be elevated to a fetish. As a result, frustration and embitterment, generated by a feeling of discrimination, continued to grow.

It will be an error to suppose that all the impatience and discontent are confined to the Eastern Wing alone. Their manifestation in the Western half was more subdued, but political dissatisfaction is tending to grow there too. It must have taken the West Pakistan High Court Bar Association at Karachi effort to summon courage to adopt a forthright resolution making a demand for a regular trial of Mr. Suhrawardy in a court of law, casting a direct reflection on the military administration's action in depriving him of personal liberty without trial and conviction. And the Lahore District Bar Association was neither slow nor hesitant to follow suit. The Khulna District Bar Association (in East Pakistan) went a step ahead in defying the ban on its meeting and passing a similar resolution. The Government Press Note makes grave charges against Mr. Suhrawardy of open association with anti-Pakistan elements inside and outside the country. The demand that treason cannot be merely alleged but must be proved is, in part, an indication of a powerful urge for the restoration of democratic rule.

Undoubtedly, the dictatorship is losing popularity. Whether the new constitution, to be announced soon, confers basic democracy or some other variant of democracy need not, in fact, be regarded as important as whether any genuine pattern of democracy will not be allowed to be reduced to a travesty, as under the shifting Cabinets before the abrogation of the original constitution. The real question appears to be: After the military regime, what? It is as much in the interest of Pakistan's neighbours as well as distant allies, as it unquestionably is in her own interest, that a stable and progressive government should be established after the interim regime transfers power. Pakistan's citizens themselves will not countenance a situation in which the country is handed back to opportunistic career-seekers, masquerading as politicians. Pakistan's protective regime seems to face the prospect of having to accept an extended tenure in a substantially modified form incorporating the representative element. Is this the beginning of a return to more normal conditions? We in India should hope this will be possible; unrest in Pakistan is no gain to India, very much the opposite.

A DELHI DIARY

NORTH BOMBAY ABOVE ALL

A LEADING daily newspaper in New Delhi sends a story from its special representative now in Bombay to the effect that North Bombay is the "Talk of the Town". I am in a position to say that it is not merely "the talk of the town" in Bombay, it is very much the talk of the town in Delhi. I have heard, even in the corridors of the Secretariat, some anxious speculation on what might happen, should Mr. Krishna Menon return or should he not return. There has been a marked feeling of loyalty in certain areas to the Defence Minister, and I am not surprised that those who have looked not so much upon their merits but upon what we used to call a benevolent godfather to support their claims are a little disturbed about the possibility of his defeat. However, this, I expect, is only human nature and one must not allow oneself to rant on the dissensions in the civil service or in the army. On the latter there is, however, certainly criticism here in regard to a Court of Inquiry in which a Lieutenant-General was apparently charged without any basic substance in the charges as the Court of Inquiry seems to have demonstrated. It is relevant to ask if the Defence Minister approved of this witch-hunting and, if not, how it has come about. However, the talk of the town is not concerned with acts of omission and commission: it is primarily concerned with the chances of the central candidates in North Bombay. At this moment, electioneering is at its height and, with the tempo rising, apparently there has been recourse to methods and insinuations which, to say the least, do no great credit to many who preached a short while ago about the highest standards of conduct in this battle.

THE COLD WAR

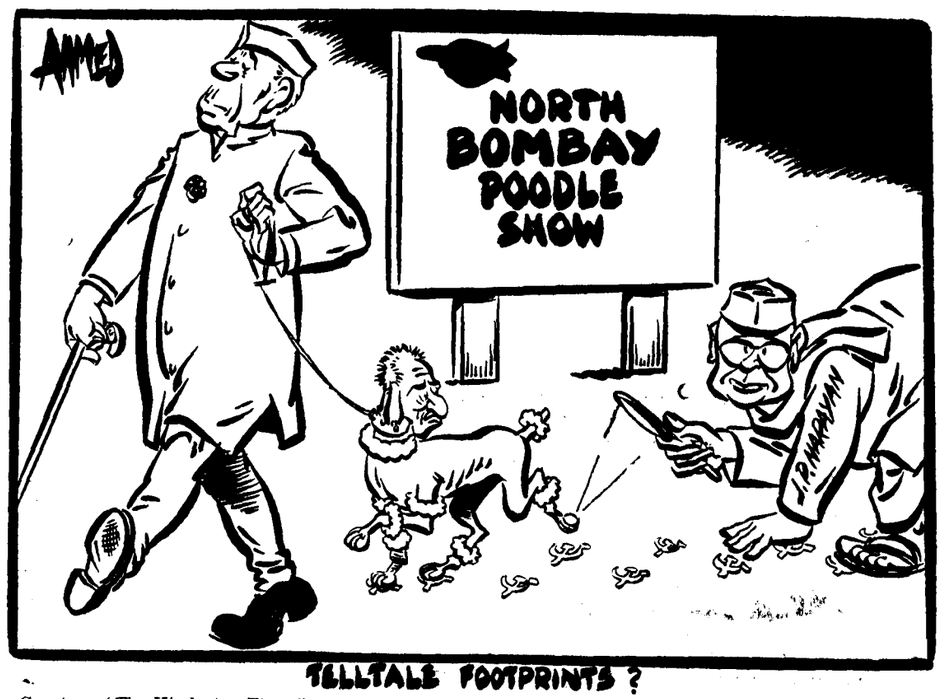
The Prime Minister on his side has started with the suggestion that certain nations are "intervening" in the election. This naturally has high international interest. He has not mentioned these nations; surely it is vital for him to name the nations who have intervened, so that the country should know exactly which 'nations' and what 'intervention' is involved. On the other hand, Mr. Kripalani's supporters are openly saying that the Communist Party of India has recruited part of its funds from abroad and that Mr. Krishna Menon is benefiting in some mysterious way from Communist international support. I do not think either of the charges are provable, and it does seem to me a very wrong thing on both sides that people should be making these charges of 'intervention' of foreign countries without the requisite evidence on which they should be based. I suppose even if they were both true, neither side should indulge in these accusations without proof, as it is always dangerous for the pot to call the kettle black!

AN UNHOLY ALLIANCE

Nevertheless, and while I deprecate Mr. Krishna Menon's being charged with seeking international Communist support, since it is quite unproved, there is an unholy alliance between the Congress and the Communist Party. This is because it is an electoral alliance plain and simple, such as the one which supports Mr. Mehr Chand Khanna in New Delhi. It is a fact that the Support Menon Committee which is running the campaign is predominantly Communist in outlook and does not wear a different complexion by the fact that Dr. Baliga has recently obtained entrance into the Congress ranks with Mr. Krishna Menon's support. The hard core of the Committee and the vigorous passion being thrown into it that has come particularly from the Communist leaders on the campaign front exceeds anything seen anywhere else. Certainly, the Congress Party in the eyes of its own supporters is somewhat damned by the fact that the initiative has been taken by the Communist Party so much more than the Congress Party in this particular election. It is one thing to support a Congress candidate; it is another thing to fight for him with a passion which does not exist, it seems, anywhere in India for a straight Communist candidate.

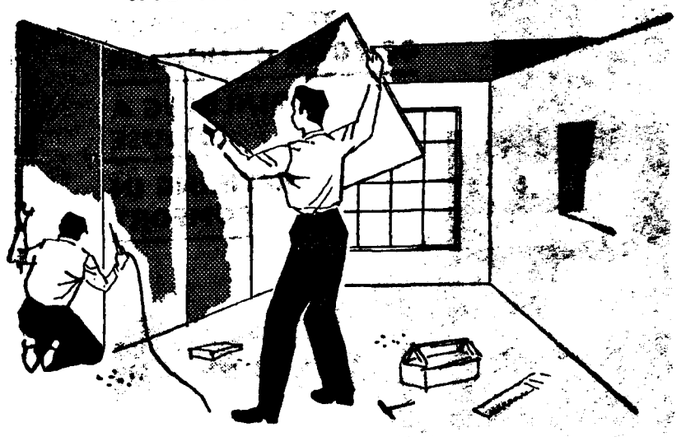
ENTER JAYA PRAKASH NARAYAN

It is this extraordinary picture of the Congress Party, leaning heavily on the Communist Party for its election strategy, that has justified Mr. Jaya Prakash Narayan's statement issued this week. I need only, on this point, submit as usual the view of a cartoonist who has employed a canvas of twice the usual size to express his disapproval!

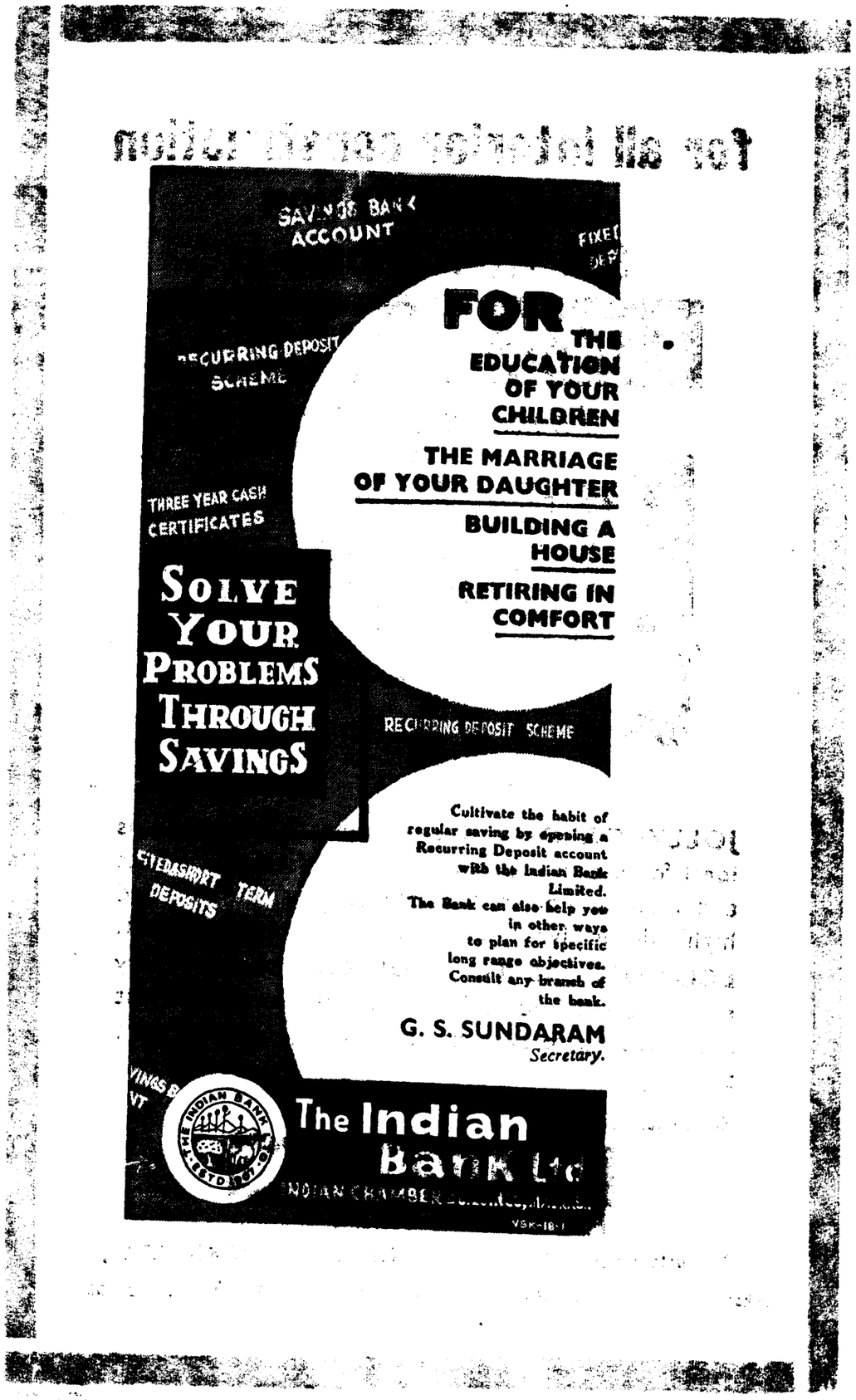


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THE WEEK'S NOTES

Nuclear Tests

RESUMPTION AND BAN

THE ANGLO-AMERICAN decision to resume nuclear tests and immediately in the wake of this decision to issue a proposal to Russia for a conference of the Foreign Ministers of the three powers for discussing a ban on nuclear tests may superficially appear to be incongruous in the highest degree. But in reality there is no incongruity at all between resuming the tests and proposing a ban on them. Resumption has been forced upon the two allies by the merciless logic of facts. It was Russia which broke the moratorium on nuclear tests and went ahead with the resumption. Whatever the explanation offered in justification of the breach of the moratorium, the intervening period has undoubtedly enabled Russia to gain a lead. It was foolish to expect America and Britain to be inactive spectators to this unilateral race. In the context of this background, it will not lie in the mouth of Russia to charge America and Britain with insincerity in making their proposal. The risks involved in choosing to lag behind were only too obvious. America has offered facilities to Britain to conduct her underground tests in Nevada and Britain has offered the facilities to America to conduct her atmospheric tests in the Christmas Islands in the Pacific. The possibility of progress in nuclear tests by all the three powers instead of by one is conducive to a better mood for a serious consideration of imposing the ban—and observing it faithfully.

How far the Anglo-American proposal for the conference of the Foreign Ministers is acceptable to Russia is not officially known at the time of writing. But well-informed speculation has it that Russia's reply does not take kindly to the idea of a conference at the ministerial level. Is it the implication that it should be held at the summit level? The Geneva experience is everything but reassuring. On the other hand, a thorough thrashing out of the problems at the ministerial level would narrow down the issues and crystallise the viewpoints for a clear-cut discussion at the summit level, if necessary. In the meantime, Russia has proposed a summit conference of Heads of the Governments of the 18 members of the Disarmament Committee scheduled to start in Geneva on March 14. This proposal has been rejected by Britain. The main hurdle to be crossed in the agreement on the ban on nuclear tests is Russia's opposition to international inspection and control. If the same opposition is maintained by her in regard to general disarmament, the possibility of detracting seriously from the effectiveness of a ban on nuclear tests or of general disarmament will remain there.

Das Commission

DEFAULT AND DENUNCIATION

THE DAS COMMISSION'S report, in so far as can be gathered from its summary published in the Press, deals exhaustively with the issues referred to it, but its findings are qualified by the fact that the Akali Dal boycotted its proceedings. On the basis of the memoranda, statements and data placed before it, the Commission has given a verdict of non-discrimination against the Sikhs. It may be that the Akali Dal may attribute scantiness to the data at the disposal of the Commission. For this result responsibility will be placed squarely on the Akali Dal. Whatever case it had, the Dal has allowed it to go by default as far as the inquiry before the Commission was concerned.

The Akali Dal's boycott of the Commission is a matter purely of its own choice. But it is to seek to introduce a preposterous precedent to demand that some of the members of the Commission should be selected from a panel named by the aggrieved party. It is not necessary to go into the findings of the Commission. Nevertheless, the denunciation of the report of the Commission that is now being made, by some of the leaders of the Akali Dal, as an election stunt by the ruling Party, cannot be sustained. The timing of the appointment of the Commission had to be fixed in the context of Master Tara Singh's fast and the negotiations that took place afterwards. The fact that its appointment preceded the general elections was thus purely coincidental and in no way a product of manipulation by the Government. Why co-operation was deemed unacceptable by Master Tara Singh and what considerations led him and the Dal to make the decision on the boycott are also matters which need not be gone into in this context. But default and denunciation in the same breath is an indefensible attitude to take.

Common Market

PACE OF NEGOTIATIONS

IT WAS a very brief session which Mr. Heath had with the Council of the European Economic Community on January 18. But this is not to imply that the negotiations for Britain's entry are proceeding tardily. Very elaborate data relating to the export trade of the individual Commonwealth countries with Britain commodity-wise have been collected and the two sides are wrestling with the tough job of a meticulous investigation into these data in the light of the accomodation that will be essential after Britain's participation. The indications of the probable approach to this problem are now becoming clearer. The Commonwealth countries are being divided into two groups—the African members of the Commonwealth, which are highly vulnerable to the competition of the African dependent territories of the Common Market Six enjoying the associate status, forming the first group and the rest of the Commonwealth countries forming the second group. There appears to be a consensus of view among the Six to extend association to the first group. India, of course, had declared her policy to keep aloof from the associate status. There is a genuine understanding of the difficulties which the second group of countries will face and a readiness on the part of the Six to make accommodation by way of a downward modification of the outer tariffs, which Britain will be under an obligation to apply to imports from them. Among the commodities which are likely to be admitted duty-free, tea is the one in which India is vitally interested. This is good news and India appreciates the attitude of the Six. But if the report about the transition period being limited to five years is based on reliable information, it is well to stress that it is too short for adjustments in the pattern of exports and Britain should be urged to secure a reasonably longer period.

How far will the next session for negotiations, fixed for February 22, expedite the solution of the problems? It would be hasty to be optimistic. At least one important development points out to further delays. Negotiations between the Common Market Six and the Sixteen African dependent territories, admitted to association under the Rome Treaty, are now under way for forging a new convention to give a revised form to the associate

status. This convention is to be introduced in January 1963. The negotiations here involved are also elaborate and time-consuming. The final form of the projected convention may not be decided until late in 1962. Its essentials, however, will be clear towards the end of the second quarter of the current calendar year or at the beginning of the Third. The Six led by France are insistent that the question of conferring the associate status on the African members of the Commonwealth ought to await the evolution of at least the main structure of the new convention for association—which means postponement till mid-1962. The idea of simultaneous negotiations, it would appear, has not found favour. A prolonged period seems to be inevitable for Britain's negotiations. First anticipations of her entry in January next now appear optimistic.

Malaysia

SOLIDARITY WITH PATIENCE

THE MALAYSIA SOLIDARITY CONSULTATIVE COMMITTEE, sitting in its fourth and final session, has brought out a blue-print for the proposed federation of Malaysia. This Committee, sponsored by the Commonwealth Parliamentary Association, has been apparently successful in producing a unanimously agreed document. But this fact should not lead to any premature conclusion that the federation is round the corner. Its admitted purpose is to present its view-point to the Cobbold Commission, shortly visiting Sarawak and North Borneo, to ascertain the local views on the issue of federation. The one unexceptionable principle on which the blue-print rests is the unsuitability of a unitary government as the form of the projected constitution. But this is in no sense a contribution made by the Committee to tackling the diverse and complex problems which confront the five separate territories. A unitary type of government is incompatible with the scheme of a federation which is agreed upon for Malaysia and autonomy for the five territories is almost an inherent condition, where the five units of the proposed federation set store on the maintenance of their individual identity. The blue-print mentions external affairs, defence and security as the principal federal subjects, leaving many of the other subjects as the concern of unit autonomy.

To stress the diversity in the outlook, aspirations and claims of the five component units is by no means to cast doubts on the feasibility of the federation. But they are hard realities and solidarity within the federation will be a function of patient and liberal handling of these claims. Even the blue-print mentions that Islam will be the accepted religion of the Federation, ostensibly because that is the religion of the giant partner Malaya. But to allay the likely fears of the other units, the explanation is added that there will be complete freedom of religion for all the citizens. It is in the sphere of another vital issue, namely, citizenship, that the blue-print has to find a solution in a compromise. Common citizenship is to be incorporated in the constitution, but migration into Sarawak, North Borneo and Brunei is to be controlled. These three units, now sparsely populated, would not take kindly to large-scale migrations from the remaining two densely populated units. Sarawak and North Borneo are still to be transformed from the status of Crown colonies to sovereignty. They have their own apprehensions about a junior partnership which can be tactfully removed with patience. Brunei is under British protectorate and awaits somewhat similar change in status. Nevertheless, the basic fact remains that there is a real urge for the formation of a viable State of the five which federation alone can guarantee. But the formation of the West Indies Federation in haste and its dissolution have a timely moral to convey.

Student Indiscipline

AUTHORITY FOR ACTION

THE JUDGMENT of the Madras High Court upholding the rustication of a student and the authority of the heads of educational institutions to impose punishment in appropriate cases has wide implications and should help to raise the morale of university, college or other institutional heads to resort to firm action against the canker of student indiscipline on any pretext. It sounds rather strange that a judicial pronouncement should be necessary to uphold the right of educational authorities to take corrective action against defiance of discipline. But in this case Mr. Justice K. Veeraswami had to give a finding on this point as it was raised as an issue of contention by the appellant student. The facts in brief were that a student in a training institution was suspected of gross misbehaviour. Pending the inquiry, he was put under suspension and when the Deputy Director found him guilty of serious misbehaviour, he held consultation with the Director and eventually the punishment of rustication was imposed. In moving the High Court to set aside his rustication, the student contended that there was no authority vested in the Deputy Director or Director to expell him from the institution, except in the event of his failure to take interest or to show progress in his studies and that the punishment was arbitrary and against natural justice. These contentions typify the extent to which the litigious tendency has seeped into quarters which should be immune to it and how seriously the quasi-parental authority of teachers is being undermined. In rejecting all the contentions raised, Mr. Justice K. Veeraswami ruled that so long as the head of an educational institution did not act arbitrarily or dishonestly or on extraneous evidence, his discretion to award exemplary punishment must remain untrammelled.

The problem of student indiscipline and the factors that go to foment it are very complex and no one has ever argued that it could be simplified to the extent of putting the entire blame on the student community. But undoubtedly there are a large number of cases where the politician or trade union organizer is responsible for inciting students to indulge in rank indiscipline or where students themselves take the situation in their hands and become self-appointed judges of the rights and wrongs of an issue. It is here that vice-chancellors of universities or principals of colleges or heads of other institutions falter to take action for fear of pressure from the politician or physical injury or a similar harm in other cases. This sort of vacillation has been responsible in part for contributing to the subversion of discipline and educational standards. The judgment of the Madras High Court will have gone in vain, if the heads of institutions do not show firmness to exercise their discretion to take disciplinary action, but drift into dereliction of duty.

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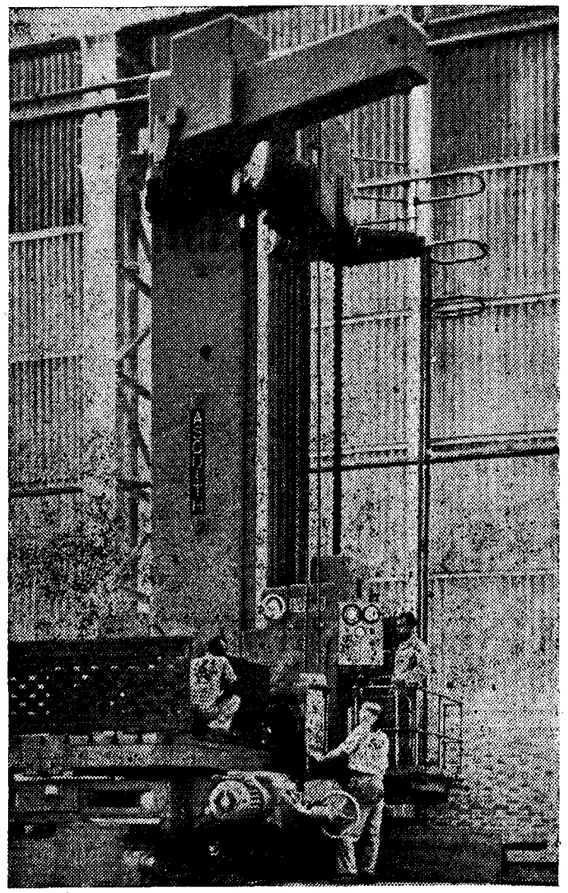
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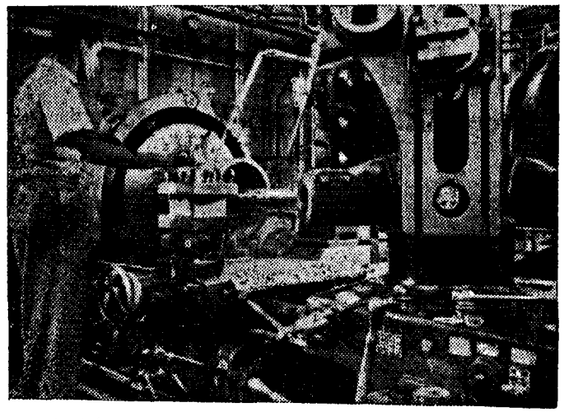
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The World Abroad

THE PROBLEM OF THE APATHETIC CITIZEN

By ODYSSEUS

WE SAW here last week that British workers are becoming affluent. Most own TV sets and refrigerators, very many a car, many their own homes, and a rising minority are investing in insurance and stocks and shares. In his fascinating study, "The British Worker In An Affluent Society" (Heinemann. London. 1961. Price 25sh.), Professor F. Zweig says that if economic cleavages between the classes are disappearing, if the worker is losing interest in class solidarity and militant Socialism, new cleavages of culture and education are emerging. There is a widening gap between the well fed, property owning masses, and the leaders, creators, or active participants in art, culture, science, and politics.

Can democracy and freedom survive cultural and political apathy? The worker sets his material targets higher every year, and expects automatic wage rises to attain them. How can he be made to see the risks of overfull employment, to recognise that he has no automatic claim to the entire benefits of any rises in productivity, which, if inflation (with its deadly threats to the balance of payments and to the worker's living standards) is to be avoided, must be shared between capital in rising dividends, workers in rising wages and, not least, consumers in lower prices? How can the worker be made aware of the value of political freedom and of the dangers of state encroachment on individual rights? How can he be turned into a responsible citizen, with widening cultural and political interests? By better and wider education? Yes, may be up to a point, but in all countries only a minority are interested in abstract ideas expounded in class rooms by philosophers and economists. The average non-intellectual learns from being forced to undertake practical responsibilities in the course of his life, rather than from books. The problem is, therefore, to marry affluence to personal responsibility. This suggests a reconsideration of the Welfare state.

The Welfare state was conceived in the inter-war era when, in the UK, average earnings were Rs 40 a week, when millions lived, if not at subsistence level, at any rate within sight of it. You can't talk about individual freedom to people living in fear of want. But, now that poverty has been virtually abolished throughout the industrial West, now that economic fluctuations can be mitigated, the masses are in a position to plan their own and their children's future. They need no longer rely on the state for direct benefits.

THE IRRESPONSIBLE CITIZEN

In other words, as Professor Alan Peacock says in his "Welfare Society" (Liberal Publications. 58 Victoria St., London. S.W.I. 14 pages. Price 1 sh. 6d.), we must now decide how far we identify individual freedom with individual responsibility for the purchase of goods and services, or how far we believe that the state should buy for the individual because he is considered too irresponsible to buy for himself. Professor H. C. Wallich observes in his "Mainsprings of the German Revival" (Yale Univ. Press. 1955) that, in a Welfare state, the relation of cause and effect between personal effort and a higher income is blurred. This decreases the supply of productive factors. A 48 hour week is dropped to 44 and then to 40. Agitation for a 36 hour week follows automatically—while living standards are still infinitely lower than an expanding economy could offer. Restrictive practices and earlier retirement diminish output and raise costs. The government is driven to intervene more and more in the economy because (1) the price mechanism cannot effectively distribute resources when inflationary demand is taking up too much of national resources, and (2) saving becomes more difficult under steeply rising progressive taxation, and social security seems to make it less necessary. Increasing inroads are made on static resources by consumers, by nationalised industries and by private companies trying to expand in response to artificially swollen demand, and by the Government seeking to win the next election by increasing expenditure on health, education, pensions, and unemployment benefits.

Professor Peacock invites us to consider the growth of government influence on economic choice, and the extent to which, under existing policies in the UK, Britons are committed to handing over to the government continuing responsibility for their well-being in these vast fields. The proportion of national income spent by the UK government on buying goods and services, and on many transfers and subsidies, has risen from 9 per cent in 1890 to 35 per cent today. 3.6 per cent of the working population in 1891 were employed by central and local government compared with 14 per cent in 1960.

Professor Peacock is but one among a steadily increasing number of leading economists, and publicists, who point out that full employment has rendered obsolete the assumptions behind the Welfare state. In "Agenda For A Free Society" (Institute of Economic Affairs. London. 1961), Professor Fogarty says that before the cement had set on the massive structure of state security built up in the 1940's, a second revolution was rocking its foundations. Personal and family insurance has increased, although the extension of state services checked some of its branches (e.g. insurance for medical care) after 1945. But the dramatic change lies in the rising tide, swelling to a flood in the 1950's, of benefits provided as part of the terms of employment Today most firms of any size have at least a voluntary contributory sick pay plan. An increasing minority promotes plans for hospitalisation, operations, and other additional medical care, on the lines of the privately managed British United Provident Association. In 1960, over a million participated in these schemes. Pension schemes, which in the inter-war years spread rapidly among white collar staffs, have since 1945 extended to manual workers. By 1957, half the adult male labour force was earning pension rights outside the state scheme. Firms increasingly offer unemployment compensation, severance pay, and family allowances. Paid holidays at full rates are now standard for all workers. In 1955, holiday, pension, and sickness contributions by employers (excluding their contributions to state schemes) added 16 per cent to the salary bill and 7.5 per cent to the wage bill of a sample of seven industries. Today there are three levels of provision for contingencies: personal, occupational, and state.

THE ROLE OF THE STATE

The state should provide in the last resort for extremes of poverty, but it should protect taxpayers against charges falling on them through the irresponsibility of citizens willing to leave their future to the state, by compelling all citizens to insure themselves to an extent that would make public assistance unnecessary. This should be done not through a state monopoly: the citizen should enjoy his choice of the varied alternatives offered by private insurance companies in competition with each other. The British National Health Service (as we saw here on December 8, 1961) is a state monopoly, which guarantees a bad average standard of service, whereas progress depends on allowing experiment in services in which competition raises standards above the average. Insurance is

the creation not of one mind but of millions, and its progress depends on the freedom of its practitioners to compete, and its customers to shop around among alternatives.

I do not deny that in many countries the state services are competently run, but competent administration is no substitute for individual enterprise and fresh thinking. We do not get fresh thinking or revolutionary experiment from state officials. The revolution in occupational benefits has been carried out by business leaders in the UK and by trades unions in the USA.

The state should facilitate all forms of insurance by ensuring a stable currency. It has been a widespread and bitter experience for pensioners to find that inflation has severely eroded their occupational rights. Professions (University teachers, for instance) which, with a stable currency, could have managed their pensions schemes unaided, have been reduced to begging for state aid. This makes salaries and pensions a political question, with disgruntled delegations to the government, airing grievances, which under private management would not have come into existence.

In short, the state should educate citizens for responsibility, not by taking over their responsibilities, and so turning them into children discontentedly asking for more and more, and irresponsibly using their votes to blackmail politicians into bribing them to keep quiet (until the next election). Citizens are more likely to grasp the relation between the level of demand and prices, and to support government policies that avoid inflation, if they manage their own social security schemes.

The short answer, then, to the questions with which we opened this discussion, is that the object of the Welfare state should now be to teach people how to do without it, to plan for themselves as adults, not to encourage them to behave as spoiled children.

At present in the UK, as in most countries, it is only the (electorally powerless) minority who are alarmed at the constant growth in taxation, and at the level of income tax. But as wages rise, an ever increasing proportion of the masses will pay the full standard rates of tax and enter the surtax range. When the present exploited minority is swallowed up, the new majority may develop a lively interest in state expenditure, and insist that they can themselves lay out their own money on education, health, and pensions, better than any official.

How about cultural apathy? Professor Zweig's enquiries revealed the affluent worker's keen desire that his children should be better educated than he was. If the state, which now provides free an averagely bad education, with discontented, overworked, and underpaid teachers, were to encourage private schools, competing with each other to raise standards, state expenditure could be halted and gradually decreased, and the worker would have more money in his pocket to send his children to the school of his choice.

Little of all this applies to poverty stricken India today. But the principle of encouraging individual responsibility does apply. For a thoughtful criticism of the degree to which the Government of India erodes individual responsibility by elaborate controls and excessive taxation, see Theodore Gregory's "India On The Eve of the Third Five Year Plan" (Associated Chamber of Commerce. Calcutta. 1961. Price Rs. 5), in which he concludes that nothing in the theory of planning necessitates such detailed restrictions and curbs on individual initiative as are enforced in India.

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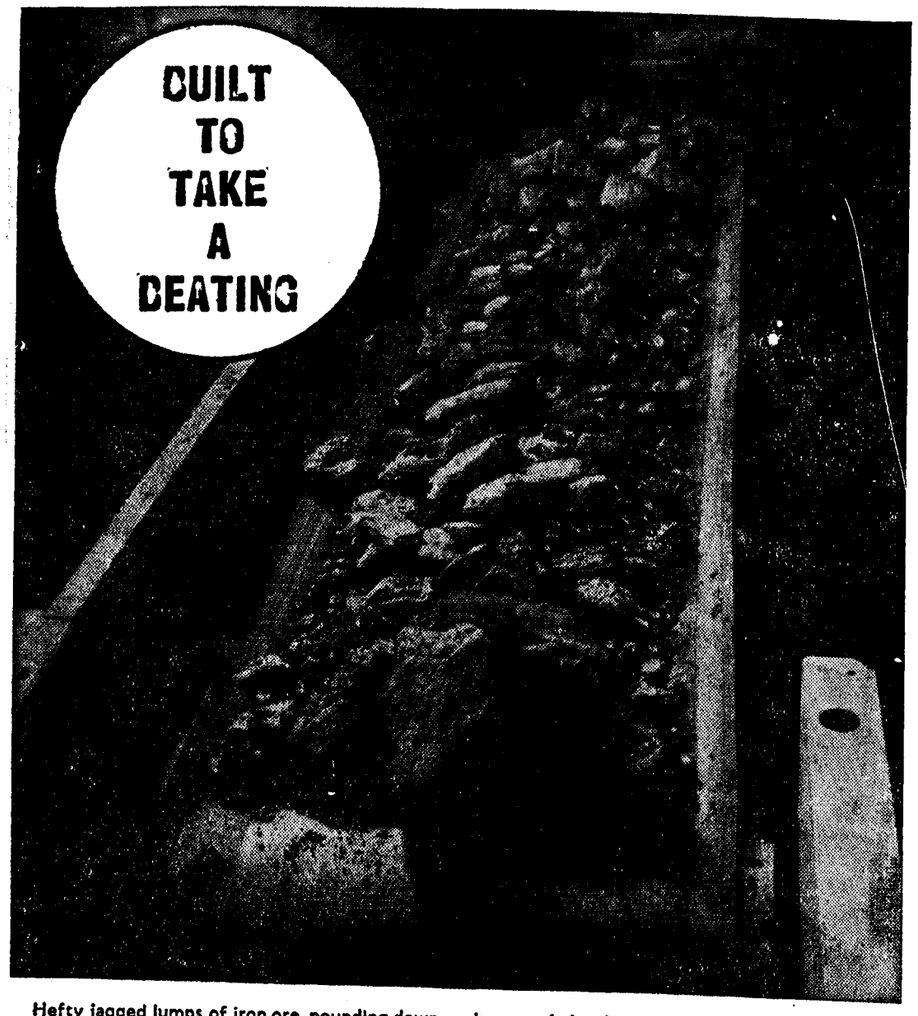


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The European Scene

ITALY'S OPENING TO THE LEFT

From Our Special West European Correspondent

PARIS, February 10.

THE latest business sentiment poll conducted in Italy reveals that the majority of Italian industrialists are very optimistic about the immediate future, despite the fact that tney have just completed a record quarter, October-December 1961. However, 30 per cent of those questioned confessed that they had doubts and anxieties about the effects of the "opening to the Left" that has just been decided by the governing Christian Democrat Party. The "apertura a sinistra", or opening to the Left, means in fact that the Catholic Party, which cannot govern by itself and can govern only insecurely by patching up coalitions with the small centre parties, has decided to find a firmly based coalition by accepting the support of the big Italian Socialist Party, of Signor Nenni. Of course, in order to get that support (which might take the form neither of Socialist participation in the Cabinet, nor even of Socialist votes for the Ministry, but simply Socialist abstention in votes of confidence), the Catholic party will have to adjust its economic and social policies in a Leftist sense. It is surprising that 30 per cent of business men should think that this would have any effect on Italy's economic performance in the coming quarter (the period they were questioned about), but over the longer run 100 per cent of business men and observers are convinced that Italy's future will be indelibly marked by this historic decision.

On both sides, the decision is a courageous one, for it involves evident risks. The Catholic Party, which has founded the new Italian democracy and free-enterprise economy and which has brought the country to a peak of prosperity that is the marvel of Europe, is consenting to co-operate with a party that was, until the bloodbath of Budapest, the unconditional ally of the Communists and which even today retains many sympathies with the Muscovites and professes a theoretical Marxist philosophy. The Socialists, for their part, are admitting, by agreeing to co-operate with the big bourgeois movement, that there might after all be something in the notion of "neo-capitalism", that gradual reforms can be introduced for the benefit of the workers and peasants without revolutionising the free-enterprise economy and without revising the parliamentary framework of Italian democracy. If nothing else, both sides are sacrificing a myth and this is always dangerous for a big political party. The Catholics are giving up the myth that the allies, past or present, of the Communists are agents of the Devil, and that any collusion with them must lead eventually to a coup de Prague. The Socialists are foreswearing the apocalyptic vision of an overthrow of capitalism and of bourgeois democracy, to be secured not piecemeal but all at once and with the support of the entire labouring class, be it Communist or not.

Of course, neither side would take such risks were it not that they are calculating that the other will run the greater danger. The Socialists expect that collaboration with the Left and implementation of a welfare policy, including several nationalisations, will put an intolerable strain on the motley Christian Democrat Party (which contains more factions and tendencies than the Indian National Congress), so that it will split. The ultraclerical wing, which is completely subservient to the Vatican, will be forced out, they reckon, as soon as the implications of a modern educational policy become clear, and the most conservative capitalist elements will be obliged to break away when the State undertakes economic planning and more generous welfare legislation. These guesses are not so improbable, and so Signor Nenni is entitled to calculate that the net result will be an isolation of the Right-wing forces that have long governed Italy and a wholesale shift of power to the Left. However, the Christian Democrat calculation is highly probable too: they foresee that the experience of fruittul collaboration inside the democratic framework will win millions of Italians away from the temptation of Communism. Gradual but tangible improvements, won by democratic means and without overturning the social structure, will show them that by staying doctrinally pure they have been missing the substance for the shadow. The Communists and the many near-Communist Marxists of Signor Nenni's party have been inviting them to damn the bourgeoisie and all its works while they "wait for the Revolution", whereas a little honest co-operation with neo-capitalism will soon show that there is something more solid to be gained than empty Muscovite rhetoric. The upshot could be, not only to woo the Socialists away from their alliance with Communism, but vastly to weaken the Communist Party itself—millions of whose members and voters are not Communist by conviction but simply because they feel that the democratic society offers them no real hope of betterment.

Students will know that similar disagreements about the consequences of collaboration with bourgeois parties are as old as socialism itself, for that movement has always been split into "maximalists" and "possibilists"—those who favoured revolutionary isolation, and those in favour of gradual reform in co-operation with the bourgeoisie. The movement has never been able to decide which was the "right" line, which obviously depends, not on Marxist scholasticism, but on the local and temporary conditions. Given the conditions in which Italy finds itself today, one would incline to the opinion that Signor Nenni is wrong, and the Christian Democrats and the Communist purists are right—for both these latter are agreed on this, that the opening to the Left will weaken the pro-Communist cohorts (today about 40 per cent of the Italian electorate) and "ensnare" the labouring class into peaceful, reformist co-operation with the forces of democracy. The reason, of course, is Italy's phenomenal economic expansion, which promises to continue through most of this decade. The large annual increment in national wealth permits a redistribution of resources that will satisfy the classes that now consider themselves underprivileged, without doing much absolute damage to the present possessing classes; in other words, there is a chance of securing more equality by equalising upwards, without any vindictive equalising downwards. Moreover, the exparsion of an industrialising economy creates new opportunities for enterprise and investment that are so numerous that the capitalists can consent to lose some (e.g. by nationalisation, more State intervention or even planning) without feeling that they are being cramped and obstructed by proliferating government action.

Not that everything will go smoothly, because politics is not merely about "who gets what", i.e. the share-out of material gains; it also involves matters of principle, concerning ideas and ways of life. It is not hard to foresee some head-on collisions between the philosophical Marxists of the Socialist Party and the Catholics of the Christian Democrat Party, and these will concern other matters besides education; and between the exponents of planning for planning's sake and the practitioners of free enterprise. However, by undertaking

the opening on the Left only when she could afford it (unlike, say, Mr. Nehru who sometimes tries to force through purely doctrinaire socialist policies in an economy that cannot afford them yet), Italy has a chance of conducting even the debate about matters of principle in a climate of optimism and compromise. This is the interest of the experiment that begins this month in Italy; for once, a country that is divided into irreconcilable classes (the Communists are more numerous in Italy and the Catholics more devout, the rich are richer and the poor poorer, than in any other nation in the world) is seeking to find more national unity while it is also the fastest-growing economy in the West.

Apart from the opposed calculations of the two sides in the new coalition, one may ask whether Italy could have continued much longer in her recent situation. That is, even if neither side hoped to do down its "partner" by collaborating, they were probably condemned to work together by the revolution in Italy's economy and political thinking. This is most evidently true in the parliamentary sphere. The Christian Democrats have long since lost their absolute majority and the small and forever bickering centre parties could not provide an adequate coalition. An attempt at an opening on the Right was made by Signor Tambroni when he was Premier: he sought to govern with the tacit support of the neo-Fascists, and the immediate result was bloody rioting in a dozen Italian cities because republican opinion would not tolerate this "solution". The parliamentary machine was threatening to stall, and, the worse it performed, the more people were being thrown to the two anti-parliamentary extremes: the neo-Fascists and the Communists, until elections had become a highly dangerous way of seeking to find a parliamentary majority. If Parliament were to be rescued from the ridicule of impotence, which seemed to confirm the Fascists and Communists in their denunciation of it, some sort of governable majority had to be found. The price that will have to be paid—nationalisation of electricity and less State aid for confessional schools are sure to be part of it—for a big Catholic-Socialist coalition, is small if it succeeds in making Parliament work again.

Similarly for the Socialists, the political situation was becoming more and more ambiguous. They had renounced collaboration with the Communists after Budapest, and everything that has been publicised since about the evils of the Stalinist dictatorship confirmed them in this break. (No one in Italy, not even the Communists and not even Signor Togliatti, can swallow the story that Stalin was some sort of accident and that Communist society has been restored to health by the transfer of his corpse to a more modest tomb.) Yet having broken with the Communists, the Socialist Party was hesitating to enter the democratic system; poised uncomfortably between two stools, it was forced to ask itself, if you don't support the Communists and you don't play democratic politics, just what are you doing anyhow? It had to go back or forward, and if going forward was risky, going back was impossible.

Yet it was the economy that laid most imperiously on the national parties, whether Left or Right, the obligation to collaborate. Wealth is today being created in the peninsula at a rate that is beyond the dreams of the nation at any time in its long history, but it is being created in a curiously mixed hybrid system that marries the State monopolies inherited from Mussolini with the free enterprise corporations that have swollen since the war. These two lusty centres of economic power, the public and private corporations, virtually escape any democratic control because a good 40 per cent of the population is not admitted to be part of the "political nation"—they do not have any influence, even that of a controlling opposition, because the parties they vote for do not play any effective part in parliamentary democracy. The results, naturally, have been vast regional inequality, the growth of bureaucratised monopolies both private and public that owed no accounting to an ineffectual parliament, the appearance of corruption and irresponsibility in both of them, and generally unplanned and uneven development. Just to handle its own growing wealth, the Italian nation needed a working parliament where the governing coalition represented a real majority of the people and, to some extent, all the regions of the country. The compromise programme that the Christian Democrats have now to work out with the Socialists and Social-Democrats (that is, in all, about 65 per cent of the electorate) will be less important in its Leftist or Rightist flavour than in its attempt to give a national purpose to the upsurge of Italian prosperity.



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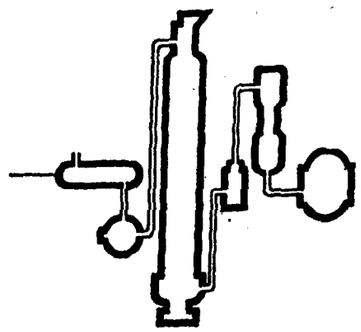
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Economic Report from the U.S.

ECONOMIC IMPACTS OF DISARMAMENT

By GUY SIMS FITCH

WASHINGTON, Feb. 6.

ECONOMISTS have found an understandable fascination in examining the challenge that large-scale defence cutbacks would pose to U.S. economic growth and stability. An expert panel, made up of Government officials and of private citizens from the business, labour and academic worlds, has just completed the latest report on this subject, which seems to have taken on a new urgency now that international disarmament talks are scheduled to resume in Geneva next month. The panel agreed on the basic conclusion that the U.S. economy can afford to do whatever circumstances require, and that the sharp curtailment of Government defence spending likely to accompany effective disarmament moves need not have any serious or adverse effects on the nation's economic activity. As a matter of fact, it is their view that effective arms control would free for civilian use valuable manpower and industrial resources now used in defence production.

These civilian uses embrace both the public and private sectors of the economy. Among them are urban redevelopment and transportation, scientific, and industrial research and development, public health and education, international economic development, and rising levels of private production and consumption. The net result could be a significant boost in the nation's welfare and living standards. Just what proportion of the nation's resources would go into the public sector and what into the private sector is a determination the panel has been loth to make. The theory is that this is basically a political judgment for the President and the Congress, as is the judgment of how much to spend or not to spend on national defence in the first place. The panel is of the strong opinion, however, that a smooth transition to curtailed defence spending would require careful and determined planning and action on the part of the Government. Steps would have to be taken not only to build up Government outlays for public services and facilities, but also to stimulate private expansion with tax reductions named as one effective device. Such Government action, it is felt, could help assure an adequate rate of economic grow h for the nation. It also could overcome the structural peculiarities inherent in the defence programme, in terms of the industries and regions likely to be most affected by defence cutbacks. Those who worked on the study, under the chairmanship of Professor Emile Benoit of Columbia University, recall that the United States has a noteworthy record of weathering past industrial demobilization problems. This was evident in 1953, at the end of the Korean hostilities, and on an even larger scale in 1945, at the end of World War II. In both instances, timely Government action helped smooth the way for the successful conversion of economic resources to civilian pursuits.

The chances for success of such efforts are deemed even brighter today, in view of the expansion that has taken place in the nation's economic capacity and resources, to say nothing of the knowledge and experience that has been gained in the handling of economic policy. As part of its responsibilities, the U.S. Government's newly created arms control and disarmament agency already has started studying the consequences of possible arms reductions—consequences that are bound to entail many difficulties arising from the realloca ion of national resources. It is for this new agency that the panel has prepared its report, which is formally titled "economic impacts of di.armament." For working purposes, the panel has assumed that the economic readjustment is likely to be a gradual process, related to whatever stages of arms control and disarmament may be negotiated internationally. Specific defence spending cuts would, presumably, be keyed to each stage. Estimated projections by the panel envisage a decline in annual U.S. defence spending from about $56,000 million to about $10,000 million over a span of a dozen years or so, beginning in 1965. In this way, the panel is allowing for the time it might take for meaningful disarmament negotiations to proceed and become effective. These projections, of course, are by no means official, and they can only be hypothetical at this point—a reasonable fascimile, so to speak, of what might happen. Essentially, then, this study represents a preliminary approach to a long-range problem. It contains no fixed positions, but it should serve to stimulate further discussion of a question which, it is hoped, will become real enough as other nations agree to move along the path to sensible and effective arms reductions.

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Special Article

PUNJAB AND RAJASTHAN: AN ASSESSMENT IN THE PADDOCK

IN a leading article last week 'The Eastern Economist' set out broadly the forces working against the Congress Party throughout the country so as to reduce its majority in the Lok Sabha and the weakening of the Congress in the State legislatures. The two States which are under extremely heavy pressure are those of Rajasthan and Punjab. It is proposed in this special article to analyse the forces at work and to indicate trends of opinion on the likely outcome.

Tables I and II give the strength of the various parties as a result of the 1957 elections both in the Lok Sabha and the State legislatures in so far as these two States are concerned. An effort has also been made to assess the Assembly as well as the Lok Sabha seats in the forthcoming elections. Reports from these two States have indicated that the Congress Party has been weakened to a very large extent by the forces which have operated from within the Congress Party as well as from without. In Punjab, the Sikh minority has been in a ferment for a long time. Their demand for a Punjabi Suba under the auspices of the Akali Party has kept the passion of division burning, and the hope that the Das Commission's appointment would result in ironing out some of the differences between the two major communities has been belied because of the co-operation with the Commission of the Akali Party. Thus, in the present election, the Akali Party, in 1957 allied to the Congress, has built up in the Sikh minority a substantial following which is likely to be reflected in the downfall of many a Congress candidate in Punjab. Added to this is the major challenge from "rebel" Congressmen. No less than 30 Congressmen have been suspended in Punjab alone, especially those belonging to the Hariana area. Reports have just been received that no less than three District Congress Committees have been suspended (Gurgaon, Hissar and Karnal) and 'ad hoc' Congress Committees have been appointed in view of the fact that these officially elected Congress Committees had been working against the official candidates. This is a threat which is likely to weigh very

AN ANALYSIS OF 1957 PUNJAB ELECTION RESULTS

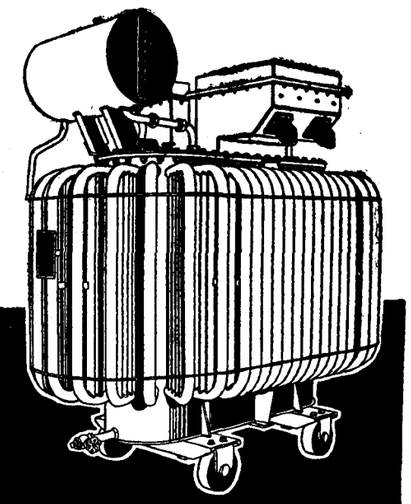
(With forecasts for 1962)

	Lok Sabha			Assembly		
	1957	1962		1957	1962	
Name of Party	**Seats won**	**Number of contesting candidates**	**Candidates likely to be elected (E.E. Forecast)**	**Seats won**	**Number of contesting candidates**	**Candidates likely to be elected (E.E. Forecast)**
Congress	21	22	15	120	154	95
Communist	1	4	1	6	47	6
Jan Sangh	Nil	17	2	9	80	12
Scheduled Castes Federation (Republicans) ..	Nil	7	Nil	5	25	4
P. S. P.	Nil	Nil	Nil	1	10	Nil
Independents	Nil	40	1	13	338	7
Swatantra	Nil	6	1	Nil	42	10
Akali Dal	Nil	7	2	Nil	46	20
Socialists	Nil	1	Nil	Nil	8	Nil
Hindu Maha Sabha ..	Nil	Nil	Nil	Nil	1	Nil
Ram Rajya Parishad ..	Nil	3	Nil	Nil	4	Nil
TOTAL (All-India) ..	**22**	**107**	**22**	**154**	**755**	**154**

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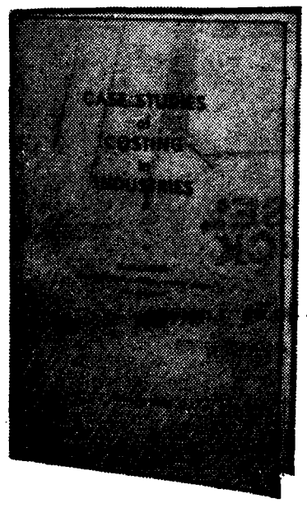
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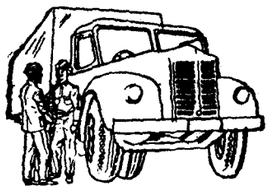


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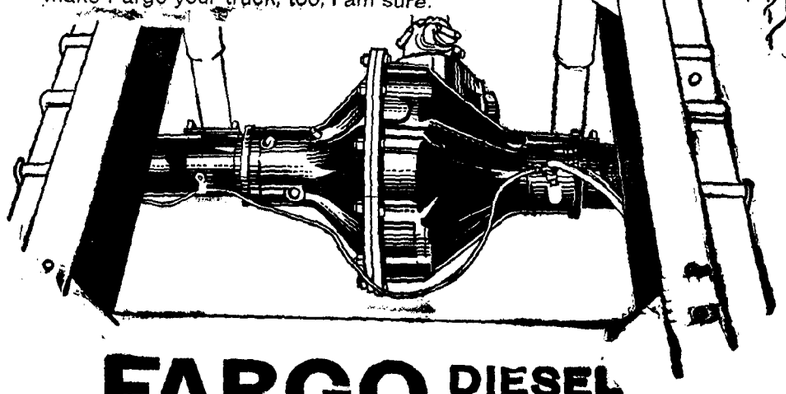


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heavily upon the Congress Party. The Jan Sangh, possibly also because of the provocative activities of the Akali Dal, has also been very aggressive and has been successfully enlisting the support of Hindus in the urban areas.

The number of contestants per Assembly seat in Punjab works out on the average to be five, though there are no less than 48 Assembly seats for which the number of contestants is either six or more than six. For six seats, the number of contestants is as high as 9, though there are two seats, one from Dabwali and one from Tosham for which the number of contestants is 10 and 13 respectively. Does the plurality of candidates work against the Congress? In fact, no general statement may be made because it all depends on the structure of each constituency. There are, however, chances of the Congress Party being hurt because the usual "floating" vote is likely to be split due to the local politics ignoring the national appeal of the Congress Party. This three-pronged attack on the Congress Party is likely, as stated earlier, to weaken it considerably. The leftist parties such as the Communist Party, may at best retain six out of their seven Assembly seats in Punjab.

In Rajasthan the picture is slightly different, though the political climate is not nearly as favourable to the Congress Party as in 1957. This State abounds in "erstwhile rulers" whose hold on the masses is still large. Because of the age-old traditions, the people still favour the old rulers. Wherever a Maharaja or a Maharani is contesting the election against a commoner, he or she seems to enjoy better chances of success. It is precisely for this reason, it seems, that the Congress Party has decided not to contest the election against the Maharaja of Bikaner. Leaving apart the influence of the princes, another important element is the great discontent in the rural areas of Rajasthan against the land reform policy. The new laws abolishing the Jagirdari system deprived the Jagirdars of their property without vesting the proprietary rights in the cultivators. Even where the cultivator enjoyed the proprietary rights, the Tenancy Act made him a Khatedar — a cultivator with certain privileges but without the right of ownership. Certain conservative sections of society both in the rural and the urban areas stand estranged with the Congress Party because of the Public Trust Act according to which the Government has taken over the administration of temples and temple properties. There are some dissidents in Rajasthan such as Mr. Jai Narain Vyas, ex-Chief Minister of Rajasthan, and Mr. Adityendra, ex-P.C.C. Chief, but the malady of "dissidence" is not as widespread as in Punjab.

All these forces against the Congress Party are likely to reduce its strength in the Rajasthan Legislature from 119 in the last elections to less than 100 in the current elections. Similarly, amongst the Lok Sabha seats, the Congress Party may not be able to win more than 12 out of 22 seats. In Punjab the Congress Party may not have more than 15 Lok Sabha seats and in the State Legislature the number of seats of the Congress Party might be reduced from 120 in the 1957 elections to 95 or less in the 1962 elections.

AN ANALYSIS OF 1957 RAJASTHAN ELECTION RESULTS

(With forecasts for 1962)

	Lok Sabha			Assembly		
	1957	1962		1957	1962	
Name of Party	**Seats won**	**Number of contesting candidates**	**Candidates likely to be elected (E.E. Forecast)**	**Seats won**	**Number of contesting candidates**	**Candidates likely to be elected (E.E. Forecast)**
1. Congress	19	21	12	119	175*	98
2. Ram Rajya Parishad ..	Nil	6	Nil	16	23	12
3. Jan Sangh	Nil	11	2	6	94	10
4. P.S.P.	Nil	Nil	Nil	1	24	1
5. Communists ..	Nil	5	Nil	1	45	1
6. Swatantra	—	10	3	—	90	24
7. Socialists	Nil	6	Nil	—	40	--
8. Independents and other Parties ..	3	52	5	33	392	30
TOTAL	**22**	**111**	**22**	**176**	**883**	**176**

* One Congress candidate has been returned unopposed.

THE BUSINESS WORLD

Coal Crisis Complete

By
CROESUS

DIFFICULTIES in regard to production and supply of coal have multiplied to such an extent that one need not be afraid of being dubbed an alarmist if one were to say that a coal crisis has been staring us in the face. What is peculiar about the present coal cisis is that it is complete, in that crisis conditions have enveloped practically every facet of our coal economy—production, demand, movement, and price. That this should have come about in spite of all the professed awareness and the several emergency measures taken by the powers-that-be makes one wonder whether the policies adopted to meet the situation are at all correct and adequate. Whether one agrees with this reasoning or not, it is common ground among the industrialists that the situation calls for an immediate reorientation of the present policies even to maintain the present level of production, let alone taking up the expansion programmes contemplated.

In the past few days, two commercial bodies have come out with tales of woe of their members in the matter of coal supplies. Mr. Lalchand Hirachand, President of the Maharashtra Chamber of Commerce, stated, at the first quarterly meeting of the Chamber: "The shortage of coal is causing anxiety to industry. It has been found that all estimates and arrangements for provision of fuel to industries go wrong and one industry or the other always faces a crisis on account of shortage of coal".

In a memorandum on "Coal Crisis and the Fuel Problem of Industries," submitted by it to the Ministry of Commerce and Industry, the Committee of the All-India Association of Industries (A.I.A.I.), has observed: "The position regarding supplies of coal to industries has been causing concern. Several industries — large, medium and small in different parts of the country have been experiencing continuing difficulty of getting adequate and timely supplies of this vitally essential material and this is seriously coming in the way of expansion and even maintainance of the level of production. More recently the problem has assumed a serious proportion in certain industrial centres situated away from the main coal producing regions and some of the manufacturing units there have been facing the unhappy prospect of being forced to close down or to curtail production. The position regarding coal supplies has thus deteriorated and developed into what may be called "Coal Crisis".

The problem of coal supplies has been rendered difficult for a variety of reasons. It is so not merely because we are not able to raise as much coal as the rising tempo of our industrialisation warrants, but also because the quality of the coal raised has been steadily going down, with the result that even in respect of those fortunate units of industry whose supplies have not gone down quantitatively, the same results in production are not assured. Quantitatively, while production during the Second Five-Year Plan fell short of the target by nearly 5 million tons, for the first 7 months, in the first year of the Third Five-Year Plan (our current Plan), total production has been only of the order of 23 million tons as against 30 million tons for the corresponding period of the last year of the Second Five-Year Plan. This means that even the higher tempo of output already reached is not being sustained.

Secondly, not unoften, the country is being faced with the anomalous situation of paucity in the midst of plenty. There have been several instances where factories in many parts of India had to carry on on a hand-to-mouth basis, not because production by the collieries lagged behind demand but because the railways were not ready with the number of wagons required to move the coal to its destination. As often, again, it would seem that, when the railway wagons were there, the pithead stocks were not adequate. In other words, the gap between the wagons offered by the railways and the wagons required for the movement of coal has been considerable. In the year 1961-62, according to the Committee of the A.I.A.I. the railways allotted only 5,979 wagons, as against the requirements of 7,183 wagons. More often than not, the irregularity of wagon supply also seems to aggrevate the difficulties.

Thirdly, to no small extent, coal production has been affected adversely by the unimaginative coal pricing policy of the Government. A curious thing has happened with regard to coal prices, in that, in so far as the consumer is concerned, prices (that is, the delivery cost of coal to consumers) have risen, whereas the coal industry has not benefitted to any extent from this rise. As a matter of fact, the claims of the coal industry even for neutralisation of costs on account of (i) implementation of the grades and time-scales laid down by the Colliery Arbitration Award and (ii) the loss in the average weighted sales realisation — though these were accepted by the Coal Price Revision Committee for Fixing a Fair and Reasonable Return to the Coal Industry — have been turned down by the Government. Here is a definitely inhibitory factor as regards coal raisings.

Viewed against this background, one can readily believe the recent headline report in the Press that the "Plan to raise coal output target (the Planning Commission has proposed to raise the target from 97 million tons to 110 million tons) runs into difficulties". To be precise, it is not merely the plan to raise coal output that is running into difficulties; it is also the plan to provide enough transport to move the additional output, as witness the reported tussle between the Planning Commission and the Railway Board in regard to the funds required to provide more wagons, and the proposal to limit coal production in certain coal-producing areas while increasing it in others. The frantic appeal to the cement industry to take to the use of furnace oil in place of coal is an eloquent commentary on the unsatisfactory coal movements position in the country today. No wonder then that we are told that the Working Group on Coal will shortly be proposing major changes in the pattern of production of transportation of coal.

That the authorities are amply alive to the problem is not disputed. Nor can one say that they have not at all attempted to meet the situation. For have they not introduced the coal dumps schemes? Have they not encouraged transportation of coal by sea-cum-rail routes to meet the coal requirements of industries in the Southern and the Western regions? And, have they not also compelled industries located near the coalfields to move as much as possible of their coal requirements by road? But even the cumulative impact of all these measures has failed to improve the position appreciably. This should make the authorities to rub their eyes and bestir themselves, unless they want us to believe that they are really not very serious about achieving the targets set out in the Third Five-Year Plan. That would perhaps be both unfair and uncharitable. But, then, in the absence of definite indications to the contrary, what is one to make out?

Be that as it may, if the targets are to be achieved, it is imperative to take certain steps, as has been repeatedly urged by more than one commercial body. The latest to offer certain constructive suggestions in this behalf is the A.I.A.I. Bombay. These may be briefly noted here:

(1) Coal production must not be hindered by allowing coal to accumulate at pitheads; all incentives, including higher price, must be extended to the coal industry. (It is significant that an apex body of industrial undertakings such as the A.I.A.I. should publicly declare that "the choice before us is between 'no coal' and 'coal at higher cost'!

As the A.I.A.I. rightly observes, "unless the coal industry is allowed a fair margin of profit, the development of coal mines will be retarded. Fair and reasonable return for any industry is necessary to attract fresh capital to it and the coal industry is very much in need of additional investment."

(2) The wagon and the line capacity of the railways must be sufficiently raised and all necessary facilities, including foreign exchange, for imports of steel required for wagons and rails, must be extended to them.

(3) Allocations out of the World Bank loan of Rs. 17 crores for private collieries must not be delayed any further. As it is, about 7 months have elapsed since this loan was sanctioned and, apart from delaying the implementation of the programmes of these collieries, any more delay would be not only unconscionable but also inexcusable.

(4) Industries other than cement (those units that are situated far away from the collieries) also must be encouraged to switchover to furnace oil. (There are two swags here, though. The first is the extra foreign exchange that would be needed, and the second is the probability of paying the way for an eventual —not immediate — coal surplus, as in the case of sugar recently, by a deliberate move to discourage the use of coal). This could be facilitated by the provision of appropriate relief in taxation to the units concerned.

Business Notes

Rubber

NEEDED A REALISTIC APPROACH

THERE HAS been a phenomenal increase in the demand for rubber during the past few years, owing to the present industrial development. The production of the commodity, on the other hand, has lagged very much behind. In the current year, for example, it is estimated that the demand for raw rubber would be nearly 80,000 tons, made up of 62,000 tons natural rubber, 12,000 tons synthetic rubber and 6,000 tons reclaimed rubber. As against this, the indigenous production would be only about 27,000 tons, which means that the rest of 53,000 tons would have to be made good either by indigenous production of synthetic rubber (still a long way off!) or by imports which would entail a foreign exchange outlay of nearly Rs. 16 crores.

In this connection, it is a matter of regret that as much attention as is necessary has not been given to exploring the prospects for increasing the acreage under rubber. The Andaman scheme has, of course, been there, hanging fire for the past eight years and more. Apart from the reports that nearly 13,500 acres of land suitable for rubber cultivation have been found to be available in Andaman and Nicobar Islands, nothing concrete seems to have been done as yet. The recent proposal of the Rubber Board to send a team of officials to these Islands for preparatory work on a 2,000-acre plot is, therefore, a good, albeit belated, start.

Although we are moving in the right direction thus, it remains to be seen how the proposition will work in actual practice. The success or failure of the rubber development project in Andaman hangs on the slender thread of realistic approach. As Mr. K. M. Philip, President of the Indian Rubber Industries' Association (I.R.I.A.) has pointed out, the authorities would have to bear in mind the experience in Kerala, where 95 per cent of the rubber plantations are held by small holders in 20 to 50 acres plots, which has proved beyond doubt the uneconomic nature of small-hold plantations. In order to put to better use the fertile lands of Andaman, considerable scientific knowledge and experience are called for. The Rubber Board, which has little or no experience is, no doubt, brave in undertaking this task, but it might lead to disastrous results. Rather than court such a risk, the authorities would do well to accept the advice of Mr. Philip to alter their decision and entrust the work to private entrepreneurs whose experience and know-how in the field have been long, and also provide adequate long-term finance, if necessary. The Government could lease the land on a crop-sharing basis, if it is averse to an outright sale, in which event, it could also have a share in the profit. In short, as the I.R.I.A. Chief has pointed out, this problem needs to be tackled in a bold and imaginative way so as to subserve the larger interests of the nation.

Coal

COAL MINING MACHINERY PROJECT

THE ERECTION of the machinery at the Coal Mining Machinery Plant, being put up at Durgapur as a public sector enterprise, is envisaged to start by the third quarter of the current year. The plant is expected to go into partial operation by the end of the next year. This was disclosed to the distinguished guests who were taken around the plant site recently after the inauguration of the AVC project at Durgapur.

The plant, by the time it goes into full production and attains the target output of 45,000 tons of coal mining machinery per annum, would have involved a capital outlay of nearly Rs. 35 crores. The value of the final products at the full rated capacity is estimated to be of the order of Rs. 24 crores. When in full production, the plant will be manufacturing the following items of machinery:

Items	Quantity	Weight in Tons
Coal Cutters	600 pieces	1704
Loaders	250 "	1371
Conveyers	1800 "	22487
Trolley & battery type electric mine locomotives	150 "	1300
Haulages	400 "	3804
Electric winders	25 "	1167
Main axial fans	100 "	1154
Booster fans	250 "	50
Centrifugal pumps	500 "	998
Sand pumps	300 "	550
Automatic cage keps for use in vertical shafts and safety detaching hooks, rope clips etc.	—	2000
Light drill rigs for exploration drilling	25 "	28
Spare parts	—	8323

The plant will be self-sufficient in respect of its castings and forgings, except for the heavier pieces

which are envisaged to be obtained from the Foundry Forge Plant (also a Government enterprise) to be set up at Ranchi. Besides, some finished and semi-finished products, such as electric motors, starting apparatus, alloy steel, ball and roller bearings, lubrication equipment etc., costing nearly Rs. 1.5 crores per annum, will be procured from outside sources. On the other hand, the plant will have a spare capacity to supply to other industries every year nearly 2,000 tons of steel castings, about 50 tons of non-ferrous metal castings and approximately 750 tons of drop and hammer forgings.

The main units of the plant will be a Gray Iron Foundry, a Steel Foundry and Forge Shop and three machining and fabricating shops. The Grey Iron Foundry will have a capacity of 1,100 tons of iron castings and 300 tons of non-ferrous castings per annum. It will have two nos. 5-ton per hour capacity cupolas and will be fully mechanised. The Steel Foundry will produce nearly 9,000 tons of castings a year and will have two nos. 5-ton capacity and possibly a 1½ tons electric furnace. This Foundry will also be fully mechanised. The Forge Shop will have an annual capacity of 10,000 tons of forgings and will contain various sizes of hammers upto a maximum 3-ton capacity. The three shops for machining, fabricating and assembling operations will contain about 530 units of machine tools and accessories. One of these shops will produce coal-cutters, loaders, electric mine locomotives and pumps. The second one will manufacture electric winders, haulages, main axial fans, boring rigs and cage safety devices. The third shop will produce belt and scraper chain conveyors.

While mechanisation in coal-cutting has been resorted to to a fair extent in India, mechanisation of loading and conveying of coal at the mines is still a far cry. Coal-cutting was mechanised in this country to the extent of 28.4 per cent of the total output in 1955. Loading and conveying of coal in that year were mechanised only to the tune of 0.3 per cent and 4.7 per cent of the total production, respectively. By 1961, coal-cutting through mechanical means covered nearly 43 per cent of the total output, while loading and conveying had been mechanised only to the extent of 12 per cent of the production. Under the Third Plan, great stress is to be put on mechanisation of the various processes of this industry. Coal-cutting by mechanical means is envisaged to be raised to about 64 per cent of the output, while loading and conveying are proposed to be mechanised to the tune of 70 per cent. Attempts are to be made to keep the haulage and winding through mechanical means at the current level of 90 per cent of the total output. The Durgapur plant is expected to help in the attainment of these targets.

Lubricants

A NEW VENTURE IN THE OFFING ?

THE WELL-KNOWN British lubrication engineering firm, Tecalemit Limited, which over the past few years has built up a substantial business in this country and is already manufacturing some of its goods (nearly 60 per cent of its total sales) for the Indian market through sub-contractors in India, proposes to set up a rupee subsidiary company to undertake directly the production of bulk of its products here. The Managing Director of the concern, Mr. P. R. Scutt, is here at present to discuss the matter with the Government of India.

The subsidiary company is envisaged to be established in Calcutta. In the initial stages, the parent company expects to be the majority shareholder. Indian capital is proposed to be associated with it as a minority holding for some time after which, probably after the expansion of its activities, Indians will be made the majority holders. An application for the grant of a licence under the Industries (Development and Regulation) Act is envisaged to be made in the near future—probably during Mr. Scutt's current visit itself.

Three main factors are said to have prompted the management of Tecalemit Limited to go in for a manufacturing programme in this country. They are: (i) the immense potentiaities for the expansion of the industry in India, probaby greater than anywhere else in the world; (ii) the political stability obtaining here; and (3) the availability of intelligent labour. Referring to the last factor, Mr. Scutt is said to have observed: "We have been agreeably surprised at the quality of some of our products now being made in India for us."

Pharmaceuticals

PLACE OF RESEARCH

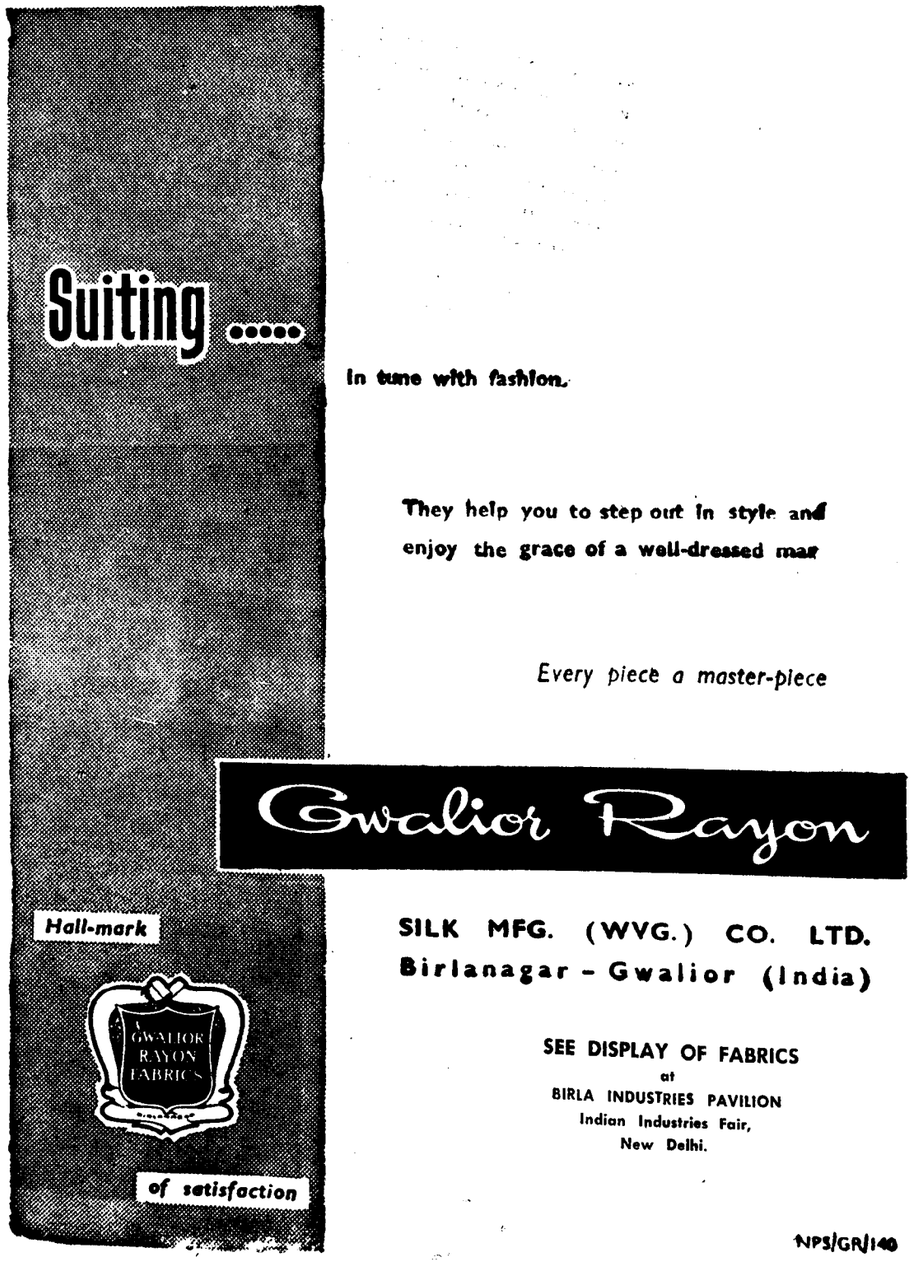
THE PROGRESS made by the drugs and pharmaceutical industry in India in the manufacture of modern drugs during the First and Second Plan periods has indeed been remarkable. The value of the annual production of drugs and pharmaceuticals in the country presently is estimated at around Rs. 70 crores. But to be able to catch up with the actual requirements of the country —we are still importing annually another Rs. 30 crores worth of drugs and pharmaceuticals—and to familiarise an increasing section of the population in the use of modern medicine, say the planners, a three-fold increase in the output of this country would be necessary during the Third Plan period.

Mr. G. L. Mehta, Chairman, Industrial Credit and Investment Corporation, referred to, and also commended, the progressive decline in the use of imported raw materials and the increasing reliance on indigenous raw materials, whilst speaking at the opening of the Vitamin C Plant of Sarabhai Merck Limited, at Wadi, Baroda, recently. In order to attain cent per cent self-sufficiency in the use of indigenous raw material as also to produce enough to meet the internal demand fully, collaborations, such as the Sarabhai's with the well-known German firm of R. Merck, were particularly needed, opined Mr. Mehta. With this collaboration, said the I.C.I.C.I. Chief, a stage had been successfully reached, where a wide range of fine chemicals, laboratory chemicals of guaranteed reagents and vitamins would be produced in this country. Moreover, Mr. Mehta said, "Colloboration with firms such as these ensures beyond doubt the quality and standard of products which is an important factor in the successful development of this industry."

A very pertinent reference was made by Mr. Mehta to the problem of research. He recalled the phenomenal progress made by the pharmaceutical industry in the more advanced countries during the past few decades and said how such was made possible—by continuous study and research, over years. This aspect, he rightly exhorted, should be borne in mind by both the Government and the private entrepreneurs, as this is one of those industries which could not be expected to progress if divorced from study and research.

Another important aspect of the pharmaceutical industry that the I.C.I.C.I. Chief touched upon was exports, which are at present only around Rs. 60 lakhs a year. Collaborations such as this, he felt, would facilitate the boosting up of exports, inasmuch as the trade names of the collaborating countries could well be utilised to maximum advantage. But he also added that, though it had become imperative to export more and





more in view of the country's parlous foreign exchange position, priority should be given to the satisfaction of internal needs.

Cables

EXPANSION ENVISAGED

CONSEQUENT UPON the increasing demand for power cables as a sequel to electricity output going up, the factory of the State-owned Hindustan Cables Limited is envisaged to be expanded to produce cables worth Rs. 8 crores per annum. The factory is expected to attain a rate of production of Rs. 2 crores worth of cables a year by the end of the next month and orders for securing equipment for the first phase of its expansion, which will increase its capacity to Rs. 4 crores worth of cables a year by 1964, have already been placed. Expansion plans include setting up of a new copper wire drawing plant, a plastic cable-making plant and certain other ancillaries which will make equipment required by the tele-communications department.

Meanwhile, the Minister for Industries in the Union Government has been thinking aloud in respect of setting up another cable factory in the country with Swedish collaboration. Whether this project will fructify or not depends on crossing of one great hurdle, which is that the present agreement with the British Standard Telephone and Cables Limited, the collaborators of the Hindustan Cables Limited, stipulates that the British company has to be given the first right of refusal in the event of any expansion of the Hindustan Cables' factory or for starting of any new unit by the Government. This agreement is working quite satisfactorily and has still to run for a number of years.

There are three more units manufacturing cables in this country—the Indian Cable Company, Asian Cables Limited and the Cable Corporation of India. But in view of the great shortage of cables that is expected to persist for years to come, the country may have to go in for another cable manufacturing unit, besides expansion of the existing ones.

Engineering

GLOBE MOTORS

ANOTHER COMPANY which is entering the market at the end of this month for raising capital is Globe Motors Ltd. Its authorised capital is Rs. 100 lakhs, divided into 100,000 equity shares of Rs. 100 each. The issue being offered to the public is around Rs. 12.25 lakhs.

The company is setting up a plant at Ballabgarh, near Delhi, to undertake the manufacture of 6,000 tons of silico manganese spring steel and 1,200 tons of malleable castings per annum on single-shift basis. The plant will also manufacture 1,200 tons of laminated springs for automobiles per annum, on single-shift basis. It may be mentioned here that there are 6 units in the country engaged in the manufacture of laminated springs for automobile industry. Their combined installed capacity is 28,590 tons per annum, three-shifts basis, but their production is much lower, due to inadequate and irregular supply of imported spring steel. Globe Motors will, however, enjoy a great advantage in this respect since it will be making its own steel for manufacturing the laminated springs.

The necessary industrial licences for all these activities have already been granted by the Government of India. The factory building is now fast nearing completion and the plant equipment from the U.K. and West Germany has arrived at the site. The plant will go into production towards the middle of 1962.

Because of the wide market for the products of the new unit, the profits of the company are likely to be enhanced considerably. For that reason alone, the new issue is bound to receive a very encouraging response from the market.

Dyestuffs

SANDOZ'S NEW PROJECT

THE BELIEF that the Swiss firms are taking an active interest in building the economy of India is now strengthened with Sandoz starting a new project for the manufacture of dyestuffs and chemicals in Maharashtra. The execution of this project would help save foreign exchange to a certain degree that is now being spent on the import of dyestuffs. It is estimated that the saving would be to the tune of Rs. 80 lakhs a year. At present dyestuffs worth Rs. 15 crores are consumed in this country. Fifty per cent of them are imported.

The project has been licensed to manufacture 540 tons of dyestuffs and intermediates per annum. Of the 58 items, 47 will be produced for the first time in India. The installation of the plant at Kolshet, Thana (Maharashtra) would no doubt have salutary effect on the economy of the State. Besides providing employment to many, this venture of Sandoz would go a long way in helping the advancement of the textile industry in the developing State of Maharashtra.

The association of Sandoz with the Indian textile industry in India can be traced back to 1910. And from then on many favourable developments have taken place. In 1956, the company was granted a licence to manufacture a wide range of pharmceuticals and leucophor, an optical bleaching agent. The factory was formally inaugurated on February 4, 1961. According to the Managing Director of the firm, the project will operate on the basis of self-sufficiency in regard to payments for the import of raw materials necessary for its 58 products by exporting a part of the output.

ILO

REPORT ON DEVELOPING AREAS

THE ILO experts' report on developing areas, made available recently, has little new to offer. Steps that have been urged for full employment are already known. The experts were asked to make a thorough analysis of the problems of employment creation in the context of economic development and suggest measures for expansion of employment opportunities both under national plans and through international action.

The ILO team has urged that the developing countries should aim at achieving full employment within a reasonably short time and to this end raise the levels of investment in their national plans. Needless to say that this is already embodied in the plans of most of these developing countries. It was expected that an expert team from an international organisation would suggest something which would not only cater to the needs of these areas but would also be at the same time really constructive. It, however, would be being harsh on the team to expect too much as problems in these areas have to be tackled by setting up labour-intensive industries and framing policy in a manner that would put an end to the unemployment and under-employment problems. A geographically balanced growth of employment is no doubt only possible through a policy

of regional location of industries. But the disclosure that limited funds are earmarked for small-scale industries need not be taken at its face vaule as in India's Third Five-Year Plan Rs. 200 crores have been provided for promotion of small-scale industries.

Then again it is all very well to say that investment be increased and foreign capital be attracted to these developing countries, but this cannot be achieved until the policy is framed in such a manner that it would not impinge heavily on the foreign investors. India on this score is well aware and the setting up of the Investment Centre in Delhi is recognition of the need to do something in this sphere.

So far as the suggestion that developed countries should participate in a programme "of a counter-cyclical nature" under which standard types of equipment could be produced and stored for purchase as required by under-developed countries is concerned; it undoubtedly has aroused a lively interest.

In regard to utilisation of under-employed in the rural areas, the report suggests that an increase in agricultural production would facilitate the expansion of non-agricultural employment and investment. It says that labour intensive programme might be promoted through local capital construction, development of rural industries and rural production activities such as animal husbandry, afforestation and fisheries. In urban areas, the report underlines, that additional employment could be created through fuller utilisation of existing capacity of industrial plants and the introduction of multiple shifts. While concrete steps are being undertaken in the shape of works programme and industrial estates in the rural areas to put the rural economy on an even keel, it is a pity that existing capacity of industrial plants is not being utilized fully. Perhaps the shortage of raw materials could be assigned as the reason for this state of affairs; but it goes without saying that the Government should become alive to the situation and provide the necessary facilities with a view to avoiding a set-back to the economy.

Rural Manpower

WORKS PROGRAMME: A NECESSITY

THE QUESTION of utilising rural manpower in various regions of the country has of late been exercising the mind of the Government. In the Third Five-Year Plan it is envisaged that along with the problems of development for large and small-scale industries, for agriculture and other economic and social services, there should be a large-scale programme for rural works, especially in densely populated regions and for periods of under-employment during slack agricultural seasons. This is now being given a practical shape. Two conferences have already been held, one in Delhi covering the northern and central regions and the other in Calcutta covering the eastern region. The recent regional conference on the works programme for utilising the rural manpower in the States of the southern region is just a further step to put the machinery into motion for achieving the desired goal.

It may be recalled that 32 pilot projects were started in the States in order to furnish experience at the State, district and block levels in the organisation and direction of the works programme. The areas for locating the pilot projects were to be selected on the basis of their high incidence of unemployment and under-employment. The works programmes consisted of schemes which were designed primarily to accelerate increasing agricultural production and creating community asse'ts. This was a step in the first series and for the second series, the Government of India had decided to have 156 pilot projects all over the country. The recent conference has proposed about 10 projects in each State. A thing to note in this programme is that it is a Centrally sponsored one with the Government of India meeting the entire expenditure, half by way of loans and half by way of grants. The execution of the scheme is to be in close collaboration with the Panchayati-Raj agencies. Since conditions in the rural areas need to be improved at the earliest, works programme can be said to be a necessity. The projects not only would provide employment during agricultural lean seasons, but they would also help in accelerating the increase in agricultural production. This programme would be supplementary to the programmes of development included in the Third Plan. The schemes considered suitable for inclusion in this programme are of the nature of land reclamation and construction of irrigation channels that would directly help the economy of the area.

Another measure to strengthen the rural economy that is under consideration is the setting up of rural estates in the rural areas. Mr. Shriman Narayan, Member, Planning Commission, has hinted that 200 rural industrial estates would be established throughout the country during the Third Five-Year Plan. These estates would be located in smaller towns and villages in order to provide employment as well as opportunities to the rural people. All these steps are in the right direction and it can be reasonably assumed that works programmes along with rural industrial estates if administered properly can go a long way in raising not only the standard of living of the masses but also in solving the under-employment problem—the solution of which has been baffling the planners for quite some time.

SWISS INDUSTRIES FAIR IN MARCH

The Swiss Industries Fair, to be held at Basle in March next, is likely to draw visitors from the four corners of the world. It is the greatest annual event in the industrial life of Switzerland.

Occupying an area of 1,416,000 sq. ft., 2,300 exhibitors at this fair will be showing a wide range of products made in Switzerland where the paucity of raw materials has led to increasing emphasis to be placed on the production of quality goods, having a high labour content.

Perhaps, the Swiss Watch Section will be the best show in view of the country's traditional fame in the field. It is expected to display the latest creations of about 160 Swiss watch manufacturers. Nearly 95 per cent of the watches manufactured in Switzerland are exported to all over the world.

The Swiss machine tools industry is also anticipated to make a special feature of the Fair by giving a complete picture of its highly reputed quality products. Among the vast range of consumer goods on display will include textiles, clothing, fashion, shoes and leather goods which are among the other important exportable items from Switzerland. The plastics industry will also be putting up a good show.

CORRIGENDUM

In the issue of "The Eastern Economist" dated February 2, 1962, there appears, on page 408, an advertisement of the United Commercial Bank. In this advertisement, the reserve fund of the Bank is erroneously shown as Rs. 2,05,00,000. The Bank's reserve fund today amounts to Rs. 2,35,00,000. This inadvertent error is deeply regretted.

FROM THE CAPITAL'S CORRIDORS

TECHNICAL ASSISTANCE FOR BOKARO COALFIELDS

IN March 1960, the Government of India had approached a number of coal producing countries for technical assistance in the expansion of coal production during the Third Five-Year Plan. As a result, British, Americans, French and Germans had sent their coal experts. The projects planned or in the course of execution were: (1) Opencast and drift mines at Ramgarh (U.S.A.). (2) Deep mine of 6,000 tons per day in Jharia coalfield (Poland). (3) Deep mine in the Korba coalfield (USSR) (4) Special method of working in Karanpura coalfield (France). (5) Kargali coal preparation plant (Japan). (6) Coal preparation plant at Dugda (U.S.A.). (7) Coal preparation plant at Bhojudih (Belgium) (8) Coal preparation plant at Pathordihi (not allocated). (9) Coal preparation plants in Bokaro coalfield to total capacity of 3 million tons per annum (U.S.S.R.). (10) Coal-burning power station at Chanderpura (U.S.A.).

These projects are the ones that were directly concerned with coal; there were many other projects in the wider industrial field sponsored by foreign countries. In all the above projects, aid from the particular sponsoring country for the purchase of equipment, etc., was available in one form or another. Thus, in the case of the U.S.A., technical assistance was provided under the International Co-operation Administration (I.C.A.) and the capital assistance from the Development Loan Fund (D.L.F.).

So far as the British were concerned, Mr. H. A. Longden, then Director-General of Production of the National Coal Board, made a visit to India in June-July 1960 to "obtain a better understanding of the National Coal Development Corporation's requirements." He made his report in August 1960. His general conclusion was that technical assistance should be concentrated on a narrow front to establish, what might be termed "model" units, a Deep Mine, Drift Mine, Open Cast Mine, possibly a coal preparation plant and a Central Workshop, which should set the highest possible standards for emulation elsewhere.

In January 1961, the Government of India requested the British Government for technical, a sistance to prepare project report for the development of Bokaro coalfields in Bihar. The projects specifically mentioned were deep mines at Jarangdih, Kathara and Sawang. All these mines would exploit large reserves of coking coal required for the programme of expansion in steel production in Bihar, West Bengal and elsewhere.

At present the mines in operation in the Bokaro coalfield are:

1. Kargali Colliery:

This mine has a capacity of about three-quarters of a million tons per annum mainly from opencast workings in the Kargali seam, but also some 50,000 tons per annum from deep mining. Production in 1960-61 was 686,000 tons. An interesting feature was that pillars previously developed by deep mining were now being extracted by strip mining.

2. Bokaro Colliery:

This mine of 1.6 million tons annual capacity is entirely opencast working and in 1960-61 produced 1.17 million tons. Technical scope for the mechanisation of coal mining and transport in tremendous. Much increased output would be possible with but relatively small capital expenditure.

3. Jarangdih Colliery:

In this take a deep mine was sunk and equipped in the late 1920's but was closed in 1936. This mine had partially developed the Kargali seam in the easterly end of the take but heavy emissions of gas, difficult roof conditions and considerable make of water resulted in its closure. At present a number of drift mines, having an annual capacity of 120,000 tons, are working an upper (Jarangdih) series of coals at relatively shallow depths.

4. Kathara Colliery:

This is a fully-mechanised opencast working using electrically-operated shovels for overburden and coal. The mine has an annual capacity of 1.5 million tons and has a labour force of 900.

5. Sawang Colliery:

In this take to the north-west of the exposed coalfield there are two drift mines and a small hand-worked opencast mine giving an annual capacity of 120,000 tons.

From the Bokaro coalfield, in which the National Coal Board engineers are directly interested, an annual output at the end of the planning period of 5 million tons is expected against the target of 4 million tons in the Second Plan. (Actual output in the last year of the Second Plan was 2.9 million tons). The shortfall in the Bokaro coalfield was due principally to inadequate transport clearance from the collieries and, to some extent, lack of coal preparation facilities. Although all coals are of coking quality they require to be cleaned before being acceptable to the steel works.

In order to start the work in India, arrangements were made for Mr. Elliott and, on a temporary basis, Mr. G. Armstrong (Chief Geologist, National Coal Board) to be available in India in August 1961. At the request of the Government of India it was also agreed that the Board Member for Production, Mr. H. E. Collins, should visit India.

It was made quite clear to the National Coal Development Corporation that the proposed deep mine projects in the Bokaro coalfield could not make any contribution to the Third Plan since more than five years would be necessary to plan, sink, equip and bring any of them into production.

The report submitted to the Government of India by Mr. H. E. Collins contains certain significant observations: "It is important to appreciate that, at present, limitation of transport facilities prevents the full utilisation of even existing production capacity. For example, the opencast mine at Kathara, which is fully mechanised, is producing at only half its actual capacity. Thus the provision of additional production capacity will be of no avail unless transport is so very much improved as to afford continuous clearance from the collieries.

"Moreover, although the coals in the Bokaro coalfield are of coking quality, adequate preparation is essential before the coals can be used for metallurgical purpose. We studied washability characteristic curves from which it was clear that all these coals presented a difficult preparation problem. The only economic solution is to make a considerable middlings fractions, the outlet for which is for steam raising in thermal electrical generating stations. Already the Bokaro thermal station takes the middlings from the Kargali coal preparation plant. It is possible that the proposed thermal station at Chanderpura will take middlings from the Bokaro plants as well as from the new preparation plants in the Jharia coalfield. Suffice it to say that with the provision of additional coal preparation capacity, urgently needed

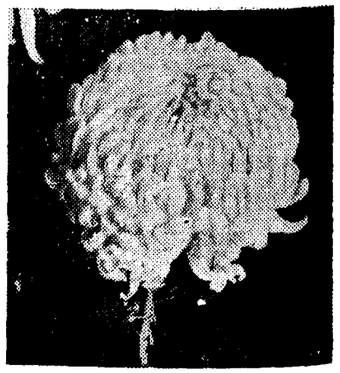
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the Bokaro coalfield, outlets must be provided for ldlings to ensure reasonable economic working.

"The need for additional washing plants is fully reciated by National Coal Development Corpora- and already a large central coal preparation plant been built by Japan at Kargali. This has a rated acity of 460 tons per hour of raw coal throughput. plant serves the Kargali and Bokaro collieries but ot yet up to full capacity.

"We were informed that the U.S.S.R. were pre- ed to erect coal preparation plant in the Bokaro lfield upto an annual capacity of 3 million tons. A ject for a two million ton per annum plant at thara has been finalised and it is likely that work l commence on erection shortly. The remaining acity of one million tons per annum has not yet en allocated but will probably be split between angdih and Sawang.

"Obviously it will be 1964-65 before this additional l cleaning capacity will be available and until this e coal from the Bokaro coalfield suitable for metal- gical purposes will be limited to the output of the Kargali coal preparation plant.

"Despite these current limitations of transport and l preparation it is important to plan now the addi- nal production capacity. This is necessary because wards the end of the Third Plan, the proposed new karo steel plant should be in operation, and will have draw its coking coal supplies from both the Jharia d Bokaro coalfields. This relatively short-haul for l should help considerably in transport clearance m the collieries in both coalfields."

Following are the recommendations made by Mr llins in his report:

1. "It is considered essential that the planning and velopment of the Bokaro mines be on a coalfield- ide basis and not confined to individual and unco-ordi- ted projects.

2. Opencast operations should be intensified at athara and the reserves re-estimated by considering extension of permissible overburden | coal ratio and timate depth of working.

3. At Kathara opencast operations can continue at e present target rate of 1.5 million tons per annum r some 20 to 30 years. Development of a deep mine this take, although ultimately necessary, can be def- rred for at least 20 years.

4. At Jarangdih the reopening of the deep mine hich was closed in 1936 is not recommended. The pper (Jarangdih) series of coals should be worked to mits of opencast operations by intensive fully-mechan- ed methods, including the de-pillaring of the Jarangdih eam. As soon as possible drift mine operations should ease in favour of intensive opencast working. The pencast operations would be followed directly by deep ining. The proposed deep mine would have available or working not less than 50 million tons of coking oals at depaths ranging from 1300 feet to 2000 feet.

Although it is not yet possible to state exactly the ite of this large deep mine in the Jarangdih take it eems likely that it would be within the area in which he principal seam of the upper series has already been orked into pillars from the drift mines. The proposed pencast operation would, among other things, clear he site of the proposed deep mine which will come nto production when the opencast output declines. lanning of the opencast operation should therefore be ully in accord with the deep line project the planning of which can start as soon as sufficient geological information is available. A drilling programme extending over a period of some twelve months will be necessary to obtain all the geological information ultimately required.

5. At Sawang the introduction of intensive and fully--mechanised opencast minning to the exclusion of drift mining is recommended. This form of mining can be relied upon for the necessary output from this take for a period of five to ten years, depending upon the results of a further drilling programme. Considerable geological data pertaining to the deeper areas of the Sawang take must be collected from a deep drilling programme which could well occupy two or three years. Then it would be possible to plan a deep mine project for this take.

6. It is recommended that a progarmme of exploratory drilling be drawn up in order to prove fully the coking coal reserves in the whole of the Bokaro coalfield. This applies particularly to the lower seams, namely, Bermo and Kara seams, on the northern outcrop, and in an extensive area to the north and no heast of the Jarangdih take. It is extremely likely that of the extensive reserves which are almost certain to be proved, considerable quantities will be capable of efficient opencast exploitation.

7. In order to obtain full value of the increased production capacity envisaged above, coal cleaning plant will be required at Jarangdih and Sawang, plans already being in hand for Kathara. These plants will deal initially with opencast output but eventually will be required to treat deep mine output. Therefore they should be sited in such a manner as to satisfy this dual purpose.".

It has been observed in certain circles that the report submitted by Mr. Collins gave the impression that he had recommended the nationalisation of metallurgical coal mines in India. The question of such nationalisation does not arise because the recommendation relates to mines already in the public sector. It may be added that while negotiating a loan of thirty-five million dollars for the private sector, the Government has assured the World Bank that nothing would be done, say during the period the loan were not repaid, which would have an adverse effect on the incentive to raise additional coal to the targetted level. This is a further indication that no further nationalisation is envisaged by the Government of India.

DEVELOPMENT OF ELECTRIC POWER

A broad outline of the programme for development of electric power in the Fourth Plan is being prepared by a team of three high officials of the Government of India, Mr. P. P. Agarwal, Joint Secretary, Union Ministry of Irrigation and Power, Mr. Balwant Singh Nag, Adviser, Planning Commission, and Mr. K. P. S. Nair, Member (Power), Central Water and Power Commission. The groundwork for planning of the power schemes to be included in the Fourth Plan has also been taken up.

The early start on the drawing up of the plans for the development of power resources during the Fourth Plan period and the setting up of the three-man team has been the outcome of one of the main recommendations of the Sachdeva Committee which had been set up sometime ago to study the power requirements of Bihar and West Bengal, including the Damodar Valley Corporation area, during the Third Plan period. The Committee has opined that since no new plant that has been sanctioned or may be sanctioned during the current Plan period will come into operation before 1964, the power position in Bihar and West Bengal is likely to

remain acute and will particularly affect the Calcutta area, the coalfields and some other important industries in the region such as the heavy engineering works; throughout the greater portion of the current Plan period, there will be shortage of electric power in this region. Many of the plants commissioned in the area, the Committee observes, have been running continuously with the risk to the equipments for want of spare capacity. The load conditions in the region are advancing rapidly and the requirements will have gone up appreciably by the beginning of the Fourth Plan. The Committee, therefore, had recommended that the question of power requirements of this area during the Fourth Plan period should almost immediately be taken on hand and preliminary steps completed in good time. Unless this is done, the Committee visualized serious shortage of power during the early years the Fourth Plan.

The Committee has also made certain pertinent observations on delays encountered in setting up of new power plants and the working of the Damodar Valley Corporation. Its findings and recommendations on these are as follows:

"The question of the delay in obtaining necessary foreign exchange and import licences, etc., for import of essential equipment and spare parts (for power plants) has been highlighted before us (the Committee) by the various authorities concerned. No import licence can be sanctioned unless necessary clearance has been obtained from the Development Wing of the Ministry of Commerce and Industry. This generally takes considerable time. The Committee recommends that a wholetime officer should be appointed under the Ministry of Commerce and Industry (Development Wing) to deal with all such requests in respect of power plant requirements, in direct consultation with the Central Water and Power Commission and the Ministry of Irrigation and Power. It should be the responsibility of this Officer to ensure that all such requests are promptly dealt with and necessary clearance given within a matter of a few day. The Committee trusts that the Ministry of Irrigation and Power will establish a procedure in consultation with the Ministry of Commerce and Industry and the Department of Economic Affairs, Ministry of Finance, under which all requests for foreign exchange and import licences can be cleared within a fortnight to three weeks of the application having been forwarded by the Central Water and Power Commission.

"The Committee is aware of the difficulties that are being faced in the matter of procurement of proper grade coal for the types of plant that are already installed. The difficulties of transport accentuate the problem of obtaining proper grades of coal. Discussions are occassionally held between the Railway Board, the Coal Board and the power supply authorities, as represented by the Central Water and Power Commission in this regard. We would recommend the setting up of a Standing Committee for the purpose to deal with these problems, as they arise, from time to time.

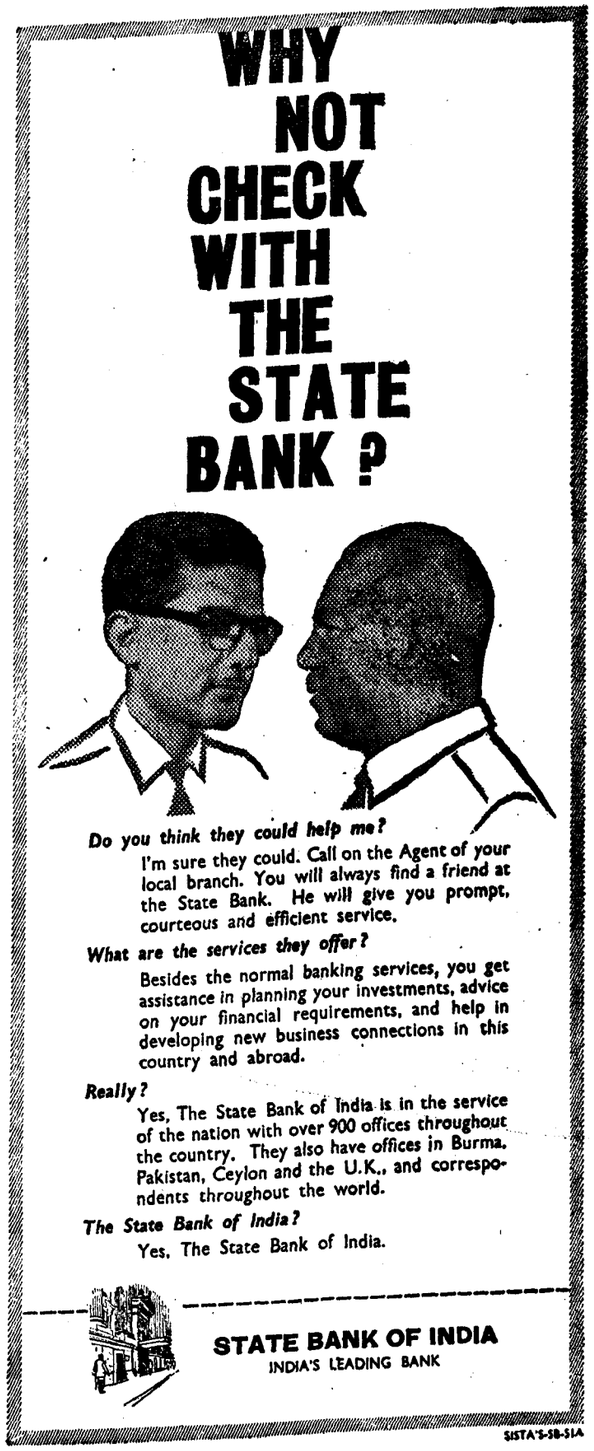
D.V.C's WORKING

"During our discussions we found that there were some serious differences in the approaches of the participating Governments and the Damodar Valley Corporation in the matter of power development within the Valley and outside it. Bihar has interest in power development, which is financially a paying proposition but very little or none in irrigation and flood control. West Bengal is greatly interested in flood control and irrigation, but there have been acute differences between them and the Damodar Valley Corporation over the question of settlement of dues. In the matter of generation of power, West Bengal would like the Damodar Valley Corporation to restrict its activities to supplying power to areas within the Valley except for loads which have already been committed outside. Even in respect of commitments of loads outside the Valley, West Bengal has some reservations. The Damodar Valley Corporation has, in its turn, pointed out that there have been considerable arguments and delays over the sanctioning of its additional power generating units on the part of the participating Governments. We feel that such differences must inevitably lead to friction and want of smooth and harmonious working when consultations with the participating Governments are necessary and there are basic differences in approach in some important matters. It is necessary that in the light of the difficulties mentioned above and the existing provisions of the Damodar Valley Corporation Act, the entire working of the Damodar Valley Corporation should be reviewed by the Central Government in consultation with the Governments of Bihar and West Bengal so as to evolve suitable procedures as would make for smooth and harmonious working. One of the suggestions made to us is that the Central Governments should directly take over the existing installations of the Damodar Valley Corporation, both in respect of power and irrigation and flood control, and administer them in the best interests of the Valley, as also of the two State Governments after necessary financial arrangements have been worked out and accepted. Some other suggestions have been made also but we trust that the entire matter will be speedily gone into and difficulties resolved as soon as possible.

"The troubles experienced with the turbo-generator plant, the "slagging" problem in respect of the boiler plant and the defects in the coal mills are of a nature which could hardly be categorised as "teething" troubles. On the contrary, they appear to us to be instances of serious defects in design. It would appear that the manufacturers have not had sufficient past experience of the successful designing and putting into satisfactory service 75 MW plants of the required specifications and have been engaged in making experiments for now 15 months at Bokaro and nine months at Durgapur to rectify various defects. This has naturally resulted in a huge financial loss to the Damodar Valley Corporation by way of sale of power and a great deal of inconvenience to all concerned.

"We have discussed these difficulties at great length with the Engineers of the Damodar Valley Corporation and our conclusions would be as follows:

1. If the order had to be placed with Messrs. M.A.N. for turbo-generator plant, with due regard to price considerations and ethics of our tender system, the Committee considers that an order for at least two units for Durgapur could have been on the basis of the 3-cylinder design with standard steam conditions, of which Messrs. M.A.N. are understood to have adequate past experience. They had originally tendered for the 3-cylinder design, though they had put in subsequently a bid for the 2-cylinder machines, as specifically called for by the Damodar Valley Corporation. It is our view that the 2-cylinder design developed by them to meet the requirements of the Damodar Valley Corporation has given rise to design problems, which apparently have a bearing on the troubles that have been experienced with thrust bearing, necessitating long continued experiments to remedy the defects. It has been stated that the space considerations at Bokaro necessitated a 2-cylinder machine. Space considerations at Bokaro are understandable, but the Damodar Valley Corporation had two choices: (i) accepting a 2-cylinder design with likely difficulties that might arise necessitating long drawn out experiments or (ii) extend the power house already built (and this could not have been impracticable) in which case the 3-cylinder machine would also have been suitable for Bokaro also, so that all the three units could be identical 3-cylinder machines. It appears to us that the best choice for the Bokaro extension could have been a 50 MW machine preferably of IGE manufacture and identical to the three old machines. The Committee, however, does not propose to make any further observations in this regard, as it is understood that the price quoted by the General Electric was exorbitant and they were not prepared to bring it down.





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2. Having had satisfactory experience with the Raymond Coal Mills for the three old Bokaro units, it is not understood why the Damodar Valley Corporation did not go in for Raymond type mills for Bokaro's 4th unit, but deviated from the same by accepting loesche mills of a different design. Had Raymond type mills been purchased for Durgapur as well, acute troubles that are being experienced with loesche mills could have been avoided.

3. In regard to the boiler plant, it should be stated that the Damodar Valley Corporation's original recommendation was in favour of boilers manufactured by Messrs. Stein Rubain of France. This firm is a licensee of Messrs. International Combustion Engineering of U.S.A. and is known to have special experience in building large boilers suitable for burning low grade fuel. The offer of Messrs. Stein Rubain was not accepted because it was on the high side. Fresh tenders were called, but this time Messrs. Stein Rubain did not quote. Finally it was decided to place orders with Messrs. M.A.N. It would appear that Messrs. M.A.N's design resulted in a smaller volume plant.

RECOMMENDATIONS

"The present unfortunate experience of the Damodar Valley Corporation in regard to these 75 MW thermal units should serve as a lesson to all Power Project authorities in the country. These large units with high steam conditions have their complications in regard to design and operation and the operating problems multiply when boiler plant has to use very inferior grade fuel. With a view to minimising difficulties in securing satisfactory service and trouble-free operation of these plants, the Committee would venture to make the following recommendations:

(a) In regard to turbo-generator plant, every effort should be made to purchase standard plant and equipment, well tried out in other parts of the world over a number of years. Utmost emphasis should be laid on "prototype" experience in design and material, even though the plant efficiency may be somewhat less than that claimed by the manufacturers of plants not well tried out over a period of satisfactory service. If the selection of plant on this basis involves payment of a higher cost, it would be judicious to accord necessary price preference on the score of extensive experience of the manufacturer and proven reliability of his products.

(b) Extensive experience and proven reliability are factors to be given the highest consideration in selecting other vital equipment such as boiler feed pumps, coal mills, water treatment plant, etc., and if need be, necessary price preference should be accorded in the matter of purchasing such equipment.

(c) In regard to the boiler plant, it is difficult to secure standard plant of prototype design and material as the characteristics of fuel available in other parts of the world would, in certain respects, be different from those available in India. In case of boiler plant it is recommended that judicious selection of plant should be based on the following considerations and again substantial price preference should be accorded, if necessary:

(i) Extensive past experience of the manufacturer in building boilers of required and higher capacity. If dry bottom boiler plant is required, the selected supplier must have adequate and proven experience for boilers of dry bottom type with well-tried firing system. The same remarks apply if wet bottom type of boiler is required.

(ii) If the required boiler plant has to use very inferior grade fuel whether of high ash content or low volatility or both and with other difficult fuel characteristics, the qualification at (i) above will have to be coupled with the need for extensive experience of the manufacturer in the design and successful service of boilers for burning such low grade fuels.

(d) It is recommended that some form of standardisation should be adopted by all project authorities in the country in selection [illegible]. It is further proposed that the Central Water and Power Commission should undertake a world-wide survey, by reference to all well-known manufacturers and prepare a list of plants of standard design and steam conditions, for various sizes of units as above in different countries, the extent of proven satisfactory service of such units, the manufacturers who have specialised proven experience in building boiler plant using inferior grade fuel and other relevant data. If necessary a delegation of thermal engineers could undertake a study of selected installations abroad. This list should be circulated to all Power Project Authorities in the country."

The Committee also considered the priorities to be accorded to the consumers in the event of any unforeseen breakdown resulting in power shedding in the system.

The Government has accepted a number of these recommendations for meeting power requirements of Bihar and West Bengal during the Third Plan.

NEW SCHEMES IN WEST BENGAL

The Government has, for South Bengal, approved the installation of an additional 75 MW units in the Durgapur coke-oven power station. In addition, six 1.5 MW packaged generating sets will be procured and installed in the State.

These new power schemes, with an installed capacity of 84 MW, will greatly relieve power shortage in South Bengal.

Further, the Calcutta Electric Supply Corporation is going ahead with the installation of an additional 50 MW generating set in Calcutta. The possibility of further augmenting the installed boiler capacity of C.E.S.C. is also being explored.

The shortage of power towards 1965-66 in the North Bengal region will be met by proposed installation of an additional unit of 9 MW at the Jaldhaka Project, undertaken by the West Bengal Government.

NEW SCHEMES IN BIHAR

For North Bihar, the Government has approved installation of two 50 MW thermal units at Barauni, in place of the 30 MW units originally included in the Third Plan to meet the power requirements in this region.

For the South Bihar region, the Committee has recommended that against the Third Plan scheme of extension of Pathratu thermal station by 5 units of 50 MW each, the possibility of installing three numbers of 100 MW units should be explored. This suggestion is being pursued with Russian authorities, who are to supply the plant for this power station.

PRIORITIES FOR POWER ALLOTMENT

The Government of India has also accepted the priorities laid down by the Committee for allotment of power in the event of unforeseen breakdowns, necessitating load-shedding in the West Bengal, Bihar, and DVC systems.

The high priority consumers which will get power before other industries are: railway traction, coal production, iron and steel production, including alloy steel, aluminium smelting and electro-metallurgical industries, fertilizers, electro-chemical industries, defence equipment, cement, food products, water works, hospitals, broadcasting and street lighting.

The next priority has been accorded to copper smelting, rolling etc., mica-mining and processing, steel re-rolling, steel fabrication, paper mills and chemicals, jute mills, and all domestic and commercial services.

Other primary and second industries have been given third priority for allotment of power in case of shortages due to breakdowns in the power systems.

LICENCES UNDER INDUSTRIES ACT

The Government of India has decided that industrial undertakings having fixed assets not exceeding Rs. 10 lakhs, should not be required to obtain a licence under the Industries (Development and Regulation) Act, 1951,

irrespective of the number of persons employed in such undertakings.

This decision has been taken in order to further facilitate the development of small and medium-scale industries by reducing the formalities in connection with industrial licensing. Early in 1960, the Government of India had announced that industrial entrepreneurs, coming forward to set up undertakings with fixed assets not exceeding Rs. 10 lakhs, could do so without applying for licence under the Industries Act, provided the number of persons employed did not exceed 100. The latest decision represents a further liberalisation in that the stipulation about employing not more than 100 persons has been waived.

BHILAI STEEL PLANT AND KOYALI REFINERY

Two contracts have been signed this week with the Soviet Union, one in respect of the expansion of the Bhilai Steel Plant and the other in regard to the setting up of a refinery at Koyali, near Baroda, in Gujarat.

The Bhilai Steel Plant expansion contract, which involves a sum of Rs. 5.42 crores, envisages: (1) supply of equipment and materials for the expansion of this steelworks from one million to 2.5 million tons of steel ingots per annum; (2) deputation by the Soviet Union of some specialists for rendering practical assistance in the designing, construction, erection and commissioning of the expanded plant; (3) provision of facilities for training of Indian engineers in the metallurgical works in the U.S.S.R.; (4) rendering of services by the U.S.S.R. for the expansion of the Rajhara iron ore mines and the limestone quarries at Nandini (the Rajhara iron ore mines and the Nandini limestone quarries were originally developed to meet the requirements of the one-million-ton Bhilai Steel Plant. Their further development is envisaged to meet the additional requirements of this steelworks after its expansion).

The refinery contract entrusts to the Soviet Union the work of preparation of a project report and working drawings for setting up a 2 million-ton refinery near Koyali to process Ankleshwar crude. This contract has been signed with "Tjazhpromexport," a Soviet organisation, and stipulates the supply of the project report within a period of about 8½ months.

The refinery is proposed to be built in two stages. The first stage, which is expected to be completed during the second half of 1964, will create a refining capacity to the tune of one million tons. The second stage, which will take the refinery's capacity to two million tons, may be completed in another 6 to 9 months. Tjazhpromexport has offered to deliver all the equipment and material required for the first stage during 1963-64.

The contract makes the Government of India responsible for designing a number of units within the refinery and also for preparation of working drawings for some of the units initially designed by the Soviet organisation. The contract further provides for the association of a team of Indian engineers—civil, electrical, mechanical and chemical—with the designs to be prepared in the U.S.S.R. Provision has also been made in the contract for the use of Indian equipment and materials to the maximum possible extent, to enable the Indian engineers to undertake increasing responsibility for the designing and execution of refinery projects in future.

The Third Five-Year Plan contains a provision of Rs. 30 crores for setting up this refinery. Of this, Rs. 10 crores is estimated to be the foreign exchange component. Koyali refinery is the third one to be set up in the public sector. The first state-owned refinery at Gauhati has already been set up with Rumanian aid. The second one at Barauni is under construction and is expected to go on stream some time early next year. This refinery is being set up with Russian aid.

The foreign exchange cost of both the expansion of the Bhilai Steel Plant and the establishment of the Koyali Refinery is envisaged to be met out of the Rs. 180 crores credit made available by the Soviet Union for financing certain specified projects under this country's Third Plan.

PANNA DIAMONDS

The Government has approved the project report prepared by the National Mineral Development Corporation for the exploitation of the diamond deposits in Ramkherya area, in Panna district of Madhya Pradesh. The scheme is estimated to cost Rs. 46.2 lakhs, of which expenditure to the tune of Rs. 27.9 lakhs will have to be incurred in foreign exchange. The annual output of diamonds from this area is estimated at 12,500 ratties.

The Corporation has prepared another project for exploitation of the diamond deposits of Majhgawan area, also in the Panna district of Madhya Pradesh. This scheme is estimated to cost Rs. 90 lakhs, of which the foreign exchange component will be of the order of Rs. 29 lakhs. The annual production of diamonds from this area is estimated at 30,000 ratties.

NEW AFRICAN DEPARTMENT OF IBRD

The World Bank has decided to establish a new Area Department to deal with the independent countries on the African continent, including the Malagasy Republic, but excluding the Union of South Africa and the United Arab Republic. The decision has been taken in view of the rapidly developing burden of work for the Bank and IDA in Africa, and the particular problems attaching to the economic development of the new African independent countries. The new department of operations for Africa will come into existence on April 2.

As from April 2, the present Department of Operations—Europe, Africa and Australia will be renamed the Department of Operations—Europe. It will, however, continue to handle matters relating to South Africa, Australia, New Zealand and the dependent territories of Western European countries in Africa (with certain exceptions) elsewhere. The other Area Departments of the Bank are: (1) Western Hemisphere; (2) South Asia and Middle East; and (3) Far East-Burma-Japan.

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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.

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COMPANY AFFAIRS

HINDUSTAN LEVER

Net profit for the year to December, 1961, is Rs. 225 lakhs after providing Rs. 193 lakhs for taxation at current rates. Net profit for 1960 was Rs. 250 lakhs after providing Rs. 208 lakhs for taxation.

The Board of Directors propose to recommend the payment of a dividend of Rs. 2.60 per share, subject to tax, for the year. The Board considered it desirable that the issued capital of the Company should be brought into closer relationship with the capital employed in the business. Accordingly, they announced their intention to apply to the Controller of Capital Issues, Government of India, for consent to the capitalisation of certain reserves, which if granted would be capitalised in issuing ordinary shares, credited as full paid, to the holders of the existing ordinary shares of the Company on the basis of 12 new ordinary shares of Rs. 10 each for every 25 of the present issued ordinary shares held. The new ordinary shares will rank equally for all purposes with the present issued ordinary shares except that they will not rank for dividend in respect of the year ended 31st December, 1962.

It is likely to be proposed that the new ordinary shares be allotted to the holders of existing ordinary shares registered in the books of the Company on 10th May, 1961.

NEW ISSUES

The Controller of Capital Issues has authorised the following companies to raise fresh capital.

Mahindra and Mahindra, Bombay, is to issue 6,60,000 equity shares of Rs. 10 each for cash at a premium of Rs. 2.50 per share on rights basis and 6½ per cent first mortgage debentures of the value of Rs. 50 lakhs to the Life Insurance Corporation. The capital will be used for financing the manufacture of jeeps.

The Cannanore Spinning & Weaving Mills Ltd., will raise capital totalling Rs. 15,00,000 in equity shares of Rs. 100 each to be issued for cash at a premium of Rs. 5 per share on rights basis. The money will be used for setting up a textile mill at Mahe.

Alembic Chemical Works Co. Ltd., Baroda, will raise Rs. 49.50 lakhs. Of this, 40,000 equity shares of Rs. 100 each will be issued for cash at a premium of Rs. 30 per share and the balance of 9,500 shares will be issued as bonus shares. The capital will be used for balancing its capital structure and paying off loans.

Kirloskar Oil Engines Ltd., Bombay, will raise Rs. 20 lakhs, in ordinary shares of Rs. 10 each to be issued as bonus shares to the company's existing shareholders on capitalisation of reserves to a like extent. Three hundred and eighty bonus shares will be issued to the exsisting non-resident shareholders.

The Bukhia Tea Estates Ltd., Calcutta, has been granted consent to the issue of 83,200 equity shares of Rs. 10 each as fully paid-up bonus shares on capitalisation of Rs. 8.32 lakhs.

The Huldibari Tea Association Ltd., Calcutta, is to issue 82,500 equity shares of Rs. 10 each as fully paid-up bonus shares on capitalisation of reserves to the extent of Rs. 8,25,000. The bonus shares will be issued in the ratio of one bonus share for every share held.

Caprihans (India) Private Ltd., Bombay, will issue bonus shares of the value of Rs. 4,50,000 on capitalisation of reserves to a like extent.

The Hyderabad Allwyn Metal Works Ltd., Hyderabad, will raise capital amounting to Rs. 86,06,550 in equity shares of Rs. 10 each for cash at par. The proceeds will be utilised for financing the expansion of the manufacture of household steel furniture, bus bodies etc.

The East Anglia Plastics (India) Ltd., Calcutta, will issue 8,50,000 equity shares of Rs. 10 each at par out of which 1,00,000 will be issued to the company's foreign collaborators as free shares for technical services, etc. The cash shares will be issued to the existing shareholders in the ratio of three new shares for every share held. The capital is required for establishing a factory in Andhra Pradesh for the manufacture of cellulose acetate flakes.

Shamsher Sterling Cable Corporation Ltd., Bombay, is issuing capital of Rs. 35 lakhs, for cash at par, in 50,000 equity and 10,000 9.5 per cent (taxable) preference shares of Rs. 50 each. The capital will be spent on the expansion of manufacture of household and industrial cables.

R.R. Paper Mills Ltd., will raise capital of Rs. 30 lakhs, for cash at par, divided into 25,000 equity and 5,000 7½ per cent (free of company's income-tax but subject to deduction of taxes at source at the prescribed rates) preference shares of Rs. 100 each. The proceeds will be utilised for establishing the manufacture of paper.

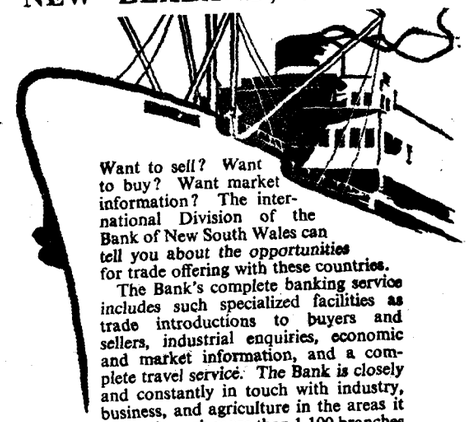
The Catalyst Private Ltd., Maharashtra, has been granted consent to the issue of capital of Rs. 20 lakhs in equity shares of Rs. 100 each at par. Out of this, shares worth Rs. 10 lakhs will be issued to Petolclor Construction & Finance Corporation, Panama, for consideration other than cash against the cost of imported equipment. The remaining shares will be utilised for establishing the manufacture of catalyst required in the manufacture of sulphuric acid, etc.

Tamilnad Cardboards & Paper Mills Ltd., Madras, is raising Rs. 20 lakhs. The proceeds will be utilised for the manufacture of Strawboards.

Hindustan Ideal Insurance Company., Ltd., Hyderabad, has been granted consent to issue further capital of Rs. 5,78,950 divided into shares of Rs. 25 each at par to be allotted to the shareholders of Hyderabad United Insurance Co. Ltd., Hyderabad, for the purpose of amalgamation of the latter with the former. The amalgamation is in terms of the scheme sanctioned by the High Court of Andhra Pradesh.

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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	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	112.0
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	124.9
October 1960 ..	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
December " ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
October 1961 ..	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
December " ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
23-12-1961 ..	117.9	95.6	121.6	135.4	138.1	124.8	126.7	122.8
30-12-1961 ..	117.2	95.6	121.6	136.2	138.4	124.9	126.8	122.6
6-1-1962 ..	117.2	97.1	121.1	136.9	138.6	123.9	126.0	122.5
13-1-1962 ..	117.5	97.3	122.3	137.1	138.0	124.3	126.3	122.8
20-1-1962 ..	119.4	97.3	122.3	137.5	137.4	123.7	125.7	123.7

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1944=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
1956	322	338	217	120	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	387	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 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	302*	171	406	482	498	166	480	172	168	173
August	419	438	302	171	410	491	501	167	481	171	170*	175
September	417	436	302	169	410	491	499	169	479	171	171	175*
October	415	434	302*	168	417	499	501	172	480	172*	177	175*
November	415	434	—	170	417	508	497	—	481	—	—	—
December	416	435	—	171	410	—	493	—	481	—	—	—
1962 January	—	—	—	—	—	—	—	—	482	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 2-2-1962			26-1-1961			19-1-1962			12-1-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	120.30	117.95	119.18	119.20	117.05	118.30	117.15	115.85	116.66	117.65	116.00	116.65
Silver (per kilogram)	213.75	211.80	212.71	213.35	211.45	212.62	211.70	210.05	210.88	211.10	209.60	210.19

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES Demand	Time	Total (2+3)	Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Government Securities in India
(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										
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
Dec. 1961	847,91	1,156,07	2,003,98	48,00	78,75	6.32	1,073,18	183,83	62.72	604,47
Jan. 1962	860,39	1,163,12	2,023,51	46,98	77,15	6.39	1,114,63	197,12	64.82	590,41
Week Ending										
5-1-1962	856,94	1,158,81	2,015,75	48,02	80,61	6.38	1,104,81	194,03	64.43	593,84
12-1-1962	856,20	1,157,46	2,013,66	46,52	71,56	5.86	1,112,81	196,78	65.03	583,66
19-1-1962	862,08	1,165,44	2,027,52	46,63	76,55	6.08	1,116,41	199,50	64.90	588,14
26-1-1962	866,33	1,170,78	2,037,11	46,74	79,87	6.22	1,124,47	198,16	64.92	596,01

† Including foreign bills purchased and discounted.

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	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
April 1961 ..	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 „ ..	2,798,56*	1,921,03	877,53	857,04*	20.49*	— 10,17
September „ ..	2,776,22*	1,900,58*	875,84*	857,45*	18,18	— 23,19*
October „ ..	2,807,95*	1,920,54*	887,41*	869,37	18,04	+ 32,23*
November „ ..	2,829,21*	1,944,51*	884,70*	864,08*	20,62	+ 21,53*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INCOMES AND EXPENDITURES OF MIDDLE CLASS FAMILIES

TABLE I

DISTRIBUTION OF FAMILIES BY INCOME

Monthly income	Number of families: Bombay	Calcutta	Delhi	Madras	Percentage of families to the total no. of families: Bombay	Calcutta	Delhi	Madras
0 — 75	3	15	5	27	0.21	1.04	0.47	2.50
75 — 100	17	51	20	101	1.18	3.54	1.87	9.36
100 — 150	155	199	134	209	10.77	13.79	12.52	19.37
150 — 200	230	240	211	201	15.98	16.63	19.72	18.63
200 — 300	395	324	270	229	27.45	22.45	25.24	21.22
300 — 500	380	309	264	199	26.41	21.41	24.67	18.44
500 — 750	136	162	84	54	9.45	11.23	7.85	5.01
750 — 1000	58	66	34	24	4.03	4.57	3.18	2.23
1000 — 1500	46	50	27	16	3.20	3.47	2.52	1.48
1500 & Above	19	27	21	19	1.32	1.87	1.96	1.76
All levels	1439	1443	1070	1079	100.00	100.00	100.00	100.00

FRACTILE ANALYSIS OF INCOME AND EXPENDITURE

TABLE II

INCOME

Cumulative Fractile Groups (Per cent from bottom)	Average monthly income: Bombay	Calcutta	Delhi	Madras
	(Rs.)			
5 ..	113	85	104	73
10 ..	119	105	115	80
20 ..	142	119	133	99
30 ..	157	138	147	108
40 ..	181	156	164	123
50 ..	194	175	181	134
60 ..	215	194	193	153
70 ..	241	223	223	167
80 ..	261	249	245	194
90 ..	297	291	276	218
95 ..	323	322	301	247
100 ..	374	378	357	293

TABLE III

EXPENDITURE

Cumulative Fractile Groups (Per cent from bottom)	Average monthly expenditure: Bombay	Calcutta	Delhi	Madras
	(Rs.)			
5 ..	141.17	96.42	148.30	99.19
10 ..	147.57	120.00	165.11	106.48
20 ..	170.93	135.19	181.75	125.76
30 ..	186.09	151.91	192.48	134.57
40 ..	210.03	169.74	207.04	154.89
50 ..	223.85	189.02	222.00	169.02
60 ..	242.28	205.98	232.34	187.12
70 ..	265.46	233.25	256.59	200.05
80 ..	282.84	255.92	274.79	224.34
90 ..	312.47	288.79	300.23	245.76
95 ..	335.15	313.12	319.70	264.78
100 ..	389.97	354.46	371.97	313.40

TABLE IV

DISPARITY* IN THE LEVELS OF EXPENDITURE

City	Food, Beverages, Tobacco and intoxicants	Fuel and Lighting	Clothing, bedding, footwear and headwear	Housing household requisites and services	Miscellaneous	Total Expenditure
Bombay ..	4.37	5.65	5.88	14.70	23.40	10.14
Calcutta ..	6.65	11.39	16.95	25.51	15.58	11.82
Delhi ..	4.56	6.16	11.00	14.60	17.26	9.20
Madras ..	5.41	8.41	14.12	18.93	31.89	12.47

* Ratio of the average expenditure of the top 5 per cent to the average expenditure of the lowest 5 per cent.

Source: Labour Statistics Division, C.S.O.

AVERAGE MONTHLY EXPENDITURE PER MIDDLE CLASS FAMILY

(In rupees)

Items	Bombay	Calcutta	Delhi	Madras
I. Food, beverages, tobacco and intoxicants				
Cereals and cereal products	27.82 (18.82)	37.41 (25.08)	31.56 (19.97)	31.49 (23.10)
Pulses and pulse products	4.79 (3.24)	3.84 (2.58)	4.97 (3.15)	5.94 (4.36)
Oilseeds, oils and fats	9.20 (6.22)	8.53 (5.72)	9.61 (6.08)	7.15 (5.24)
Meat, fish and eggs	8.88 (6.01)	21.12 (14.16)	4.83 (3.06)	7.61 (5.58)
Milk and milk products	30.62 (20.71)	20.14 (13.50)	45.71 (28.92)	26.63 (19.53)
Condiments and spices	5.76 (3.90)	3.42 (2.29)	4.98 (3.15)	6.40 (4.69)
Vegetable and vegetable products	10.62 (7.18)	13.01 (8.72)	12.33 (7.80)	8.37 (6.14)
Fruits and fruit products	7.68 (5.19)	3.69 (2.48)	0.34 (6.54)	5.04 (3.70)
Sugar, honey and related products	7.75 (5.24)	5.64 (3.78)	9.50 (6.01)	5.06 (3.71)
Pan, Supari	1.33 (0.90)	1.57 (1.05)	1.08 (0.68)	1.12 (0.82)
Tobacco and tobacco products	2.71 (1.83)	5.34 (3.58)	2.78 (1.76)	2.12 (1.56)
Alcoholic beverages and intoxicants	0.43 (0.29)	0.59 (0.40)	0.43 (0.27)	0.70 (0.51)
Non-alcoholic beverages	4.71 (3.19)	3.64 (2.44)	3.81 (2.41)	6.02 (4.42)
Prepared meals and refreshments	25.55 (17.28)	21.21 (14.22)	16.13 (10.20)	22.69 (16.64)
TOTAL (I)	147.85 (100.00)	149.15 (100.00)	158.06 (100.00)	136 34 (100.00)
II. Fuel and light	14.23	12.86	14.26	14.46
III. Clothing, bedding headwear and footwear				
Clothing: ready-made	10.43 (22.93)	15.34 (48.88)	10.93 (19.02)	12.54 (32.70)
Clothing: non-ready made	13.23 (29.09)	3.62 (11.54)	21.62 (37.63)	11.87 (30.95)
Headwear	0.09 (0.20)	..	0.40 (0.69	0.03 (0.08)
Bedding	1.32 (2.90)	1.02 (3.25)	2.17 (3.78)	0.77 (2.01)
Footwear	4.88 (10.73)	2.56 (8.16)	6.16 (10.72)	2.41 (6.28)

AVERAGE MONTHLY EXPENDITURE PER MIDDLE CLASS FAMILY (CONTD.)

(In rupees)

Items	Bombay	Calcutta	Delhi	Madras
Miscellaneous	15.53 (34.15)	8.84 (28.17)	16.18 (28.16)	10.73 (27.98)
TOTAL OF (III)	45.48 (100.00)	31.38 (100.00)	57.46 (100.00)	38.35 (100.00)
IV. Housing, household requisites and services				
House rent and water charges	33.35 (63.01)	46.46 (69.88)	35.99 (64.52)	34.74 (73.11)
House repairs and upkeep	0.55 (1.04)	1.32 (1.98)	1.22 (2.19)	0.71 (1.49)
Furniture and furnishings	2.11 (3.99)	0.71 (1.07)	2.72 (4.88)	0.85 (1.79)
Household appliances etc.	3.50 (6.61)	0.85 (1.28)	4.04 (7.24)	1.76 (3.70)
Household services	13.42 (25.35)	17.15 (25.79)	11.81 (21.17)	9.46 (19.91)
TOTAL OF IV	52.93 (100.00)	66.49 (100.00)	55.78 (100.00)	47.52 (100.00)
V. Miscellaneous expenditure				
Medical care	16.82 (13.96)	10.86 (11.50)	7.79 (7.58)	8.52 (9.74)
Personal care	8.15 (6.77)	7.30 (7.73)	8.03 (7.82)	8.19 (9.37)
Education and reading	18.97 (15.75)	21.56 (22.84)	19.93 (19.40)	11.96 (13.68)
Recreation and amusement	7.54 (6.26)	5.13 (5.43)	7.17 (6.98)	5.95 (6.81)
Transport and communication	29.14 (24.19)	16.79 (17.79)	21.99 (21.41)	18.81 (21.52)
Subscriptions, gifts, etc.	11.38 (9.45)	3.57 (3.78)	9.38 (9.13)	13.70 (15.67)
Personal effects	4.39 (3.64)	4.23 (4.48)	5.39 (5.25)	2.03 (2.32)
Taxes	8.07 (6.70)	7.18 (7.61)	8.82 (8.59)	6.56 (7.50)
Interest, litigation, and remittances	15.99 (13.28)	17.78 (18.84)	14.21 (13.84)	11.71 (13.39)
TOTAL OF V	120.45 (100.00)	94.40 (100.00)	102.71 (100.00)	87.43 (100.00)
TOTAL EXPENDITURE	380.94	354.28	388.27	324.10

Note: Figures in brackets indicate percentages to total.

Source: Labour Statistics Division, C.S.O.

AVERAGE MONTHLY EXPENDITURE PER MIDDLE CLASS FAMILY

(In rupees)

Items	Bombay	Calcutta	Delhi	Madras
I. **Food, beverages, tobacco and intoxicants**				
Cereals and cereal products	27.82 (18.82)	37.41 (25.08)	31.56 (19.97)	31.49 (23.10)
Pulses and pulse products	4.79 (3.24)	3.84 (2.58)	4.97 (3.15)	5.94 (4.36)
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Prepared meals and refreshments	25.55 (17.28)	21.21 (14.22)	16.13 (10.20)	22.69 (16.64)
TOTAL (I)	147.85 (100.00)	149.15 (100.00)	158.06 (100.00)	136 34 (100.00)
II. **Fuel and light**	14.23	12.86	14.26	14.46
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Clothing: ready-made	10.43 (22.93)	15.34 (48.88)	10.93 (19.02)	12.54 (32.70)
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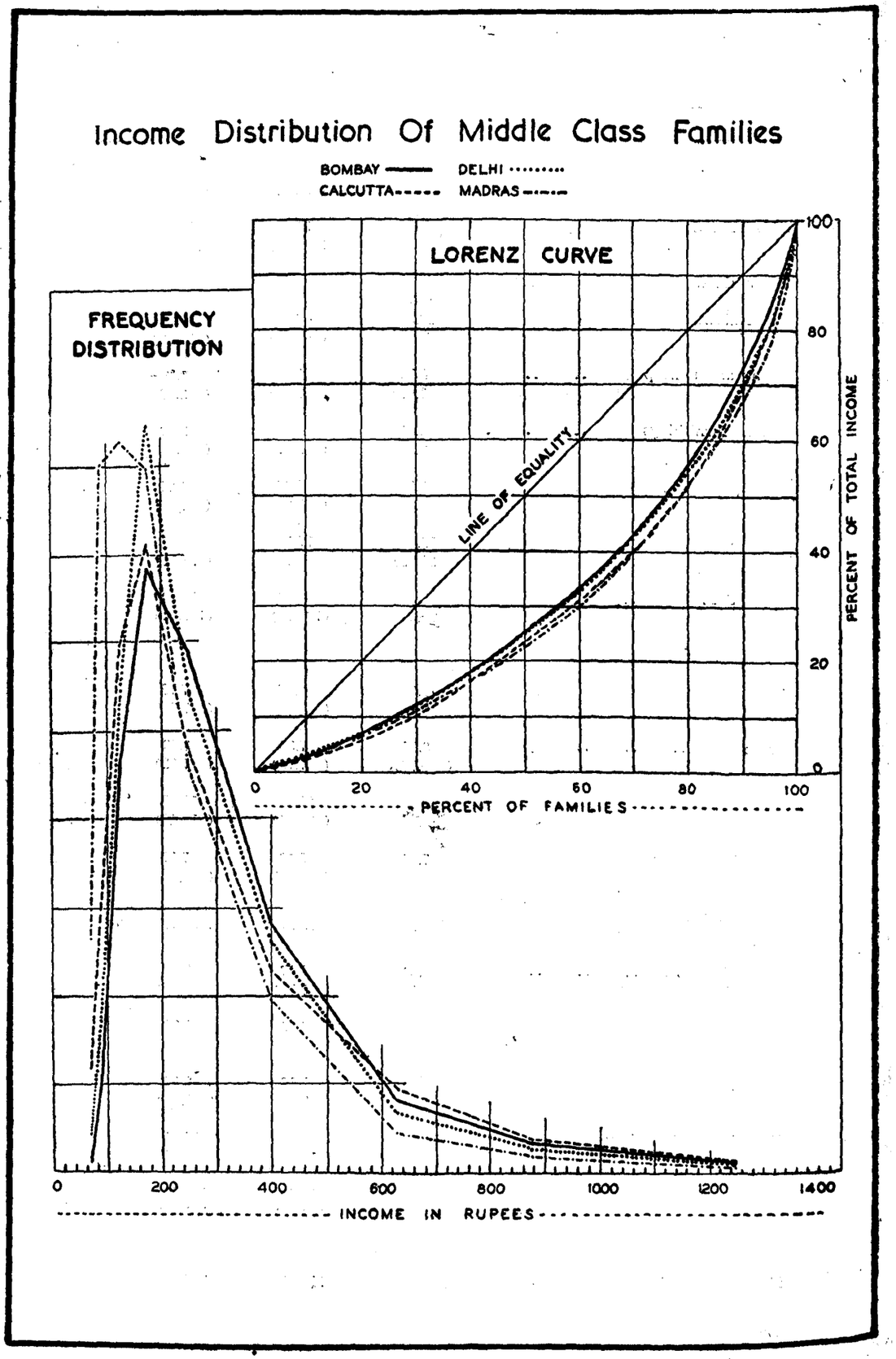
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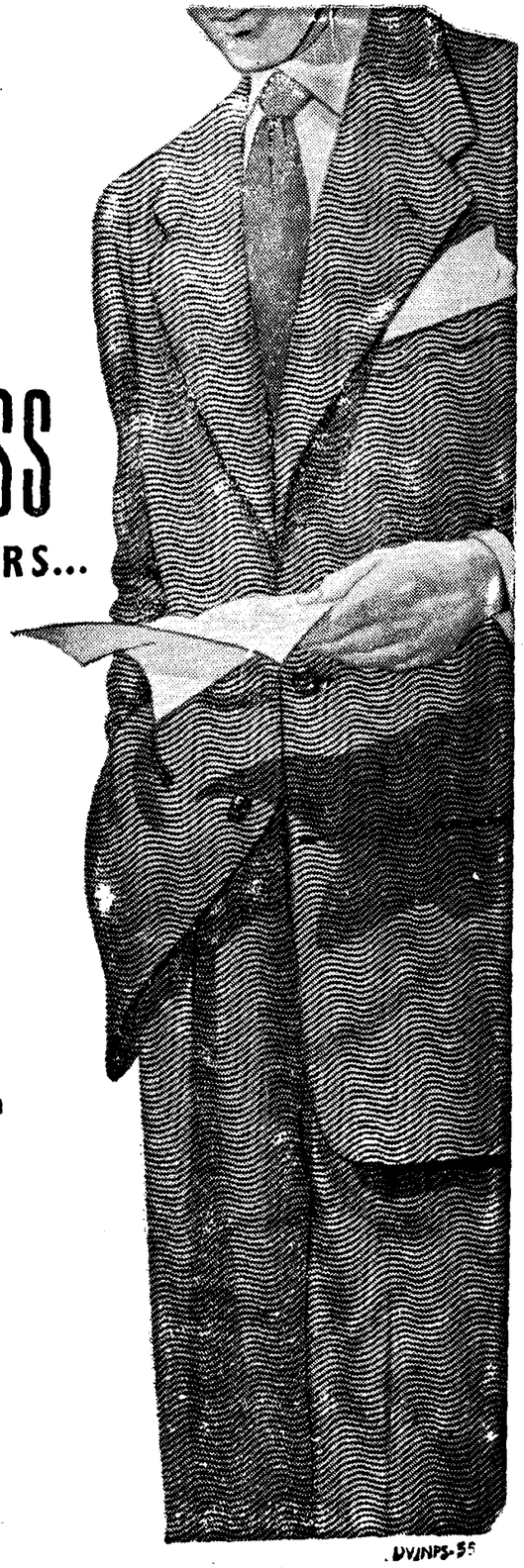
Note: Figures in brackets indicate percentages to total.

Source: Labour Statistics Division, C.S.O.

Income Distribution Of Middle Class Families



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THE EASTERN ECONOMIST

FEBRUARY 23, 1962.

The World's Greatest Election

THIS week, throughout the length and breadth of India, millions of people, men and women alike, with the prized power of the ballot are exercising a sovereign right to determine what Government India and her constituent States are to have for the next five years. In terms of numbers, this is the greatest election the world has ever seen. The total number of names on the voters' lists has reached the stupendous figure of 210 million. First indications are to the effect that an average turnout between 50 and 55 per cent may be expected, which is somewhat higher than in the last elections. There are also clearly visible some signs of a qualitative improvement in the electorate's political judgment. No one need argue that the choice is based on any very solid information of the large issues involved. For the most part, the intelligentsia itself is deeply divided on what the issues are. The great majority of the Indian people are still unaware of these issues, but they are, nevertheless, groping in their own uninformed, yet seemingly mature, way for an answer which might be as good as anywhere else in the world. This is a proud, as well as a critical, moment in our history. For we have committed ourselves, knowing well the degree to which illiteracy and "groupism" prevail, to a judgment of our people on a matter which might well be decisive for the country's future for all time. There are some who, at this moment, regret adult suffrage. *The Eastern Economist* does not. Maturity is not a matter of education alone; in any case, the defences of a political system consist in dispersing influence, no less than in dispersing wealth. We are now testing whether or not this hypothesis can be proved for the third time in a generation.

The newspapers have naturally been full of various incidents which tend to detract from the assumption that the election is, on the whole, a process of good judgment. There are tales of old women carried to the polls seeking dreams of the past and two particular longings have been unfulfilled—one of these in Bihar where a woman's choice was "Gandhi Baba", and the other in Uttar Pradesh where a blind man came to vote for "Angrezi Sarkar"—the British Government. These might be described as the comedies of a serious decision. One of the great elements in this choice is that it will decide the place of the Congress when the Prime Minister is no longer at the helm of affairs of Indian political life. In this sense, his excessive canvassing has been a step in the right direction. This is a turning point in India's ultimate choice, for it is the last election which will be won by the Hero of the Revolution.

One of the results of the election is sure. This is that the Congress Party will be returned to power in the Centre as well as in all States of the Indian Union with doubts in regard to the majorities it will enjoy in the Punjab and Rajasthan. But it is now becoming clear that inside the Congress Party factions are much keener than in 1957, and it is extremely unlikely that the popular vote of the Congress will be much above 40 per cent of the total vote. This itself would involve a loss of 20 per cent of the popular vote for the Lok Sabha. It might conceivably, though this does not follow, involve a loss of nearly 40 seats in the Lok Sabha. It may well be that, in the moment of its victory overall, these losses will be read as a significant reverse. If this should happen in the time

of the Prime Minister after the extensive and almost whirlwind character of his election tours, the prospects of the Congress in 1967 cannot be promising and in 1972 they might well be bleak. The inevitable swing of the political pendulum is probably under way already.

The interesting thing about the Indian electorate is that, contrary to the nice predictions of academic persons about the "natural movement of the Left of a have-not" and some of rebellious society, from which urban leaders are drawn, in this particular election, there are likely to be substantial gains for the parties on the Right. Quite apart from the emergence of the Swatantra Party, it is now clear that the Jan Sangh has fastened itself in many areas in North India. The D.M.K., similarly, operating without a Leftist economic philosophy will make gains in the South. It is not unlikely that the Congress Party's losses will be predominantly to the Right, but they will also be some to the Left. It is likely that both the Communist Party and the Praja Socialist Party will gain as against their position in 1957. It would thus appear that Indian politics is not subject to that easy polarisation which seemed to mark the first election in 1952, when the Congress Party seemed pitted against the Communists in an over-simplified picture of opposing philosophies. It would appear that organisation is as important as any other factor, and the organisation of the Jan Sangh and possibly the organisation of local parties affiliated to the Swatantra Party have been able, in a very short time, to make a serious dent in Congress ascendency.

One cannot rule out, in the week that is ahead of us, some unpleasant surprises for the Congress Party. This, too, would not be a misfortune. It has currently become complacent and, in some places, arrogant. It is fortunate that no one can displace it immediately from power. But it would be good for both the country and the Congress Party if it realised that its power was conditional on a much readier response to the changing needs of the country; it cannot rely indefinitely on the continuing popularity of its great leader. It would be good for all the world if there was a major demonstration that the Prime Minister's sway does not cover every constituency in the country. In this sense, North Bombay might well be in embryo the best proof that the Indian electorate is truly sovereign in the affairs of this nation.

The Crisis in British Guiana

HISTORY has no parallel to offer to last week's crisis in British Guiana in which the very foundations of orderly government were threatened by a revolt against drastic budget proposals. Dr Cheddi Jagan's People's Progressive Party commands a decisive majority in the Legislative Assembly and this factor presumably created over-confidence in Dr. Jagan and his colleague Dr. Jacob, the Finance Minister, in their ability to carry the tax proposals through the Assembly. But their over-confidence presumably blinded them to the fact that, where the tax burden is unbearable, there is the superior force of the popular will, which may supersede the legislative majority and prove to be decisive in the final analysis. Dr. Jagan had a foretaste of the total general strike of February 16 and after, staged by the workers and white collar employees, when, only a few days prior to it, acute public discontent against the proposed taxation was given a free vent during the visit of the Duke of Edinburgh to Georgetown and the Prime Minister was treated to acts of physical insult. But the die was cast.

The deep austerity which the budget proposals aimed at inflicting on the people at all levels of income was clear enough. In determining it Dr Jagan's Marxist zeal paid inadequate attention to the capacity of his government to wring sacrifices from the people under a democracy. His keeness to fight poverty and unemployment is understandable, but what is not comprehensible is his impatience and the ruthless means with which he started off to wage the war. The loan assistance from Britain and the World Bank could not match the requirements of development which he considered immediately necessary, and in absolute terms rightly so. But he failed to take cognizance of the scanty internal resources and the country's marginal ability to fill the gap externally. The prospect of American aid on some scale has now been deferred as a result of the postponement of the visit of the technical team to assess the objective needs until full normalcy is restored.

Obsessed with ideological proclivities and obviously hustled into an extreme course by his pre-election wild promises, he set on the path of making good, by additional taxation, the best part of the shortfall of over 40 per cent in the capital budget pitched at $41 million. No section of the population, except the indigent, could escape the sharp clutches of the proposals. In the sphere of direct taxation (with a limited potential to yield revenue), the income-tax was raised by a slash in allowances, the tax on property was imposed, the capital gains tax was levied at the rate of 45 per cent and security holdings were made compulsorily registrable. There may be theoretical justification for this fall of the hammer. But the middle and lower income groups were also chased in the hunt for tax-revenue. Consumption came in for ruthless levies with steep rates of excise and import duties. Then there was compulsory saving at 5 per cent for private incomes and 10 per cent for business incomes in State bonds redeemable at the end of seven years. A nation with poor resources, leaning heavily on imports for consumer necessities and with its masses living on a subsistence level, was confronted with the horror of inflation and all the hardships that it connotes.

It is significant that the general strike which was organized as a challenge to the austerity budget was broad-based and incorporated complex elements. The Trade Union Council was, of course, in the forefront. Of the two main opposition parties, Mr. Daguiar's United Force Party may be deemed an inevitable participant owing to its orthodox creed. But Mr. Burnham's People's National Congress, with its socialist philosophy, was an enthusiastic sponsor. The civil service members plunged into the strike, despite the fact that under the Guillebaud report they were due to receive salary increases with retroactive effect from January 1961. Apparently they could clearly see that their increments would be nullified by price inflation. School teachers also jumped into the fray. Public utilities were paralysed. When the surging masses indulged in violence, loot and arson in Georgetown, the fire brigade services were neutralised as the water and sewage workers joined the strike. When hospitals were flooded with in-patients, the staff was absent on strike and only a small number of nurses responded to the Government's appeal to return to their posts. Such a total strike no doubt requires elaborate organisation, but no attempt at organisation can succeed unless such heterogeneous elements are knit together by genuine and common grievances.

If law and order has been retrieved after total collapse and the state of siege has been ended, it is because of the reinforcement of the tiny garrison at Georgetown by British troops 2,000 strong and the arrival of 5 warships. Their help was invoked by the Governor Sir Ralph Grey at the request of Dr. Jagan. The strike has been called off. But the concessions in the budget that have been promised will not by themselves restore normalcy and stability. Dr. Jagan can repair the breaches and then keep himself in the saddle only if he substitutes for his dogma that pragmatism which is based on the "inevitability of gradualness".

The Cotton Textile Trade Agreement

THE protracted negotiations at Geneva on world trade in cotton textiles have fruitfully concluded. A draft agreement (for five years) has been drawn up. It is now to be ratified by the nineteen participating countries—included in them are the major importers of textile goods on the European and the North American Continent and exporters of the so-called "cheap cotton manufactures" like Japan, India, Pakistan and Hong Kong—by October 1, 1962. Even a cursory glance at the provisions of the pact evinces that the arrangement has been negotiated in an imaginative spirit of give and take and should satisfy the majority of the participating nations.

The agreement envisages orderly expansion of international trade in cotton textiles, though it provides adequate safeguards to the industry in the main importing countries, the United States and the United Kingdom. It is a substantial gain for the exporting countries which are to continue to have access to the markets of the developed countries in a freer manner than it would have been possible otherwise. The restrictive policies adopted by some countries of the West under pressure from their own textile interests are envisaged to reverse the gear and relax the present restrictions on imports gradually. The countries, like the U.S.A. and Canada, which have been allowing imports of textiles freely are to persist with their present policies unless unrestricted imports cause or threaten to cause disruption in their textile economies. Even in the latter case, the importing countries would be required to adjust their economies over a period of three years on the basis of the 1961-62 imports plus five per cent increase per annum in the second and third year in view of increase in population and rise in standard of living. Imports are to be regulated by means of fixation of quotas through bilateral agreements. At the end of the three-year period, the situation of disruption would be deemed to have ended and free trade would flow. It is gratifying to note that the measures to be designed to restrain imports with a view to avoid disruption are to be resorted to only sparingly and are to be limited to the processed products and groups or categories of products causing or threatening to cause disruption. The proposed move of the United States Government to levy a duty of 8.5 per cent on the cotton content in imported textiles is likely to be withheld in view of this arrangement. It will only jeopardise the agreement reached after long-drawn talks.

The entering of bilateral agreements between the importing and the exporting countries, cynics might say, would give the former a long handle to discriminate against some exporting countries which may not see eye to eye with them in the political arena. But these misgivings are only imaginary. The mischief that can be played by this mechanism can at best be limited. On the other hand, it may be beneficial for the under-developed countries which have the requisite resources for this trade in the form of adequate raw material supplies and technical skills. On account of their special needs to earn foreign exchange for the over-all development of their economies, the under-developed countries can expect some favourable treatment in their negotiations with the importing countries since neither these countries are going to disrupt the latter's textile economies nor their clamour for slightly bigger quotas is likely to be objected to by the other exporting countries which have a big chunk in the world textile trade. This optimism emanates from the increasing appreciation in the developed countries about extension of aid to the under-developed countries.

The doubling of textile imports into the European Economic Community from all non-EEC sources—from about 60 million yards to 120 million yards—in a period of five year, though not spectacular, should lead to relieving of some pressure on the acute balance of payments problem which some under-developed countries like India have vis-a-vis these countries. But this is possible only if they may make a concerted effort to seize the opportunity. The fixation of higher quotas for textile imports from a particular country by itself does not lead to stepping up of exports from there. It only helps to the extent imports from the competing sources are cut off by a ceiling. But when ceilings for competing countries are fairly high, the exporting countries like India, which have a comparatively higher cost of production, can gain little unless they go all out to make the best of the opportunity by exporting even at some loss. But will the textile industry here take up the challenge? The case of sugar, where exports are possible only at a loss, does not evoke much enthusiasm. Only time will show whether the experience of the Indian textile industry is going to be different. There may be need to give some further incentives for pushing up these exports. It is hoped the Government will not be found wanting in granting reasonable requests of the industry. But, at this stage, the ball is in the industry's court; let us see if they play it with new determination. Any failing on the part of the industry or the Government in the crucial five years ahead will do an irreparable damage to the export trade in textiles.

A DELHI DIARY

THE SPACE RACE

I CANNOT pursue the excited movements near at hand without casting an admiring glance at the far away space world. The achievement of Colonel John Glenn, who, on February 20, orbited the earth three times, is, it seems, all the greater because of the tremendous strain of waiting which in this case occupied sixty-one days. One must have nerves of steel in order to be able to face death almost every day for over two months. I believe now the uniformed opinion expressed in Delhi that the U.S.S.R. was far ahead of the United States in spacemanship will slowly give way to the feeling that the giants are now running nearly equal. I do not know exactly how much more arduous Major Gherman Titov's ordeal was than that of Colonel Glenn's; but since orbiting the earth has now become so easy, there cannot be much difference between three and twenty orbits. In fact, one great day before I obtain my happy release from this planet, I hope to orbit the earth in our own space machine. I hope it will not be called Vostok or a Friendship Seven. Let us have a nice Indian machine prepared by the Defence Ministry, with or without the present Defence Minister! No one will claim that the private sector can accomplish spacemanship on its own. Thus, I accept the view, that when the biggest of all businesses come under view, one must accept partnership with big government. Let us, therefore delegate with a good conscience the responsibility of building a spaceship to the Defence Ministry.

THE ELECTIONS

I can pass from the space race to the elections without any brake in my thinking. They seem, as far as I can see, to be equally arduous as makers of tension. I do not know how much blood pressure has risen in the country in the last month. But I would be very surprised if there were no coronary attacks in the two or three months following. The Prime Minister himself, whose performance would do credit to a cosmonaut—or is it an astronaut in the Free World?—has rushed about day after day and almost night by night to sustain the Congress over the whole country. As a feat of endurance alone, I think, no one can deny that he has beaten all previous records, including his own which was remarkable. To top this achievement on Tuesday, he rushed round almost every mohalla in Delhi working for the Congress it seems like a house-to-house canvasser. His tremendous popularity was clearly visible. But I only ask my elf the question whether or not the Prime Minister of India should come in like a whirlwind and canvass like this with his personal popularity. Are there not enough local stalwarts to take even the burden of house-to-house canvassing off his hands? Short of kissing babies, I believe, he has done everything to attract the popular vote. No doubt he has greatly influenced the fierce struggle between Mr. Mehr Chand Khanna and Professor Balraj Madhok in the New Delhi constituency. I happen to have a say in this particular election. I have now, however reluctantly, come to the conclusion, like the gentleman in the picture alongside, that it is best for me to be non-aligned. I trust that the respective candidates will, therefore, spare me long harangues on the merits of their respective parties or, worse still, their personalities. Just as in respect of paramountcy the leading characteristic is that it is paramount, the best definition of non-alignment that I can find is that it is non-aligned!

What a Life!



No, I'm not voting. You see, I'm *non-aligned*!

Courtesy: The Hindustan Times

FOOT AND MOUTH DISEASE

I remember, many years ago, the Prime Minister who had even then acquired the habit of addressing hundreds of meetings and rushing from place to place, said humourously in description of himself, that he was suffering from foot and mouth disease. The passion which has been thrown into this election makes me believe that there are many others who are suffering from foot and mouth disease, without anything like the justification which the Prime Minister has. I doubt whether the market for shoes has gone up as much as the demand for microphones. I am told now that cars have done a great deal to destroy the morale of workers in the political arena. In the (bad) old days civil servants were told that they should, in order to maintain contact with villagers, abjure motor cars, because they were not good for personal contact. A horse, or even better, a cycle was a mark of that slow and stately movement which showed that the mind was ready to tarry on any petition however small. The car has an element in it of both violence and discourtesy. Why, I keep on asking myself, has it become so universal an instrument of Indian political democratic machinery?

NORTH BOMBAY: THE BONFIRE

In the old days all roads used to lead to Delhi. But now all roads, at least in political controversy, lead to North Bombay. Even on Tuesday, when the Prime Minister was talking at various places in Delhi and in Shahdara just outside, he seemed to be more exercised about North Bombay than about local problems, although the Jan Sangh acquired a fair share of his wrath. Meanwhile, in Bombay I see that Mr. M. R. Masani, General Secretary of the Swatantra Party, has issued a protest against Mrs. Violet Alva, encouraging a bonfire of newspapers in the Express Group, together with a procession which was designed to bring pressure to bear on the group to abandon its support for Mr. Kripalani and to support Mr Krishna Menon. I am not myself conversant with the details of the case, but since this has been repeated more than once, I take it that the facts are not incorrect. The temperature continues to rise and perhaps the best one can do is to ask that no bonfires should be allowed to add to the heat being currently generated.

ARGUS

THE WEEK'S NOTES

Kenya

THE FATEFUL CONFERENCE

THE PROCEEDINGS which started at Lancaster House in London on Wednesday last week for constitutional talks on Kenya's future have only confirmed what was obvious—that the tribal alignments of the two major parties would present a tough problem for settlement and, in comparison with it, the racial issue will occupy quite a minor place. Kenya could hardly escape from the powerful intensity of the prevailing mood in the African Continent where nationalism is equated with racialism. Both for the Europeans as well as the Asians, who have settled in Kenya and contributed to its economic growth in particular, it would be well to recognise that the nationals of the country ought to be taken on trust in their profession of fair treatment of people of non-African races. The Europeans have been given the assurance that the land which is highly developed or which is half-way through the transition to development will not be taken away from them, but under-developed land will be distributed among the landless nationals on payment of compensation. Asians who have taken to business have been given the assurance of non-discriminating treatment. Apprehensions that these assurances may be nullified in practice by a complex of forces within as well as outside the government's control may be based on the experience of what has happened in other newly independent African countries. But both these groups need to recognise that the revolution of political liberation is now in full swing across the African continent and the danger lies in anything that may cause delays and postponements in the freedom of Kenya.

The major problem is, however, the one between the entrenched positions taken by the KADU and the KANU. The KADU, the more powerful of the two, has the domineering influence of the Kikuyu tribe and other allied tribes. They are collectively stronger than the group of tribes that has rallied under the banner of the KANU. The major difference in the constitutional approach of the two parties appears to be deeply rooted in the suspicions of the KANU about the domination of the stronger tribes. The KADU stands for a unitary government with local power distributed among the 38 local authorities, while the KANU stands for the substance of the power being vested in the regional governments and the residuary powers being reserved for the centre. To this the objection of the KADU is that this sort of a federal constitution is a luxury for a small country like Kenya, which cannot afford a number of governments at the unit level, for reasons of a strong administration as well as effective planning for economic development. At Lancaster House both the parties have been questioned closely about the details of their constitutional proposals. If, at the present moment, the doubts of the KADU and the KANU about the positions taken up by the other party are not cleared, there is still time for patient diplomacy to bring about harmony in outlook on the basis of a broad compromise. The proposals of both the parties appear rather vague at this stage and it is for Mr. Reginald Maudling to handle the conference skilfully to bring about a rapprochement by means of reassuring safeguards.

West Irian

STALEMATE UNBROKEN

IT IS a depressing thought that U Thant's offer to mediate in the West Irian dispute has not received whole-hearted and energetic support without which his mediation could not make headway. Why Indonesia has not been able to lend support to this approach is not clear. But it seems that she now prefers direct talks with the Netherlands in a bid to settle the dispute without the modification of her original position that de facto transfer of West Irian to her should be effected immediately, while the de jure transfer could wait, to the new offer of self-rule to West Irian on transfer of power to Indonesia and a referendum under the UN auspices for the Papuans and other residents at the end of ten years. This offer needs amplification and fuller clarification before its merits and implications could give an indication how far it would be helpful to resolving the deadlock. The reaction of the West New Guinea Council, an advisory organization set up by the Dutch, is not responsive. But it is possible to question how far the Second Vice-President of the Council, who has expressed it, may be presumed to speak with final authority and how fully the Council represents the Papuans. He has expressed the apprehension that the right of access to Indonesians in West Irian may be utilized for their substantial penetration and the way could be paved to influence the referendum. The difficulties in the way of immediate referendum in the jungle-infested territories are unsurmountable, while it is likely that they could be reduced in the intervening ten-year period. As for the proposal of self-rule, the West New Guinea Council's spokesman has stated that no Papuan suitable for the office of Governor or Commander of the armed forces is available. If this is true, what was to be the genuine character of transfer of power after self-determination as contemplated in the Dutch plan? The Indonesian offer is being discounted in these quarters as propaganda and for this very reason its elaborate exposition seems necessary.

Charges and counter-charges of infiltration are being made by the two parties. On one side, the allegation is that 10,000 Indonesian volunteers are being trained to land in West Irian. On the other side, the charge is that Dutch servicemen are infiltrating as civilians, travelling in commercial planes. In this context, it is pertinent to recall that on February 14, the court at The Hague dismissed the suit of a Dutch father against the Government for damages, holding that the State had the right in law to send servicemen (like his son) to West New Guinea in civilian clothes and to identify them in their passports as civil servants. Mutual su picion may exert strains on the relation between the two parties leading to a worse alternative to the stalemate. Meantime, there is some hope of direct negotiations emerging from behind-the-scene contacts. But how strong or slender may this hope turn to be? It is essential that the good offices of a third party—the USA—should be enlisted to end the deadlock.

Foreign Aid

STATE GOVERNMENTS' CONTACTS

IT IS as astonishing as it is highly regrettable that the Central Government should be constrained to address a communication to the State Governments reminding them the inadvisability of the action of some among them in making direct approaches to or negotiations with foreign Governments or organisations in foreign countries for financial or other assistance in implemen ing economic projects of their own choice. This communication emphasises the fact that instances had come to the notice of the Government of India where such approaches were made either for external assistance or for facilitating the deputation of State Government officials to foreign countries. The communication further urges the fact that the implications of such approaches and contacts are many and varied and requests the State Governments to conform strictly to the procedure laid down by it and to refrain from such a course of direct action, emphasising that the contacts cou'd be made with the prior consultation and approval of the Ministry of External Affairs.

clear that the kind of attitude indulged in (not for the first time) merits a strong warning. The simple but plain implications of such approaches are that non-plan projects and non-plan expenditure, both rupee and foreign exchange, may cause distortions. But there are more far-reaching consequences than this. Whether the interpretation that might be put, for instance, by a foreign government, which has been approached for aid by a State Government, about basic differences between the latter and the Central Government, is right or wrong is absolutely immaterial. But this course holds the possibility, even if remote, of improper tempting offers. The constitutional position leaves no room for doubt. Whether the contacts are made for foreign financial assistance or for foreign economic collaboration, either at the government or private level, by a State Government, they come under the category of requests for foreign loans or trade and commerce with foreign countries. These two subjects are solely within the Union List and they are excluded from the Concurrent List. It is ultra vires of the State Governments to take the jurisdiction which the Constitution does not confer on them. If anything, the Central Government must share some blame for allowing this tendency to grow. It surpasses comprehension why it allowed a repetition of this course of action in several instances as its communication discloses. Any pending negotiations of this type should be subjected to a searching scrutiny and, if their merits so warrant, the State Governments should be asked to rescind them.

Afro-Asian Writers

IN THE POLITICAL ARENA

THE DELEGATES to the second Afro-Asian Writers' Conference, which met in Cairo from February 12 to 15, found themselves landed in a political arena. They had to range themselves on the side either of China or of Russia. And China triumphed in the end. The tone was set for the conference by the controversy—which objective claimed precedence, the end of colonialism or the end of armament? The Sino-Soviet conflict was carried right into the heart of the writers' meet at Cairo, China dogmatically adhering to the view that the liquidation of colonialism must come first and the liquidation of all weapons of mass destruction can come as a matter of next priority. It was a field day for China because she had to carry the conference with her to endorse her resolution that imperialism was the only source of war. There were, however, heretics even in this gathering of carefully picked representatives. Mr. Serwadda of Uganda raised the issue of Russian and Chinese imperialism and withdrew from the conference as a protest against its failure to condemn it. As for the thesis that imperialism was the only source of war, Nigeria's delegate sought to raise a discussion on the Sino-Indian border dispute. But Dr. Mulk Raj Anand and Mr. Mao Tun, China's Minister for Culture, came forward with the plea that the dispute existed between the governments of the two countries and did not concern their people, as if the government and the people had no identity of purpose. But each one's conscience must hardly be in doubt as to how far this plea rested on convenience rather than on conviction.

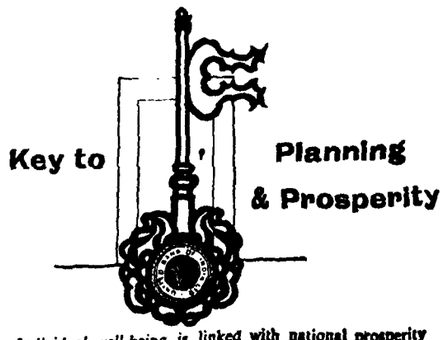
This conference of Afro-Asian writers was destined to meet the fate of its predecessor and end up in a smoke of hollow platitudes. Writers, whether they are poets, playwrights, novelists, essayists or masters of prose, cannot remain aloof from the contemporary political current and the works of some of them quite reasonably voice the political aspirations of their time. But writers have other important functions and pre-occupations too. A conference of writers is presumed to be held on a high plane of cultural exchange and is expected to be ennobled by a lofty meeting of minds capable of creative work. How many works of Afro-Asian writers have been introduced in other languages to the people of other countries in this region? And, in fact, how many creative pieces have been produced by Afro-Asian writers from independent countries, since independence? Is the political arena elsewhere is conducive to such a performance? There was little evidence of these fundamentals at the conference. Did the delegates from the thirty nations travel all along to Cairo to listen to the sermon—unto ye is it given to play a creative role in the liberation of the Afro-Asian people from the bondage of colonialism? This harping on a time-worn slogan betrays the genuine purpose of these rallies of this brand of progressive writers.

Foreign Firms

INDIANISATION OF STAFF

THE GOVERNMENT OF INDIA'S policy of non-intervention in foreign investment in this country and sustained encouragement of closer co-operation between foreign investors and Indian nationals has paid good dividends in that important sphere of increasing absorption of Indians in the staff of foreign firms. The Government has been proved right in insisting that moral suasion and not any legislative or administrative pressure will bring about the desired result. What is now happening shows that the managements of the foreign firms are evincing a genuine desire to man their business offices or industrial establishments with Indian nationals in a marked degree at the higher levels. Absolute numbers of the strength of the Indian staff of foreign firms cannot give the precise idea of the pace of Indianisation since the overall strength of the staff is increasing with the expansion of the business of foreign firms. The real index of expansion is the increase of Indian employees in terms of percentages.

In the salary groups of Rs. 1,000 per mensem and above, the percentage of Indians rose from 33.0 in 1954 to 70.1 on January 1, 1961. There are variations from this overall percentage increase. Only a few industries like jute mills and presses, banking companies, planting companies and a few others show themselves up as laggards with lower percentages. But an impressive majority shows a higher than the average figure. In the salary group between Rs. 1,000 p.m. and Rs. 2,000 p.m., the percentage of Indians rose to 88.9 on January 1, 1961, while in the salary group between Rs. 2,001 p.m. and Rs. 3,000 p.m. it rose to 58.2, whereas in the highest bracket it went up to 23.9. The present anticipations are that by the end of 1962 all posts with salaries of Rs. 2,000 p.m. and below will be Indianised and 70 per cent of the posts in the salary bracket Rs. 2,001 p.m. Rs. 3,000 p.m. will be Indianised during the year. As for the top bracket, wisdom lies in hastening slowly. The details will be found elsewhere in the Statistical Section in this issue.



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The World Abroad

TRADE UNIONS IN AN AFFLUENT SOCIETY

By

ODYSSEUS

THE PROBLEMS of trades unionism in India and in the UK differ, but they have two features in common: (1) the excessive concentration of power in the hands of a few people at the top, who, more often than not, have little contact with the worker on the factory floor; and (2) the identification of union policy with Socialism.

In the affluent society, which is well on its way in the UK, as long as the Trades Union Congress is committed to the nationalisation of basic industries, steel, road haulage, machine tools, aircraft and key sections of engineering, and to public intervention in building, it is hindering the spread of unionism to the middle class, white-collar workers, and impeding the return of the Labour party to power. As Mr. B. C. Roberts (Reader in Industrial Relations at London University) says in "Trade Unions In A Free Society" (Hutchison for the Institute of Economic Affairs, London. 1962), what has happened in the UK and the USA has been that the course of economic and social development has completely changed the character of Capitalism and, in so doing, has left Socialism high and dry, an obsolete alternative. As we saw here in the previous two weeks, the affluent UK worker no longer feels himself a wage slave. He has become a property owner (of durable goods, often of his own house, and even of stocks and shares). The worker's experience in the nationalised industries has shown him that the state tends to be a less attractive employer than private enterprise, and less progressive, so that opportunities for better pay and conditions are fewer.

To win a general election, the Labour party must secure the votes of over half of the UK's 15,000,000 electors. Yet of the 8,000,000 workers in unions affiliated to the TUC, about 2,500,000 are in unions not affiliated to the Labour party, and it is generally agreed that about 30 per cent of unionists vote Conservative. Thus, although the Labour party is professedly based on the workers, it must woo several million middle class voters. The conservatism (in a non-political sense) of so many union leaders prevents the break with old fashioned Socialism that the Labour party must make if it is to survive.

The dilemma which the UK unions face is that, whereas, on the one hand, they founded the Labour party to achieve a legal frame work in which they would be free to do their true job of protecting and bettering the worker by collective bargaining, and strikes if necessary, on the other, when they adopted Socialism as their aim, they adopted an ideological goal which can only be achieved at the expense of their true functions, precisely those which they formed the Labour party to protect. The choice before them is either to accept private enterprise and a market economy, since free trade unionism can only flourish in a free society, or to accept the implications of Socialism, which must end in abandoning free bargaining, the right to strike, and the exercise of democratic political pressure; they must become an agency of the state, as in the USSR where the role of the unions is to "knock sense" into the workers, restrain them from big wages claims and strikes, and encourage them to raise their productivity, to ensure the success of the Five-Year Plan.

MISTAKE OF THE UNIONS IN INDIA

I repeat, the trade unions' basic job is economic, not political. Politics are for the worker in his capacity as a citizen, not as a unionist. The unions in India have made the same mistake as in the UK. Unless they have since modified their aims, the last time that I looked at the objectives of the Indian National Trade Union Congress, they included the elimination of the profit motive, and although the All India Trade Union Congress says that it is not subject to the control of any political party, its 1947 constitution includes among its objectives the establishment of a Socialist state in India, and the nationalisation of the means of production, distribution, and exchange. To anyone who observes that progress toward these objectives is so slow as to cause no alarm, Mr. M. R. Masani quotes an apt story. Once when Robert Benchley, the American humourist, was having a cocktail, a keen prohibitionist said to him: "Take care. That is slow poison." To which Benchley replied: "I don't care. I'm in no hurry." India's workers would seem to resemble Robert Benchley. They don't mind the advance towards Socialism and the extinction of their rights to bargain freely and to strike, providing that it is slow. However, India's advance towards complete state control of the economy seems to illustrate the aphorism "Slow but sure."

I have no idea whether UK unionism will continue to support Socialism, but I guess that if the economy maintains its progress towards real affluence, the rank and file of unionists will disassociate themselves from their leaders' policy and will vote Conservative.

Mr. B. C. Roberts points out that, paradoxically, it is the union leaders, who so vehemently proclaim their Socialism, who are most likely to refuse the limitations on their freedom which the attainment of Socialism would entail. The irony of the present situation, in which the Labour party is divided between those who are extreme Socialists and those who, like Mr. Gaitskell and the moderate majority of Labour electors, wish to disembarrass themselves from the party's commitments to Socialism, is that this division has largely been ensured by the same union leaders who reject limitations on their freedom of union action. The National Union of Mineworkers, for example, asserts its independence of the National Coal Board, and allows its members a freedom of action, which makes Socialist planning impossible

If the Labour party wins the next election, the self-proclaimed trade union Socialists are, by their insistence on the right to agitate freely for higher wages, and to reject all wage controls, likely to make sure that Socialism cannot be inaugurated. This may demonstrate, what many people feel already is the fact, that

it does not matter much, from the unions' point of view, which party is in power. The way would then be open for both parties to accept by pragmatic experience the same broad policies, including an agreed status (a) for private enterprise, and (b) for a degree of voluntary, co-operative, state-planning on the French model.

IF THE LABOUR PARTY LOSES

If Labour does not win the next election, the party is bound to break up. In which case, Mr. Roberts suggests, the Liberals might win back from Labour the support they lost in the first decades of this century. The unions might feel that they had little to gain from a Labour party in political decline and revert to the more independent position of the 19th century. You would then have in the UK a situation comparable to that in the USA, where the unions are not tied to one political party, but support candidates from both, although inclining more to the Democrats, who can usually rely on winning most of the organised Labour vote.

In India, as in the UK, the problem seems to be to get the union leadership out of politics. How? In the UK, for various reasons, union leaders have concentrated power in their hands in distant head offices. Since they are also grossly overworked, it is no wonder that they have lost contact with the rank and file, and tend to live in an ideological world of their own. Affluence is giving the erstwhile "workers" middle class values, reducing their dependence on the unions, and making them increasingly critical of the tight discipline that the unions impose. This discipline survives from the days when workers' "solidarity" was essential for economic advance. The unions aim to create "closed shops" in which no non-union member can be employed. They can make life unbearable for any worker who does not conform. They can ban him from the trade in which he has spent his life, and which is the only trade he knows. They are empowered to do this for any breach of their rules, which are rules that they impose, and which he has no real opportunity of accepting or rejecting.

The union leaders reply that they are not prepared to win benefits for workers who make no contribution. This is another example of failure to shed an archaic outlook, because with full employment and labour shortages, non-unionists do not depress wages. Moreover, compulsory unionism both spreads resentment against the unions and works against the interest in union affairs, which promotes active union democracy.

If democracy in the unions is to flourish, responsibility and authority must be removed from distant head offices and restored to the factory floor, and the less compulsion there is, the more likely are members to be keen and interested. But nobody wants to see the unions break up, least of all employers, who need an authorised body to negotiate bargains covering all workers. Mr. J. A. Lincoln offers an ingenious solution in his contribution to "Agenda For A Free Society". Pointing out that wage bargains in the UK today are "gentleman's agreements", he urges that they should be made legally binding contracts for definite periods. To establish the worker's contractual status would promote (a) his sense of responsibility, and (b) stability in industry. The non-unionist should, on signature of a contract, pay to his employer a fee fixed by a Registrar of Industrial Contracts, who would then pay it to the union. This would preserve (a) the union's revenues and bargaining status, and (b) the individual's right to his independence. Mr. Lincoln, like Mr. Roberts, believes that there would be fewer non-unionists if membership were a privilege and not an obligation.



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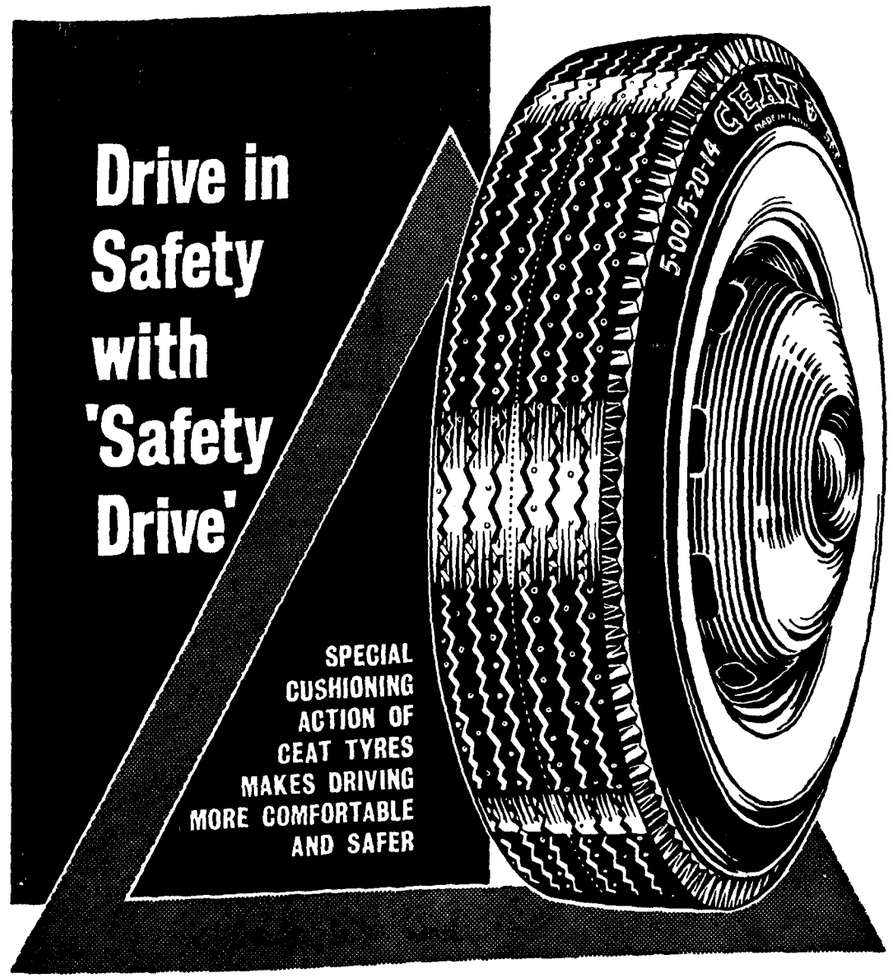
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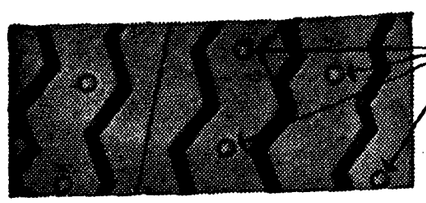
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UNDER SECRETARY 27 FEB 1962 DEPARTMENT

The European Scene

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From Our Special West European Correspondent

PARIS, February 18.

ON the same day as the Count of Casa-Miranda, General Franco's ambassador to the European Economic Community, presented a formal application for Spain's association with and eventual full membership of the Common Market, the leader of the liberal monarchist opposition, Senor Satustregui, was fined in Madrid the sum of 25,000 pesetas for having made "a speech containing ideas hostile to the nation's organisations". The speech, which was not only read in public but printed and published without authorisation, was made last November and developed the theme: Spain needs a political structure capable of being integrated into the community of West European nations. It contained (as far as the trial reports show) no direct criticism of the present Spanish regime, but merely stated what is evident, that Spain's place is with her neighbours but she can take that place only when she brings her system of government into line with theirs. That the dictatorship should find such ideas "hostile" and should punish their publication gives an inkling of the ulterior motives that accompanied its application for membership of the European Communities. Apparently, General Franco believes that a dictatorship can play a part, and eventually a full part, in a union of national economies and of governments without relaxing its grip over its own people.

This is a double illusion. Illusion, first, to think that democrats would unanimously consent to co-operate with a dictatorship on those terms—and since admission to the Common Market requires a unanimous vote of existing members, Spain's entry could be blocked, as her admission to NATO has been blocked, by one or two resolute opponents. Illusion, secondly, to think that a dictatorship could survive the liberation and opening up of economic life implied in membership of a customs union. As usual, it appears that General Franco's decision has been taken without any thought for such details and is simply another application of his Machiavellian and invariably unsuccessful policy: sell Spain's neutrality at a good price when there is international conflict, and once the conflict is over, leap to the aid of the victor. He used these tactics during and after the war between the democracies and totalitarianism; he tried to do the same in the long conflict between the Europeans and the Arab world; he offered a little cameo of the method during President de Gaulle's struggle against the rebellious settlers of Algeria; and he has followed the same line in the trade dispute between the Six and the Seven. When, for a time, it seemed that West Europe was to be divided into rival trade blocs, Madrid refused to join the rush of minor powers to enter one or the other; it was explained how membership of either was impossible for the Spanish economy, and Madrid was content to keep an iron in both fires. Once the EFTA began to be wound up, after Britain's decision to seek entry into the Common Market, and this latter was well set on its course by agreement about a joint farm policy, the see-saw tactics were inapplicable, so Madrid has chosen to join the winning side.

The incongruity of a dictatorship rallying to a union of democracies no more disturbs Madrid in this case than when she applied for admission to the anti-Communist alliance or UNESCO. However, it very much disturbs many of her would-be partners. The European Federalist Movement, the Belgian Socialist Party and a variety of Leftist organisations have lost no time in declaring Spain's admission to the Common Market unacceptable, and the opposition is bound to swell in coming months. There can be little doubt of the attitude of Signor Nenni's Italian Socialist Party, which is about to be admitted to the governing coalition in Rome (Signor Nenni is himself a veteran of the Spanish Civil War). Unlike the Continental neutrals, who are asking for favourable commercial arrangements short of a politically undesirable membership of the Communities, Spain's application asks for "negotiations about the possibility of association with the European Economic Community permitting, at a suitable moment, complete integration, after a series of stages that are necessary to allow the Spanish economy to conform to the conditions of the Common Market". So it is an arrangement like that made with Greece that Madrid has in mind: a period of adaptation running to 15 or 20 years, after which Spain would become a full partner.

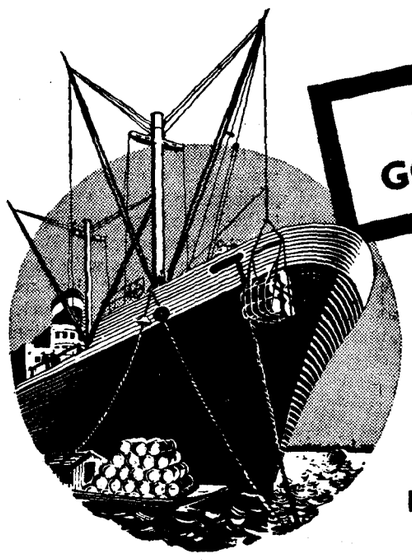
On purely technical grounds, the authorities of the Communities were not anxious to repeat the Greek experience. Although they posed no political problems, the negotiations with Greece were long and infinitely complex; they succeeded in the end, but the notable lack of enthusiasm with which similar applications from Turkey and Israel were received (and from Denmark and Ireland, too, as far as they want special interim arrangements before accepting full membership) show that the EEC has been intimidated by the difficulties of associating even small economies with their enterprise when those economies are backward and mainly agricultural. Exactly parallel problems will be posed by Spain's application, if ever it comes to be taken seriously. Her exports of citrus fruits and olives, and above all of wine (of which she exports more than France) are directly competitive with those of France, Italy and Greece, and Madrid will be asking for a breach to be broken into the common agricultural policy that has just been adopted with so much trouble. But these economic technicalities are complicated by political differences. It is not literally true, as Belgian Socialists are claiming this week, that a democratic regime is a pre-condition of membership of the Common Market, but it is correct that the Rome Treaty assumes implicitly that member-states are democracies. For example, when it associates free trade unions with the Economic and Social Council, it assumes that they exist; well, they don't in Spain. However, it is not such juridical points that will decide the issue; the question depends on whether the democracies want to co-operate with Spain.

There is no doubt that they all want to have as little to do with the Francoist regime, but that they all want to bring the Spanish people back to the free Western community. The debate that is beginning concerns whether the first is necessary and in fact the only possible way, to achieve the second. There is ample reason to think that the answer is yes. It is already notable that the decision to seek admission to the Common Market marks another defeat inside Spain for the Phalangist Movement, the remnants of the organisation that staged the Francoist rebellion; the Movement fears, pro-

perly it seems, the destructive effect on the present Spanish tyranny of close association with a more liberal Europe. Admittedly, the "European party" inside the Government is no liberal force; it comes mainly from the Opus Dei, a reactionary Catholic organisation that practises the devious policies of a secret society and would be rejected, not merely as illiberal in most democracies, but as irreligious in many Catholic countries other than Spain. However, this faction is a progress toward liberalism compared with the original fascist party, and it has the support, in its pro-Europe policy, of the really liberal forces in the opposition that manage (mostly illegally) to make their voice heard.

Moreover, intentions count less than tangible consequences and it is clear that all the timid steps Spain has so far taken to open her economy more freely on to the outside world have had liberating effects inside the country. Even the apparently technical decision to join the OEEC (now the OECD) has had the result of authorising public study—by impartial experts, whose findings are published—of the Spanish economy, and this has broken the long silence in Spain about the country's real economic situation. The annual OECD reports nowadays contain information that you used to get shot for revealing only a few years ago, e.g. the extent to which output in some major industries and prices have deteriorated throughout the Francoist regime. Publicity about the nation's accounts seems to us the most natural of rights, but its effect in a country that has been submitted for almost a generation to a regime of silence and immobility is immense, over the not so long run. Ills are soon exposed, to which even a dictatorship cannot refuse to bring remedies. For example, the most superficial study of the Spanish economy at once revealed the disastrous consequences of the stranglehold of a group of banks over the nation's industry, and the chaos that resulted from the absence of any central bank capable of controlling the volume of credit. The upshot, this month, is a banking reform which nationalises the Bank of Spain (hitherto a private concern), sets up an effective credit mechanism and takes steps to prevent industrial-investment banks exercising a hidden, monopoly control over national industry. That Franco is obliged to father this Bill himself, and that it will be passed by the powerless Cortes (the Spanish "parliament") should not blind one to the fact that it is a step forward, and one that results directly from Spain's admission to the Western economic system.

The effects of association with the Common Market, with a view to full membership, would be much more revolutionary than admission to the OECD. Apart from increased publicity (for example, about labour's earnings), the Government would be obliged to undertake at last the vast reforms in the fiscal, agricultural and social departments that it has evaded for over 20 years. Powerful pressure groups will seek to resist such change, and they are represented in the Government—the owners of the latifundia (zemandaris) are among the keenest supporters of Francoism. But the experience of all the other European countries is that vested interests of that kind can best, and perhaps only, be dispossessed as part of a national effort to modernise an economy that is committed to lining up with its neighbours. Reforms that a Spanish government—not only a fascist one but even a democratic one—could never put through in isolation could be implemented in the name of European integration; we have seen this in all the Common Market countries, notably as regards agriculture. Europe's socialists regard Franco as a villain who is personally responsible for Spain's plight; in reality, he and his miserable dictatorship are the symbol of Spain's inability to solve national problems that the rest of Europe began to tackle in 1789. With him out of the way, we cannot assume that Spain will succeed at last in getting into the modern world, all by itself. Its association with Europe is the best chance for Spain, even if Franco is there to claim the credit for the first benefits.



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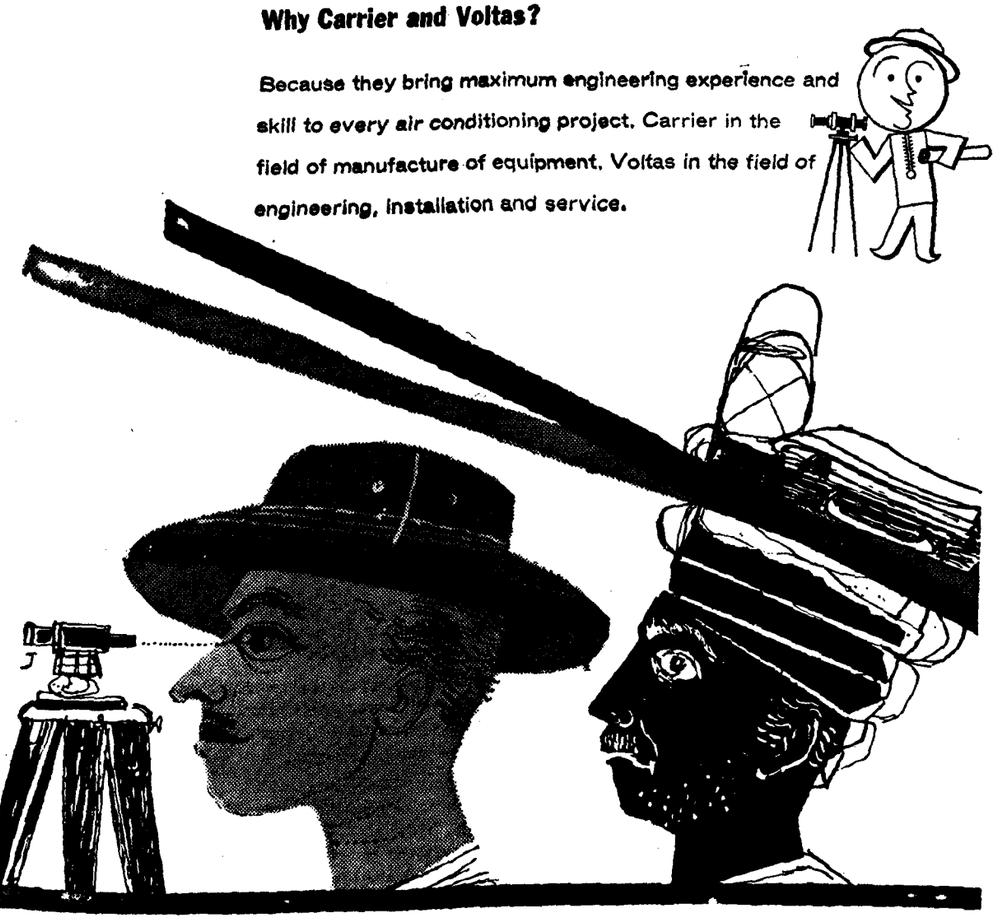
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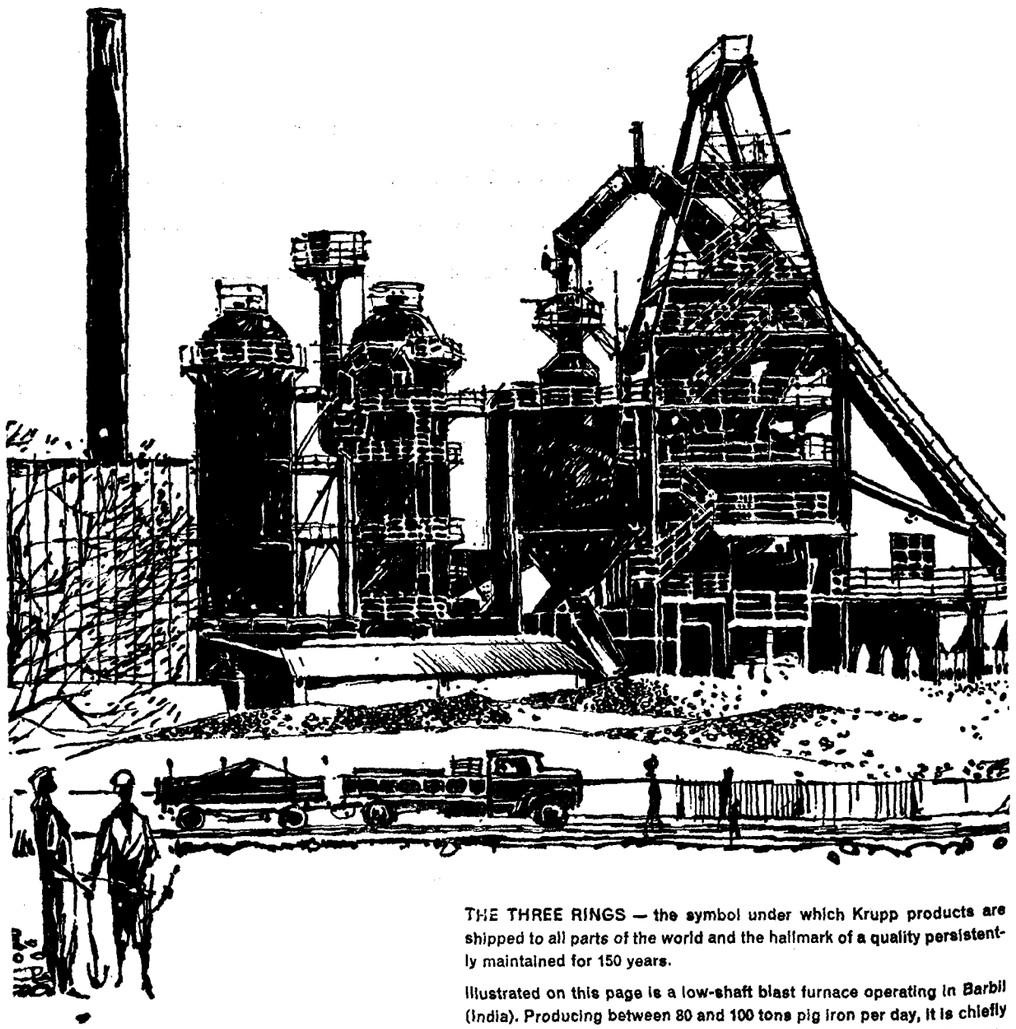
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Economic Report from the U.S.

NEW LABOUR-MANAGEMENT CONTRACT

By GUY SIMS FITCH

WASHINGTON, February 13.

THE curtain is rising this week on a drama which has been played in the United States eleven times in the past 15 post-war years, with varying degrees of success. Its theme is the negotiation of a new labour-management contract for the steel industry. Its principal players are the United Steel Workers of America (U.S.W.), the union representing some 800,000 workers in steel and related industries, and a management team representing eleven major steel companies. Watching closely from the wings, presumably ready to step in should the drama show serious signs of faltering, is the U.S. government.

There is reason to hope for a happy ending this year. The circumstances and the mood surrounding the 1962 negotiations seem to point in that direction—to a speedy non-inflationary agreement which would benefit labour, management and the public at large. But the recollection of six steel strikes since 1946 is enough to temper optimism with caution. One indication of the desire of all parties concerned to avoid a similar development in 1962 if at all possible is the fact that the negotiations this year are opening on February 14, earlier than ever before. This early start, it is believed, will allow time for the collective bargaining process to reach a successful conclusion well before the July deadline, when the present contract expires. An early settlement would have obvious economic advantages. It would discourage excessive inventory accumulation in anticipation of a possible work stoppage. Orders could be spread more evenly throughout the year, production would not be disrupted and would tend to reflect actual demand. All this would help assure a continued and steady expansion of over-all economic activity, in line with general expectations. At the same time, the hope is that the final agreement will be essentially non-inflationary in character. Results of the steel negotiations could have a decided impact on prices and wages generally—directly, by affecting the costs of everything made of this basic material, indirectly by setting a prominent example for other industries.

The steel industry and the union have indicated their awareness of the advantages they would gain from a speedy and basically non-inflationary settlement. Apart from the benefits to the general economy in which they would share, there is the matter of keeping steel prices competitive with those of foreign producers and such other materials as aluminum, glass and plastics. The U.S. government does not fix price and wage levels, but it can influence them—and this it evidently has set out to do in steel. President Kennedy and members of his administration have made clear their interest in seeing steel prices kept under a tight rein. They have stressed that all increases should be earned through rising productivity, which would permit higher pay at no increase in prices. This approach could have a restraining effect on the labour-management negotiations.

The administration's interest in pushing steel negotiations to a successful conclusion also is seen in the fact that U.S.W. President David McDonald and U.S. Steel Corporation Chairman Roger Blough both have conferred with President Kennedy at the White House in recent weeks. In addition, there have been meetings in labour and management quarters to complete their plans for the contract talks. It is too soon, of course, to tell just what specific issues may figure prominently at the bargaining table, or what the precise outcome will be. It is likely, however, that such non-wage matters as job security and seniority rights will receive a good deal of attention. These are issues that experience has shown account for most of the local grievances in steel plants, and that have taken on a new importance with the growth of automation and other technological advances. One notably encouraging factor so far has been the absence of harsh or inflammatory pre-negotiation statements by labour and management leaders. Also, both sides—up to now, at least—have indicated some willingness to make concessions in the interest of reaching a fair and reasonable agreement. This moderation in tone and approach is in sharp and heartening contrast to the rancour and inflexibility which clouded the unfortunate 1959 negotiations.

A PASSENGER FROM CALCUTTA WRITES

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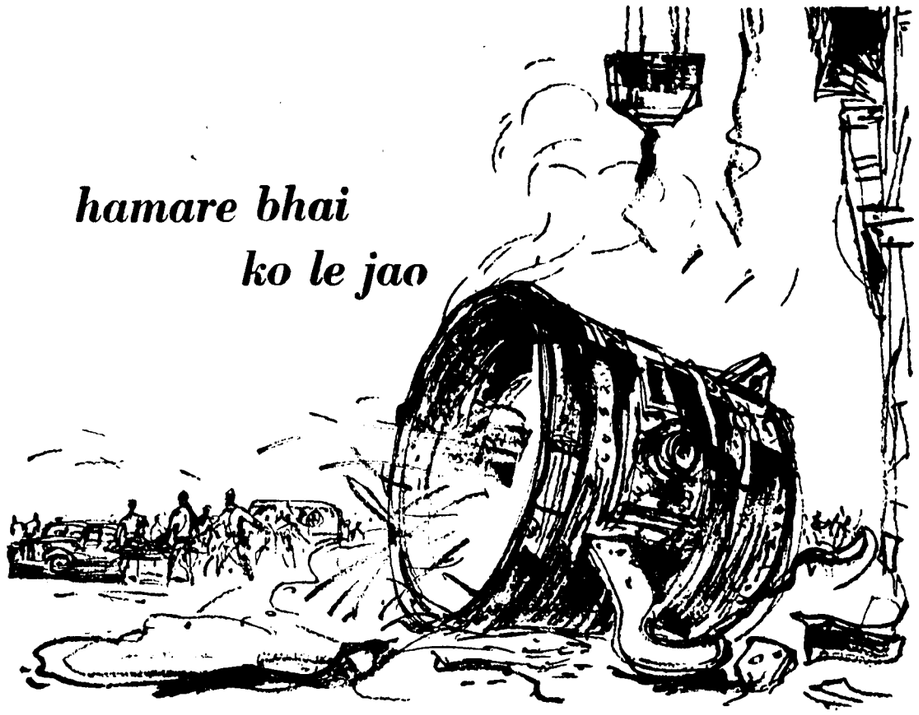
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It happened some years ago in the steel melting shops at the Jamshedpur works. A large ladle, carrying 75 tons of molten iron, suddenly crashed to the ground with a deafening noise from an overhead crane. The spattering sparks and red-hot metal seriously 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, refused 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.

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Special Article

SOAP, TEA AND CONTRACEPTIVES

By J. L. ENOS

IN the decade between 1951 and 1961 the population of India gratified every chauvinist and mortified every demographer by surging from 357 to 438 million people. The consequences of such anthropomorphic affluence have been quite apparent to many, from statisticians and planners who lament an inauspicious progression of numerals to villagers who see more mouths for less food. And with some perplexity they observe that there are no overwhelming religious, political, social or physical deterrents to the repression of births. The Hindu religion encourages continence. Moreover, continence is considered not only an individual virtue but also a social one, promoting order in the realm of human affairs. The Indian Government approves of such attitudes, and through educational programmes in numerous clinics is trying to encourage family planning.

Why then are births not prevented more frequently? What is there that prevents the people from practising this highly laudable art? The answer lies in the often sterile area of economics: quite simply the various paraphernalia of birth control are impossible to buy. People either cannot procure them, or cannot afford them, or both.

To write a prescription for this malady, one must first examine the patient. It is his or her condition that should be diagnosed. What are the needs of the individual who is considering the purchase of a contraceptive? They are for a device which is reliable in use and cheap and easy to procure. The consumer must have confidence in the quality of the device, a confidence which will not be shaken by any local irregularities. To be reassured the consumer must find the devices identical wherever he buys them: identically manufactured, identically packaged, identically labelled, identically distributed and identically priced. In other words a consumer should be able to buy contraceptives with the same confidence that he or she buys other nationally distributed branded products.

In order to be easily procured, the contraceptive should be readily available to the individual, wherever he or she is. The device should be brought to the consumer, not vice versa. For convenience, the town dweller should be able to buy them in his own town, and the villager in his own village. Since there are nearly six lakhs of towns and villages in India, six lakhs of outlets are needed. Only then will the individual be as close to this means to restrain population growth as he now is to the means to sustain it.

But six lakhs of outlets is a large number, so the question arises by whom are contraceptives to be dispensed? The requirements are that there be at least one of these suppliers in each village, that the supplier be experienced and desirous of dispensing, and that the suppliers' relations with consumers be without embarrassment. By these standards all the types of suppliers now being used are ludicrous. The family planning clinics of the Indian Government are too few and patronizing.* The chemists shops are too few and associated with abnormalities.

The village midwives are predisposed against selling contraceptives just as civil engineers are against selling shovels or meteorologists thermometers. The only suppliers who meet our criteria are the village shopkeepers: they exist in almost every village; they are readily accessible to all individuals, men and women; and they are in business to sell.

Considered from the point of view of the consumer, then, the contraceptive should be not a muffler for the population explosion but a very ordinary, mundane, commercial product—mass-produced, mass-distributed, and it is hoped, mass-consumed. It most resembles that other mass-produced, mass-distributed, mass-consumed product—the ubiquitous cigarette.

Since the two products are so alike as to be almost congruent, and since the adoption of the cigarette has been as wide as could be desired for the contraceptive, the manufacture and distribution of the cigarette could well be used as a guide. How, without any public assistance or support and in the face of some social and moral qualm has the cigarette trade been built up? The answer is a uniform product, precisely manufactured in antiseptic factories, hermetically sealed in attractive and distinctive packages, rapidly and solicitously distributed by the manufacturer directly to shopkeepers and seductively promoted to an entire population—with profit to all. And what does every consumer in India receive? A reliable product readily available in his or her village at a price of from one-hundredth to one-twentieth rupee per piece. What could be better?

If the cigarette trade is to be the model for the contraceptive trade several pre-requisites will have to be met: the volume of output will have to be high enough to obtain low unit costs, which means operating factories at full capacity, three-shifts a day, and maintaining a steady and substantial flow through the distribution channels. Manufacturers' representatives—not doctors or nurses or dais but salesmen who can solicit orders from shopkeepers—will have to be trained and posted to ten thousand or so distribution centres in India, and an equal number of wholesalers will have to be selected and supplied. Finally the product will have to be advertised—deliberately, extensively and skilfully, so that consumers know why, where, and how much contraceptives are. The advertising agencies and mass media, those much-maligned organizations whose standards are accused of being so low, whose performance so inane and whose social contribution so meagre, should be utilised. After all it is they that are most effective in promoting new, intimate and delicate products.

The aid of the cigarette companies, or other companies with nation-wide distribution—e.g. soap and tea—might also be enlisted. Several of these companies already have the superb distribution organizations, the contacts with shopkeepers, and the 'savoir faire' that is needed, and might find it profitable to add another product to their line.

Let us assume that the Indian Government wishes to encourage the distribution of contraceptives and that it is willing to adopt the most suitable methods. Its aim would be to present conveniently to every potential consumer a cheap and reliable product.** In order to achieve this aim, we have argued, the Government should create a distribution system for contraceptives similar to the ones that already exist for other low-unit-cost nationally consumed products.

If the Government does not feel any great urgency it could create this distribution 'de novo'; building a factory and assuring that it produces at full capacity, selecting and stocking distribution points, hiring and training supervisors and salesmen, and initiating advertising and other promotional programmes. Such a project would consume more than three years: if it were carried out effectively, contraceptives would become generally available by the beginning of the Fourth Five-Year Plan.

If the results are wanted quicker, use will have to be made of existing distribution channels. This means persuading one or more of the distributors of cigarettes, soap, or tea, to add contraceptives to their line. At this stage a question of public policy arises: with how many private firms should arrangements be

made? If the Government wishes to encourage competition among the private firms, it will wish to select several distributing agencies. But if it divideds the total business among several distributors, it will have to grant substantial and continuing subsidies, for no single distributor among many competing ones would be likely to achieve a scale of operations sufficiently high to return a profit. If, however, the Government wishes the distribution of contraceptives to become self-supporting, i.e. to subject the distribution of contraceptives to the disciplines of market, it will initially have to discriminate in favour of one or possibly two firms. Thus the issue, at least for many years until the volume of contraceptive sales has increased substantially, is competition cum subsidy versus monopoly (or perhaps duopoly) cum profit.

The forces affecting this issue are the conventional economic ones existing in any product market, for a private firm to be willing to add new product to its existing line it must be confident that revenues will exceed costs. For widely distributed, low-price items this means the level of operations must be sufficiently great to achieve economies of large-scale operation. These forces would act on the contraceptive trade just as they do on, say, the cigarette trade. Only if the expected volume of sales for a single brand of contraceptives were of the same order of magnitude as the actual volume of sales of a cigarette manufacturer then would private firm find the market attractive to enter. Let us therefore make the same calculation that the prospective distributor would make.

First of all we shall have to make some assumptions about the consumption of contraceptives. Assuming that condoms are readily available in all villages at a price of, say, 25 nP. per package of five, how many packages will be purchased? Let us assume that the yearly consumption of each purchaser is fifty pieces or ten packages. Let us also make two different assumptions about the proportion of the total virile male population that purchases contraceptives; the first that the proportion is one in ten, the second that it is one in a hundred.

According to the estimates based on the 1951 Census of Population, there were in 1961, 103,250,000 men between the ages of 15 and 44. This figure is equal to the number of males who, in 1951 fell in the 5-14, 15-24 and 25-34 year age groups. Assuming that deaths occurring during the years 1951-1961 among these groups were offset by under-enumeration in the census, this is equal in 1961 to the number of males in the 15-24, 25-34 and 35-44 year age groups. If one out of ten used condoms at a rate of 10 packages per year, annual sales would be 103,250,000 packages. If the proportion using condoms were only one out of a hundred, sales would amount to 10,325,000 packages per year.

Let us now compare these estimates of contraceptive purchases with those of the nationally-distributed low-unit-priced packaged items listed in the table. Since there are little published data on sales of branded products in India, the figures are probably not very accurate. Hopefully though, they are of the correct order of magnitude, which is all that is needed for our purpose.

The data given in the table imply that a private firm can manufacture, promote and market profitably through its own distribution network branded products if it achieves a total sale of operations equal to about 200 million packages a year. It may even be possible to make a profit at a lower volume, as several of the firms listed in the table did while building up their sales to the present level. But let us assume that a yearly volume of 200 million packages is necesary to support without subsidy a national distribution. Given our larger estimate of the size of the condom market, 100 million packages per year we find that at most only one distributor, selling only condoms, could operate profitably. The market for the foam tablet, and the oral contraceptive when this becomes available, might each support another.

ESTIMATES OF YEARLY SALES OF CERTAIN CONSUMER GOODS, 1961

(Crores of Packages)

Product	Company	Estimated Volume of Sales
Cigarettes	Imperial Tobacco	204
	National Tobacco	25
	Vazir Sultan	21
Soap	Hindustan Lever	32
Tea	Brooke Bond	73
	Lipton	40
Condoms	—	10 (high estimate) 1 (low estimate)

If the Indian Government limited its custom to two distributors—one for condoms and one for foam tablets—it would incur the least subsidy, although it would not eliminate entirely the need for public investment in distribution and perhaps manufacturing facilities. During the interval between the start of the programme and the time that sales volume reached, say, 100 million packages per year, the distributor would operate at a loss, for his distribution costs—inventories; hiring, training and maintaining salesmen and promotion—would exceed revenues.

How long might this period last? The answer ultimately depends upon how effectively the product is promoted and thus how readily the consumer adopts it, but the period of loss will be at least as long as the time necessary to establish the ditribution network and to lubricate its channels. If the distributor already had such a network and merely added contraceptives to his existing product line, this minimum interval would be relatively short, say six months; but if he had to create a distribution system 'de novo' the minimum interval might well be two years.

How much then might this subsidy amount to? Assuming that condoms sold at 25 nP. for a packet of five, the cost of manufacture would be about 10 nP. and the cost of distribution 15 nP.***

If the distributor selling only condoms broke even at a volume of one hundred million per year, his yearly distribution costs (including normal profit) would be Rs. 15,000,000. Since the bulk of the costs would be incurred from the beginning, the first year's subsidy would have to approach this maximum amount. As sales rise, the subsidy would diminish; assuming that the 100,000,000 sales volume were achieved after five years, in the fifth year the subsidy would be minimal. The total over the five years might range from Rs. 20,000,000 to Rs. 50,000,000 or Rs. 2 to 5 crores for condoms, and an equal amount for foam tablets.

Since Rs. 27 crores have been allocated in the Third Five-Year Plan for family planning, an expenditure amounting at the most from one-seventh to one third of this sum to achieve nation-wide distribution of contraceptives would seem to be an excellent investment.

*The procedure for procuring contraceptives at family planning centres appears to be as follows:

The prospective consumer is interviewed: the intimate answers are recorded in three different registers. He or she is subjected to a pelvic examination and finally a thumb print is made. After this humiliating experience the supplicant is given a few contraceptives. It is little wonder that the family planning clinics have not been more effective in distributing contraceptives. No commercial firm would think of subjecting its customers to such an ordeal.

**The aim should not be confused with other aims, such as collecting information on attitudes towards family planning, providing employment for already scarce doctors and nurses, or measuring pelves.

***Customarily, for low unit price, nationally distributed, branded items the costs of distribution, including advertising, are over half the total retail price. We have assumed it to be 60%.

THE BUSINESS WORLD

The Yugoslav Economic Plan for 1962

By BORIVOJE JELIC

THE basic principles of the plan for 1962 stand out more clearly when the continuity of the policy of economic development and the perfecting of the economic system, which has characterized Yugoslav economy for the last six or seven years, is taken into account. This policy can be summarized as a stimulus to accelerate economic development with high rates of growth in all fields, especially in industry and agriculture as the leading economic branches. All this has strengthened the system of self-management of the working people by offering a broader material basis and better forms of direct participation of the working people in all domains and at all levels of economic and social life.

Significant results were achieved in 1961, but at the same time new problems, imposed by the logic of speedy economic and social advance, were created. The tasks and principles outlined in the Federal Social Plan for 1962, are based on these results, and problems as well as the further adherence to policy in economic and social development.

As pointed out in the plan, many important changes in the economic system took place in 1961. The system of distribution of the income of economic organizations was modified, with the aim of augmenting self-management in the economy by strengthening the role of the communes as active factors in economic policy. Measures were taken to reorganize the banking mechanism and the instruments of credit policy, and to introduce reforms in the foreign trade and foreign exchange regime, with a view to adapting these delicate instruments of economic policy to the changed conditions, methods, and system of management. In this connection a significant step was the adjustment of relations between the prices of some groups of products so as to secure better economic conditions for transactions in certain economic branches, and thus to contribute to more harmonious relations on the market. The whole of this comprehensive programme was carried out in 1961, with the full engagement and active participation of all organs of social self-management.

As regards the pace of economic development, it should be emphasized that production, employment and labour productivity increased in 1961. If the growth in production was somewhat slower than in former years (the rate of growth of the social product was about 5.5 per cent calculated at unchanged prices) this was due partly to reduced agricultural production caused by unfavourable weather conditions and partly to the slightly slowed down rhythm of the growth of industrial production (8-9 per cent in 1961), which had to perform the complicated task of adapting itself quickly to the new conditions of earning created by these changes.

In view of these results and conditions, one of the aims of the plan for 1962 is to accelerate the rhythm of production and to bring it back to its former rate. An important objective in this respect is the planned growth of 13 per cent in industrial production in the coming years. While stressing the importance of these tasks, the Federal Plan also outlines the material and other pre-requisites needed to carry out programme.

In this connection it should be borne in mind that substantial investments have been made in the past years to erect new industrial enterprises and to reconstruct the existing ones, through which the pre-conditions for the continuous growth of production have been created. In 1962, large investments will be concentrated on energy sources (especially electric power and naptha) and on the ferrous metallurgy and chemical industries. The previous trends in employment and productivity of labour show that in this respect the planned growth of industrial production, as a whole is secured. However, the supply of the manufacturing industry with raw materials and component goods will be a serious problem especially in the case of articles to be imported. The plan for 1962, while pointing out the importance of these factors and the need for the full activation of all elements that can contribute to the solution of these problems, defines the measures to be taken in the individual branch, and emphasizes the importance of foreign trade. At the same time, the plan outlines a more elastic credit policy to expedite the growth of industrial production at the planned rate.

The planned increase of almost 23 per cent in agriculture should be viewed in the light of the low production in 1961. In fact, the total planned volume of agriculture is only about 5 per cent higher than that attained in the abundant year of 1959. Thus, agricultural production in Yugoslavia, especially socially organized production (on socially owned farms and in their co-operation with individual producers) has undoubtedly shown considerable progress. Its stagnation or slow progress of many years was followed in the last four or five years by changes which have—at least in some sectors of agriculture revolutionized production methods. The application of modern agro-technical measures, the increased number of tractors, the rapidly growing use of fertilizers, and high yielding varieties of wheat, have led to important results in paving the way for stepped-up production. The process of reconstruction through increased and modernized production has also been started in livestock raising, and although the results achieved are considerable, further development depends on favourable economic conditions to create the direct economic interest of all economic organizations, communes, and other organs in more profitable production and in greater investments in this branch. It should be emphasized that the recent increase of the purchasing price of wheat was quickly followed by a favourable reaction from the producers, a fact reflected in the acreage sown with grain this autumn. The plan outlines the principles to be followed in this respect and encourages constructive efforts.

One of the essential aspects of the plan is in the field of foreign trade, and the measures outlined should stimulate the growth of export. If it is borne in mind that increased export of agricultural produce cannot be expected in 1962, (owing to the poor harvest in 1961) the leading role in increasing the volume of export is expected to be taken over by industry, which has shown favourable tendency in this direction in recent years. At the same time, the plan stresses that import should be better and more economically organized so as to cover the most important requirements of raw and semi-finished goods, capital equipment, and consumers goods, within limited capacities.

In accordance with the established policy to raise consumption and the living standard in step with the growth of production and productivity of labour, the plan

for 1962 provides for an actual increase of over 6 per cent in per capita consumption, along with an increase of about 4 per cent in the personal income of workers and employees. At the same time, investments in the basic funds for the social standard should amount to more than 280 million dinars in 1962 (12.4 per cent more than in 1961). These investments will render it possible to increase the building of dwelling houses by 14 per cent (85,000 flats in 1962), to increase to approximately the same extent investments in communal services, and to invest in educational and health institutions at a speedier rate. A 10 per cent growth of expenditure on the services covered by the budgets is planned.

The plan provides for adequate measures to attain these aims. They refer, first of all, to tasks to facilitate the development of the economic system by a more elastic adaption of credit policy and the credit mechanism to the needs of economic advance, to create favourable conditions for increased productivity in all domains, especially in agriculture, and to promote foreign trade.

Another important aspect of the plan is the emphasis on the role of the People's republics and communes in economic policy, in giving them the necessary authority and material base for augmented activity. The changed role of the communal and republican commercial banks, through which the funds earmarked for the economy will be mobilized and channelled, is expected to have a considerable effect.

Discussions and debates during the adoption of the plan showed the interest of all responsible circles in assessing and establishing the tasks of the economy in 1962, and in the problems created in the economic system and in the system of planning. The general assessment reflected in the adoption of the plan is that the tasks are serious but can be carried out.

ECONOMIC RELATIONS WITH FOREIGN COUNTRIES

The most important aspect of the balance of payments in 1962 will be the maximum increase of commodity export. This increase should be attained solely by the export of industrial products, since agricultural export will be smaller than in 1961 owing to the smaller agricultural production in that year. The increase of internal consumption should, therefore, be such as to secure the planned increase of export and the decrease of the deficit in the current exchange of goods and services.

The following increase of the export volume as against last year is planned (per milliard dinars at the official rate of exchange):

INDEX OF GROWTH

	1960	1961	1962	1961 1960	1962 1961
Total Export of Goods	169.8	170.0	202.0	100.0	118.2
Of which Export Industrial Goods	126.9	129.3	163.5	101.9	126.5
Export of Agricultural Produce	39.5	36.4	33.2	92.2	91.2
Export of Forestry Products	3.4	4.3	4.3	126.5	100.0

To achieve the rise in industrial export it will be necessary to adapt industrial production in due time to the requirements of increased export, not only in respect of the volume, but also of the structure and quality of export articles. This is all the more necessary as in 1962 changes in the direction of Yugoslav export must be taken into account and will require production of higher quality.

An increase in the volume of industrial export is expected, first of all, in the metal manufacturing, shipbuilding, ferrous metallurgy, timber and wood, chemical, and textile industries. The most important items for increased export will be machines and installations, sawn timber and pressed wood boards, processed copper products, basic bricks and sinter-magnesite, caustic soda and superphosphates, cotton fabrics and cotton yarn.

The export of indutrial products will be facilitated by adequate measures to regulate internal consumption. For this purpose the balance of payments provides for the necessary funds to credit industrial export or the export of industrial equipment.

Along with the increase of export it is necessary to obtain more assets in the non-commodity items in the balance of payment in order to earn more foreign currency. Non-commodity income is expected to increase from 54 milliard dinars to nearly 62 milliard, and non-commodity expenditure from 27 milliard dinars to about 33 milliard, calculated at the official rate of exchange. The increase of assets in non-commodity transactions will be mainly from increased foreign currency earnings from tourists turnover, railway and river traffic, and income in foreign currency.

The balance of payments in 1962 anticipates a slackened pace of total import to reduce its deficit. The expected increase of the import of raw and semi-finished material is only 9.2 per cent. To keep the import within these bounds it will be necessary to select the articles to be imported, to use imported raw materials rationally and—in general—to orient industrial production towards the increased use of domestic raw material sources. In view of the import of food, the import of categories of goods will be reduced.

In 1961 the regional structure of Yugoslav foreign trade weakened to some extent. In this connection, it is necessary to make special efforts to improve the balance of trade with the area of convertible currencies, to utilize in due time the outstanding earnings in clearing with various countries through import from these countries, and to import primary raw materials from the countries producing them.

Improvement in the regional structure of foreign trade and planned increase of export are the basic requirements to be attaind as fully as possible in 1962. For this among other measures adequate adaptation will be made in the regime of foreign exchange and foreign trade.

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AB-19

Business Notes

Economy

PROBLEMS FACING EASTERN INDIA

IN A thought-provoking address to the Bengal Chamber of Commerce, the President, Mr. Stenhouse, dwelt at length on many of the problems facing Eastern India and particularly Greater Calcutta. Mr. Stenhouse pointed out that the difficulties in this region were not of shortage of natural resources, but of power and transport. In the Calcutta industrial area, and throughout Bengal and Bihar, existing supplies of electric power were uncertain and there was little possibility of their being expanded much in the next two or three years. Then again, it was exceedingly difficult to obtain wagon space in any reasonable period of time for the movement of commodities into and out of the Calcutta industrial area. There is no doubt that the country as a whole is faced with such shortages, but they are to a greater extent in Eastern India. And until or unless something is done to provide additional electricity supplies, better service from the railways, improved roads to allow road transport to move more freely and more cheaply, and increased facilities for river transport, the fear is that the tempo of progress in this part may not be maintained.

The danger in the whole situation is, Mr. Stenhouse opined, that stop-gap short-term remedies are being imposed, which will in the long run, seriously hamper the interests of this part of the country. The policy of assisting the so-called under-developed areas at the expense of Eastern India is not only short-sighted, it is repugnant to the fundamental principles of planning. In the long-term, to try to maintain high cost producers in areas where industry is not naturally favoured merely means in national terms less efficient utilisation of our natural resources than could be otherwise achieved. It is all very well to talk of decentralisation, but it is not quite relevant to the basic issues involved which is one of accelerated economic growth. Arbitrary transplantation of industries can defeat the very objectives of planning. Unfortunately the Union Government seems to be oblivious to all this. Needless to stress that sooner it changes its attitude the better it would be for economic development of the country. The economic advantages flowing from the development of Eastern India can certainly be beneficial for other parts as well. Time is ripe to recognise the importance of all this and to offer the needed assistance and facilities to Eastern India. With some justification Calcutta continues to be regarded by shipping lines as one of the most expensive ports. It is only by gently increased efficiency that this can be remedied. While much has been achieved in the last few years in respect of port facilities, there is still a great deal to be done to improve efficiency in many other ways.

Cotton

CRISIS OF PRODUCTION

UNFORTUNATELY COTTON production in our country has again failed to come up to the anticipated levels, thereby causing a shortfall of about 14 lakh bales, when compared to the estimated demand for the current year. Even if cotton already imported, as also that licensed to be imported, is taken into account, the Indian Mill Industry faces a shotage of over five lakh bales, which means that the cotton textile industry will be forced to depend on the carry-over stocks of 22 lakh bales, meagre as they are in all conscience. Mr. Madanmohan Ruia was not at all exaggerating, therefore, when he told the Fortieth Annual General Meeting of the East India Cotton Association Ltd., (E.I.C.A.) that, "unless imports are arranged forthwith, the balance at the end of the current year may be precariously small". "Indeed," he went so far as to say, "we are in the midst of a crisis created by short supplies and the position appears alarming". After having stressed the urgency of imports thus, however, Mr. Ruia seemed to have second thoughts. For he seemed to water down his demand by exhorting the cotton trade to appreciate the difficulties of Government and "be prepared to face it", (that is, the likelihood of severely limited imports of cotton).

Strangely enough, in the name of shortage of supply, the E.I.C.A. President not only approved of all the restrictions placed on cotton, but even suggested the possibility of more restrictions, if the trade, industry and everybody concerned failed to co-operate with the Government in implementing these measures. Lest there should be any misunderstanding of this comment, we reproduce below the relevant extract from his speech: "The shortage of supply has necessitated continuation and re-introduction of certain restrictive measures like compulsory surveys at the Ginning and Pressing stations, allocation of quotas to mills on the basis of past consumption, variety-wise distribution so that mills can buy according to availability of supplies of each of the varieties, requisitioning of cotton, and prohibition on holding stocks beyond certain limits. All these measures cause hardships, but these are necessary in the circumstances prevailing, and we ought to co-operate with the authorities whole-heartedly. I am afraid more restrictions would be inevitable if the trade, industry and everybody concerned do not co-operate in implementing these measures and none can then blame the authorities."

But Mr. Ruia was more realistic in his approach when he dwelt on the need for an "assured and adequate supply of indigenous cotton of desired varieties", which he described as "the remedy for all the ills of the present cotton situation". In this connection, he said: "It is now quite apparent that efforts must be concentrated on bringing about continuous increase from year to year in cotton production. It is the general wish of the trade, and also of the farmers, that the price control on cotton be lifted or, in the alternative, the present ceilings, which were fixed in 1951-52, be revised so as to bring them to realistic levels. There has been undoubtedly a considerable increase in the cost of production, i.e. cost of seed, labour, fertilisers, etc. and, therefore, a revision in ceiling is now urgently called for."

There was similar realism in the E.I.C.A. Chief's pointed insistence on the need to increase the per-acre yield of cotton. He quoted the yield figures in different parts of India and compared them with those of other parts of the world. In the light of these figures, he suggested a careful study of the potentialities and the facilities available in each region and also the concentration of special efforts on areas considered promising, such as Marathwada. "If necessary", Mr. Ruia added, "cotton should be included in 'package Plan' so that extra supplies of fertilisers, pesticides, etc. could be adequately provided". He also wanted priority to be given to the production of cotton in the new areas which are shortly coming under irrigation. "Positive efforts" on these lines and also price incentives are necessary, as he said, if production is to be increased in the shortest possible time.

Antibiotics

A STEP FORWARD

WITH the establishment of an Antibiotics Fermentation Plant at Atul, Bulsar, by the Lederle Laboratories (India) Limited, a local affiliate of the American Cynamid International, New York, one more milestone was achieved by the Pharmaceutical Industry in India. Since their establishment in India in 1946, the Lederle Laboratories

have covered a wide field. It was they who introduced the first broad-spectrum of antibiotics, i.e. Aureomycine Chlortertracycline, which, it may be recalled, was the invention of a well-known Indian scientist, the late Dr. Yellapragada Subba Row. And now, with the inauguration of the new plant by Nawab Mehdi Nawaz Jung, Governor of Gujarat, a few days ago, India has gone ahead and a full circle has been completed in the production of antibiotics. The present plant, we are told, will provide a local source of production for several antibiotics, including Aureomycine. It is interesting to note that this plant, which will provide employment for more than 700 people, will also facilitate the production of drugs to fight tropical diseases and Vitamin 'P' that is Folic Acid.

When India was on the threshold of Independence, she was wholly dependent on foreign sources for a number of her vital needs, such as fertilisers, drugs, dyestuffs and other chemicals, but, during the last two plan periods, India has made great strides. She has been able to construct not only a mammoth fertilizer plant in Sindri, but a number of pharmaceutical companies besides. The Vice-President of American Cynamid Company, Dr. R. C. Swain, who flew from New York specially to attend the function, rightly reminded his audience that no large nation could achieve economic self-sufficiency without a basic chemical industry, and recalled how it was the undaunted efforts of Mr. Kasthurbhai Lalbhai, the man behind the Atul Products, that brought about the partnership of American Cynamid with the Indian Industry to build up such a basic industry.

The inauguration is undoubtedly a significant event for the country. It will save India, which used to import large quantities of antibiotics, vitamins, and other disease-fighting agents, sizeable foreign exchange. The accomplishment of the highly complicated process of manufacturing antibiotics from start to furnish, without the necessity of importing bulk raw materials and intermediates from other countries, is undoubtedly a break-through into the most important field of antibiotic manufacture. But, as the Governor of Gujarat remarked, antibiotic manufacture is "A Saintly Act", in that it helps fight disease and offers longevity to people, unlike "the devilish field" of armament manufacture which has only annihilation to offer to humanity.

New Issues

BHARAT BALL BEARING COMPANY

THE DETAILS of the capital issue of the Bharat Ball Bearing Company are now available. The company is entering the market on February 26 for raising capital from the public to the tune of Rs. 41.95 lakhs—Rs. 15 lakhs in the form of 15,000 redeemable cumulative preference shares of Rs. 100 each and Rs. 26.95 lakhs in the form of 2,69,500 equity shares of Rs. 10 each. The list closes on March 7 or earlier as soon as the directors decide (presumably on the whole of the issued amount being subscribed), but not before February 28. The public issue, along with the capital already subscribed or promised to be subscribed by the promoters and their friends, will raise the issued and subcribed capital of the company to Rs. 75 lakhs, out of an authorised capital of Rs. 2 crores, consisting of 50,000 preference shares and 15,00,000 equity shares. The preference shares carry a fixed cumulative dividend of 9.3 per cent per annum, free of company's income-tax but subject to deduction of tax at the prescribed rate, and are redeemable at par at the option of the company, wholly or in part, at any time or times after the expiry of 12 years from the date of issue but not exceeding a period of 15 years.

The company, as already reported in these columns, is setting up a plant at Ranchi to manufacture ball, roller and tapered bearings. It proposes to particularly concentrate on the production of precision bearings required for electrical fans, fractional horse-power motors, machine tools etc. The capacity of the plant will be 2.5 million bearings output a year. The plant is expected to be installed during the current year. The full capacity is expected to be attained by 1964. Orders for the major part of the plant have already been placed.

The total financial requirements for the project are estimated around Rs. 1.92 crores. Share capital will be yielding Rs. 75 lakhs. The rest of the expenditure is proposed to be met through a loan from the Industrial Finance Corporation of India (Rs. 60 lakhs), from cash credits from the company's bankers (Rs. 32 lakhs) and from the current earnings of the company, comprising part of the provision for depreciation and development rebate, (Rs. 25 lakhs).

The foreign exchange component of the project is estimated at Rs. 65 lakhs. To meet this, the company has been given import licences out of the U.S. D.L.F. funds.

Technical collaboration for the project has been arranged with the Fafnir Bearing Company of New Britain, Connecticut, one of the largest integrated manufacturers of ball bearings in the United States. The foreign collaborators will not only supply all the technical know-how and train Bharat Ball Bearing technicians, but also make availble to it the benefits of its research in the field.

In the initial stages, the company will be importing its essential raw material—high carbon chromium alloy steels—from West Germany, Sweden and Japan. But when the alloy and special steels plants proposed to be set up in India go into production, the major part of the raw material will be procured indigenously.

At the end of the Third Five-Year Plan, the requirements of bearings are estimated to go up to 15 million per annum. The present indigenous output of the commodity is not more than 2.5 million. In view of the expanding market for the commodity and due to the fact that most of products of the new company will be consumed by its own associated engineering units, the company is not likely to encounter any difficulty in marketing its production.

BARIUM CHEMICALS LIMITED

TWO MORE companies are entering the capital market next month. The most important of these is a newly floated concern, named Barium Chemicals Limited, which will be raising from the public Rs 40 lakhs in equity shares of Rs 100 each. The list opens on March 9. The company has an authorised capital of Rs. 100 lakhs. Out of this, it is issuing capital worth Rs. 50 lakhs. The promoters, directors and their friends have already taken up shares worth Rs. 10 lakhs.

The company proposes to set up a plant at Kothagudam, near Dornakal, Andhra Pradesh, to undertake the manufacture of all types of barium compounds and inorganic chemicals. The capital outlay on the project is estimated to be Rs. 53.6 lakhs. The issued share capital will be providing Rs. 50 lakhs. The remaining sum of Rs. 3.6 lakhs is envisaged to be procured through bank borrowings.

The plant will have a capacity to produce annually 2,250 tons of blanc fixe (pigment quality), 450 tons of barium chloride of technical quality, 25 tons of barium chloride of BP quality, 25 tons of barium sulphate of BP quality, 1,100 tons of barium nitrate, 600 tons of barium carbonate and 100 tons of barium hydroxide. Besides, it is expected that 1,800 tons of barium sulphide (black ash) and 600 tons of sulphur will be recovered annually as by-products. The company has also plans to expand its range of production to include the manufacture (for its own requirements) of sulphuric and nitric acids.

Technical collaboration for the project has been arranged with the world-renowned British firm of Messrs. L. A. Mitchell Limited, of Manchester. The technical collaborators have agreed to supply and erect the plant and machinery and provide the technical know-how, plant management and staff training at a total cost of Rs. 24.60 lakhs. Of this, 13.60 lakhs are to be paid in sterling in England and the balance in rupees in India. The Government of India has approved of this arrangement.

The collaborators have guaranteed the quality of barium chemicals to be produced by this company, to B.S.S. requirements. They have also guaranteed the cost structure and the performance of the plant and machinery. The supply of plant and machinery is to be completed by June this year. The factory is expected to go into production by the end of 1962 or latest by February, 1963.

The Board of Directors of the company includes Mr. V. P. Menon, former Governor of Orissa and the Chairman of Nizam's Trust, (Chairman), Mr P. S. Rau, former Governor of Kerala and Chairman of Damodar Valley Corporation, Mr. V. N. Narhari Rao, former Auditor-General of India and Executive Director of the World Bank, and Mr P. N. Balasubramaniam, the promoter of the project. Mr Balasubramaniam is the managing director of the company.

STAR TEXTILE ENGINEERING WORKS

THE SECOND COMPANY which is entering the capital market next month is the Star Textile Engineering Works Limited, Bombay. It will be issuing 20,000 equity shares of Rs. 100 each, with a view to raising its share capital from Rs. 5 lakhs to Rs. 25 lakhs. Of these, the present share-holders, the directors of the company and their friends have agreed to take up 7,750 shares. The balance 12,250 shares are being offered to the public. The list opens on March 1 and closes on March 7 or earlier at the discretion of the directors, but not before March 5.

The stepping up of the capital of the company has been necessitated by the expansion plans it has drawn up to expand its activities. These include increasing the production of ring and fly frames, rollers and cylinders and undertaking the manufacture of components for top arms and ball bearing jockey pulleys, steel bosses for ball bearing arbours, conveyor chains, grinding lathes, mounting machines etc. The company is already engaged in the manufacture of a wide range of textile machinery and accessories, including knurled rollers and drying and finishing cylinders, at its plant at Lower Parel, Bombay. To expand its activities, it proposes to set up a new factory near Dombivli.

The company's total turnover in 1960 amounted to Rs. 37.40 lakhs, which yielded a net profit (befor taxation) of Rs. 4.42 lakhs. Last year, its total sales amounted to about Rs. 45 lakhs and the profit is not expected to be less than that in the previous year.

I.F.C.

CAPITAL TO BE RAISED BY RS. 2 CRORES

THE INDUSTRIAL FINANCE CORPORATION OF INDIA has been authorised by the Central Government to issue further 4,000 fully paid-up shares of Rs. 5,000 each (worth Rs. 2 crores). The shares are guaranteed by the Central Government as to the repayment of principal and payment of an annual dividend at the minimum rate of 4 per cent.

The Central Government and the Reserve Bank of India will each subscribe for 800 shares and the remaining 2,400 shares are offered for public subscription to scheduled banks, insurance companies, investment trusts and other like financial institutions, registered in India under the Indian Companies Act, and the co-operative banks in the following proportions:

Scheduled Banks	1,000 shares
Insurance Companies, Investment Trust and other like financial institutions	1,000 shares
Co-operative Banks	400 shares

The shares of the Corporation are deemed to be included among the securities enumerated in Section 20 of the Indian Trusts Act, 1882, and are also deemed to be approved securities for the purposes of Insurance Act, 1938, and the Banking Companies Act, 1949.

The subscription list will be open from March 12 to March 15 (both days inclusive). The dividend on the new shares will acrue and be paid to the shareholders from March 12.

Shipping

WITH THE granting of a loan of Rs. 20.25 crores to Jayanti Shipping Company by the Shipping Development Fund Committee, the stage seems to have been well set for the company to go ahead with its plans. The Committee, however, stipulates that the company should raise its paid-up capital of Rs 1.5 crores before it can become eligible for any portion of the loan. Thereafter the company will have to build up its equity capital prgoressively upto Rs. 5 crores as further instalments of the loan fall due. The Committee has also tipulated that the company will convert itself into a public limited company within a period of one year from the date of signing of the loan agreement immediately before the first instalment of the loan is due for payment whichever is earlier. The interest to be charged will be only three per cent and is in conformity with all loans granted by the Shipping Development Committee for acquisition of ships. When the ships are acquired, employment to about 700 seamen of various ranks will be provided and they will be manned entirely by the Indian crew from the very beginning. The managing director will be a resident Indian national and there will also be a nominee of the Shipping Development Committee who will function on the board of directors of the company for the entire duration of the loan. In this way the interests of Indian merchant shipping are intended to be protected. The provisions of Section 21 of the Indian Merchant Shipping Act 1958 in regard to the quantum of foreign participation in equity capital will, of course, be complied with fully.

This loan is for the construction of about 13 new cargo ships totalling 200,000 GRT to be obtained before the end of 1964. The order has already been placed on the Mistsubishi Shipyard in Japan for the construction of bulk carriers approximately totalling 160,000 GRT. The first ship is contracted to be delivered next year while the other 7 are expected to join the Indian fleet by June, 1964. The acquisition of tramp shipping and bulk carriers by the Jayanti Shipping Company is likely to come in very handy as the Indian merchant fleet has been very short of these ships. Thus five tramp ships and 8 bulk carriers will not only help correct the deficiency in the Indian merchant marine but will also place the fleet on a more balanced basis. When used on the Indian trade these ships will save foreign exchange and will earn foreign exchange when they are engaged in cross trading. The noteworthy feature is that no payment in respect of a ship is to be made to the Shipyard until the ship is delivered and the first payment is only 10 per cent of the price of the ship. It is considered that when payment is made the ships will be in a position to earn or save sufficient foreign exchange. The total payment to be made during the Third Plan period to the Shipyard would amount to about Rs. 7 crores.

FROM THE CAPITAL'S CORRIDORS

ECONOMIC CO-OPERATION BETWEEN ASIAN COUNTRIES

A Ministerial-level meeting is envisaged to be convened at an early date to set up an organisation for Asian Economic Co-operation. This is indicated in the draft of a Joint Declaration circulated by the ECAFE Secretariat amongst its Asian members, along with the report of the K.B. Lall Group on the need and possibilities of fostering co-operation on the economic front between the countries of this region.

The Government of India, it is learnt, has already sent a reply to this communication from the Executive Secretary of the ECAFE, stating that India accepted in principle that there should be greater economic co-operation amongst the members of the ECAFE and assuring that if there was general acceptance by the ECAFE members to co-operate further in this field, India would be glad to extend full co-operation.

Japan's reaction towards the formation of this Organisation is understood to be only lukewarm, but she is likely to agree to the proposition in principle. So the proposed conference may be held at none-too-distant a day.

The following is the text of the Joint Declaration which the ECAFE Secretariat has sent to its Asian members:

"The Governments of the countries of Asia, members of the United Nations Economic Commission for Asia and the Far East,

Considering that the rapid development of the economy of their respective countries is essential for the improvement of general well-being of the Asian peoples, the promotion of their prosperity, and the maintenance of peace;

Expressing their deep concern that the slow rate of growth of Asia's exports, the wide fluctuations in their volume and prices, the wide gap between export earnings and import requirements of Asian countries and the inadequate progress in the utilisation and development of Asian resources, constitute major obstacles to rapid economic development;

Realizing that closer economic co-operation among the countries of Asia is a pre-requisite for an accelerated rate of economic development, and for the mitigation of various difficulties facing them;

Noting that other areas of the world are benefitting greatly from regional economic co-operation;

Recognizing that greater economic co-operation among Asian countries will promote and strengthen the growth of trade and economic co-operation with the rest of the world;

Taking into consideration the current plans of economic development in Asian countries and the need and the urgency for greater regional co-operation in Asia;

Determined to take practical measures for promoting regional co-operation in various fields including trade, industry, agriculture, transport and communications;

Resolved to create the conditions and to establish the institutions necessary for the success of Asian economic co-operation;

Do hereby declare:

First, that regional economic co-operation shall be animated by a spirit of goodwill, mutual respect for national sovereignty, and the desire to assist one another in furthering their respective developmental programmes, with due recognition of the importance and desirability of co-operation with countries outside the ECAFE region;

Second, that the objectives of regional economic co-operation shall be:

1. To co-operate, subject to the requirements of their respective development plans, with one another, for the expansion of mutual trade and for the progressive reduction of tariffs and other trade barriers among themselves, with due regard to their obligations to countries within and outside the region;

2. To promote new lines of production and trade in industrial, agricultural and mineral products by means of exchange of information in long range import requirements and export possibilities, as also joint studies of and mutual consultations on national development plans with a view to encouraging efficient utilisation of resources of the region;

3. To assist one another, by means of appropriate measures, including long-term contracts and agreements, in the expansion of production and trade in agricultural and mineral products;

4. To co-operate in the formulation and execution of industrial projects, especially through the establishment of such units on a regional or sub-regional basis, paying special attention to the requirements of the industrially less advanced countries of the region, and to the possibilities of pooling the region's technical and financial resources;

5. To study problems of international commodity trade; to initiate in co-operation with international agencies concerned appropriate measures for safeguarding the interests of primary producers and augmenting their capacity to contribute to the expansion of international trade; and to adopt joint promotional measures for expanding commodity trade with other regions on a basis of mutual benefits;

6. To co-operate in the development of intra-regional transport and communication facilities and in the promotion of joint or co-ordinated measures in this field;

7. To co-operate in ancillary fields such as banking, insurance, settlement of commercial disputes, and travel and tourism; and

8. To facilitate and co-ordinate within the regional framework sub-regional co-operation and sectoral arrangements in specific fields of economic endeavour.

Third, that for the purpose of fulfilling the above objectives, an organisation for Asian Economic Co-operation shall be established, and that this organisation shall be under the direction of a Council of Ministers, comprised of plenipotentiaries of all member States and be assisted by the Secretariat of the United Nations Economic Commission for Asia and the Far East;

Do according AGREE to convene a Meeting of Ministers at an early date to take further steps in this regard."

The report of the K.B. Lall Group, which will form the basis of the discussions at the proposed meeting of the Ministers, is largely in the form of suggestions on the need and possibilities of fostering economic co-operation among the Asian and the Far Eastern countries. Some of the basic and fundamental observations made in this report are as follows:

1. Individual countries in trying to solve their balance of payments difficulties by curtailing the import of goods produced in neighbouring territories are likely to set in motion a chain reaction that will eventually recoil on them and make their own task more and more difficult. A concerted effort is, therefore, called for to liberalise trade in regional products amongst regional countries so that both production and commerce, as also related economic activities, are freed from the cramping effect of restrictive regulations.

2. While the creation of a full-fledged customs union or a free trade area may not be immediately feasible, it should, nevertheless, be possible to set up a joint regime to evolve measures that may be necessary in the field of tariff reductions, enlarged quotas and other facilities for expansion of exports which may be mutually agreed upon by participating countries to secure an increase in intra-regional trade. Such aids and incentives would be justified on grounds of 'infant' trade which needed special treatment.

3. It is sometime contended that since the countries in the region are in different stages of economic development, it is not easy for them to co-operate with one another. It is true that co-operation in Western Europe is essentially of the horizontal type, namely, the industrially developed countries exchange among themselves a wide range of manufactured products. In Latin America, co-operation is being attempted in the first stage largely among developing countries on a horizontal basis, with provision for vertical integration. In the ECAFE region there is need of a scope for both horizontal and vertical types of co-operation. For countries which are not in a position to achieve economies of scale and have yet to make appreciable progress in industrial development, co-operation will be of great value. Co-operation between countries in different stages of development will be equally essential, if intra-regional trade is to be developed in raw materials, agricultural and mineral as also in industrial goods. As the less-developed countries succeed in establishing procesing and manufacturing units, their capacity to produce for export to the other countries of the region will develop appreciably, and, ultimately, when all the countries of the region become industrialized, of course in different sectors and with possibly varying specialisations, horizontal co-operation will become a more important means of exchanging goods.

4. Experience in other regions shows that in implementing additional import quotas among the countries of the region, some countries will emerge with surpluses and others with deficits and these imbalances will require to be taken care of by some regional payments and compensation mechanism. It is not possible for the export group to examine in detail the various technical aspects of the payments problem and the compensation mechanism. Nor is it possible to estimate the finances required for the compensatory mechanism unless reasonable estimates of the additional intra-regional trade and the emerging surpluses and deficits are available. However, the Group is of the view that experience in Western Europe and other regions in this regard has been most useful and can be drawn upon, with suitable modifications, to institute the multilateral compensatory mechanism needed for the ECAFE region.

5. It is desirable to promote intra-regional trade also by means of regional industrial units which would involve sectoral or partial integration in certain commodity markets and industries. The advantage of large-scale economies can be ensured by establishing industrial units in economical locations, with opportunities of marketing their products in other countries of the ECAFE region. Some element of tariff-cum-quota preference can be applied with great advantage to the products of such regional or sub-regional industrial units. Such preference will enable the industrial unit to market its products at competitive prices despite the difficulties during the infant stage. The advantage of an ensured larger market in several countries will attract investors and entrepreneurs from within and outside the region to invest their capital in those units.

6. Countries which at present are mainly dependent on the export of agricultural and other primary products for their foreign exchange resources and on imports of manufactured goods and equipment and machinery from other countries within or without the region, will need to diversify their economies, organise the processing of domestic materials and increase their exports. Regional co-operation measures in the form of regional or sub-reginal industries catering to multi-nation markets, the establishment of processing industries and long-term trade agreements and contracts can make a significant contribution in achieving the above ends.

7. A factor retarding the development of new industries, even when other favourable conditions are present, is the relatively small size of the domestic market. This is true not only of countries with small populations, but also of large countries with very low levels of income. This is also true of industries which produce by-products or require semi-processed products of other industry. The inter-relationship among industries tends to be more and more complicated as the process of industrialisation proceeds, and this necessitates larger and larger markets. There is undoubted scope for selective action to ensure that advantage is taken of the economies of scale to establish industrial units in locations where production can be planned economically, provided the promoters are confident that facilities will be available to them for marketing their products in neighbouring countries or perhaps in the region as a whole. It should be possible for countries in the region by mutual agreement among themselves to provide access to their respective markets for the products of industrial units which are set up in different locations of the region.

8. In the case of sugar, regional production and consumption are almost equal, but only half of the regional requirements are met from within the region. These possibilities broadly indicate the need and scope for the co-ordination of targets of production of several agricultural commodities in the region.

9. It is necessary for Asian countries to ensure that too great an incentive is not given to substitutes in Western Europe and that Asian exporters are not placed in West European markets at a disadvantage in comparison with producers in other regions or territories. The organisations which are being set up in Latin Amerioa to co-ordinate commercial and economic policies are likely to provide facilities for protecting their commodities on a regional basis. It seems, therefore, essential for Asian countries not only to safeguard their interests through regional measures, but also to co-operate with global bodies to seek a fairer deal for primary producers and primary products.

10. The establishment of freight study units is naturally the first step which could be taken up in order to ascertain the incidence of freight on the competitive position of a country's products in foreign markets. Such units could be set up in co-operation with the commercial organisation concerned with the various major export commodities. Most of the member countries of the region have to depend upon foreign shipping lines for the movement of their cargoes and it is reported that they suffer considerable freight disadvantage in a number of commodities vis-a-vis the countries of other region which have developed their own national shipping. Another factor hampering long-term development of trade has been the frequent changes in the freight rates. If intra-regional trade is to be developed, suitable machinery will need to be devised so that these problems are studied from the national as well as the regional angle, and whenever necessary, consultations with the foreign shipping lines are held. This could probably be achieved by setting up a regional shipping and freight committee which might be set up in the member countries. It would also be necessary to bring about greater co-operation among the commercial interests in the region so that they are able to negotiate with the shipping lines. The experience of countries, such as Australia and the Netherlands, which have set up exporters' associations and shippers' councils would be of interest in this regard.

11. The advantage of having a fleet of small ships which could make short runs and call at minor ports and generally work economically towards promoting the trade of the region is obvious. For example, a service which takes cargo from Persian Gulf ports to Pakistan, India, Ceylon, Burma and Malaya and back could be

conceived. Branch lines from Singapore to Hong Kong and Japan or Djakarta and Australia could also be set up. It is possible that if left purely for commercial exploitation, the route may not at first appear quite remunerative. But if an intelligent assessment of cargoes between particular ports is worked out, the proposal might be feasible.

12. A suggestion which would appear to merit serious consideration in this connection is the establishment of a joint shipping line by countries of the region. Considerable economies in the operation and pooling of resources can be secured thereby. Such a service would open up new channels of intra-regional transport and trade and facilitate a greater utilisation of ships building and repair facilities available within the region.

13. The proposed organisation for the Asian Economic Co-operation is conceived as an executive agency for taking concrete measures and for implementing agreed programmes of action. One of its chief tasks will be to try to give practical shape to and to put into effect the conclusions which are reached as a result of studies by and discussions in different ECAFE organisations. In view of the close links which are envisaged to subsist between the Regional Commission and the Regional Organisation, it is obvious that the headquarters of this Organisation should be located at the same place as the headquarters of ECAFE.

14. It will be essential to clothe the Organisation with the authority to make decisions binding on the participating Governments. Without such authority, the Organisation may not be able to make any significant contribution to the growth of co-operation in the region. Provision may, however, be made to provide for remedies to members who, for good reasons, dissent from the Organisation's decision in any particular respect. It is, however, to be hoped that because the field of work proposed to be covered is so limited, the commitments expected of participating Governments are so small and the objective to be attained is so much in the interest of all that occasions to invoke such a provision will be few and far between.

WORLD TRADE IN TEXTILES

The draft agreement on international trade in cotton textiles, negotiated recently at Geneva, has been interpreted here as providing an opportunity to the Indian textile industry to push up its exports to the United States and Europe. The agreement, which is to be ratified by the nineteen participating countries before October 1, 1962, envisages entering of bilateral arrangements between the member countries on the quantum of trade in textiles between them.

The following are the salient points of the agreement:

(1). Countries continuing to apply import restrictions — especially in Europe — undertake to increase access to their markets for exporting countries in phased stages. In most cases, the actual extent of access would be determined by bilateral negotiations. The increase of access to these markets would correspondingly reduce the pressure on the markets which do not at present apply restrictions and would, to that extent, reduce the need for such markets invoking restrictions on exports to their markets by the exporting countries.

(2) Countries which do not at present restrict exports to their markets--namely, the U.S.A., Canada—would continue unrestricted access to their markets. If, however, any country or countries, by a sudden increase of their exports to these markets, cause or threaten to cause disruption of the domestic industry, the importing country would request restraint on the exports of the exporting countries. The minimum level at which such restraint would be requested would be the average exports during 12 monthe ending 3 months before the request for restraint is made, during the next 12 months period. If restraint is needed for more than 12 months, there would be ordinarily an increase of O to 5 per cent in the permitted exports during the next 12 months period and a further increase of 5 per cent in the third year. Normally at the end of three years the situation of disruption would be considered to have ended as there would have been time for the adjustment of the domestic industry to the new conditions in world trade in cotton textiles. No restraint would be placed on the exports of countries not causing or threatening disruption.

(3). The measures envisaged in the long-term arrangement, enabling application of measures of restraint, are to be resorted to only sparingly and to be limited to the precise products or groups or categories of products causing or threatening to cause disruption.

(4) In applying the long-term arrangement, importing countries will have due regard to the emphasis on orderly expansion of trade in cotton textiles and, while having regard to equity, would give particular consideration to the needs of the less-developed countries possessing the necessary resources such as raw materials and technical skill to have larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture.

(5) The GATT Cotton Textile Committee will annually review the working of the arrangement and, at the end of three years, would conduct a major review of the working of the arrangement.

It is expected that a large number of the 19 participating countries would accept the draft long-term arrangement in time for it to enter into force on October 1, 1962. There is provision in the arrangement for the participating countries to meet at lease one week before October 1, 1962, in order to take a decision, depending on the status of acceptances, in regard to the entry into force of the arrangement.

Indian textiles, it is pointed out here, can stand competition in the world market quite well on the basis of quality. They, however, are high-priced as compared to Japanese textiles and may have to be exported at some loss.

India is totally opposed to the proposal of the U.S. Government to levy a duty of 8.5 per cent per pound of the cotton content in imported textiles. The draft agreement, it is explained, provides a remedy to deal with such cases. As a last resort, Article 35 of GATT can be invoked. The levy may jeojpardise the ratification of the agreement if it is imposed earlier.

U.S. AID TEAM CONCLUDES TALKS

The U.S. Aid Team, led by Mr. William S. Gaud, concluded its talks with the Government of India on February 17. The talks lasted five days. In his this mission, Mr. Gaud, the newly appointed Assistant Administrator for the Near East and South Asian Region in the United States Agency for International Development, was primarily interested in familiarizing himself with the U.S. aid operations in the area as also with the progress made on the projects and programmes previously financed by the United States. Mr. Gaud had exploratory talks with Mr. L. K. Jha, the Economic Secretary, Union Ministry of Finance, and Mr. N. N. Wanchoo, Secretary, Department of Iron and Steel, concerning possible aid from the United States for setting up the Bokaro Steel Plant.

He had also discussions with the Union Ministries of Irrigation and Power and Commerce and Industry and the Railway Board on the applications made for loans to make up the remainder of the U.S. commitment of $545 million (approximately Rs. 257 crores) for the first year of the Third Plan.

After his discussions with the Government of India, Mr. Gaud left for Pakistan for similar talks there. His principal adviser, Mr. John A. Ulinski has stayed behind for a period of two weeks to examine the progress made on the projects financed previously with the U.S. aid and also to investigate the new projects which may qualify for assistance from the U.S. Government.

Further talks on U.S. collaboration in the Bokaro Steel Plant are envisaged to be held next month.



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PRESS NOTE ISSUED BY THE GOVERNMENT OF INDIA, MINISTRY OF COMMERCE & INDUSTRY DEPARTMENT OF COMPANY LAW ADMINISTRATION, NEW DELHI

It has come to the notice of the Government of India that a Society called the "All India Society of Corporate Accountants & Auditors" has been registered in Calcutta under the Societies Registration Act reportedly for training up students in the profession of accountancy. The Government would like to make it clear that the Institute of Chartered Accountants of India constituted under the Chartered Accountants' Act, 1949 is the only statutory body the Members of which, namely Chartered Accountants, are, along with the Restricted State Auditors, entitled to be appointed as auditors of companies under Section 226 of the Companies Act, 1956. The Society referred to above is not recognised either by the Government of India or by the Institute of Chartered Accountants and its members are not eligible to be appointed as auditors of companies under the Companies Act or to undertake any other audit work required by law to be done only by Chartered Accountants. As this Society has no statutory backing and its members no recognised status in the eye of law, public are hereby informed that engaging any member of this Society for performing any work which is statutorily required to be performed by a Chartered Accountant would result in non-compliance with the relevant provisions of law with the penal consequences thereof.

(INSERTED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI)



STEEL IMPORTS FOR RAILWAYS

The requirements of the Indian Railways during the current year are placed at 4.5 lakh tons. Of this, only half the quantity is likely to be available from indigenous sources. The Railway Board, therefore, has arranged to import 30,000 tons of rails from Russia (10,000 tons of these have already arrived), 85,000 tons from Poland, 40,000 tons from Czechoslovakia and 55,000 tons from Yugoslavia.

BIRLA'S NEW VENTURE IN NEPAL

Birlas have signed an agreement with the Nepalese Government for setting up a modern textile mill at Birganj, in South Nepal. The entire capital investment for the mill, estimated at a little over Rs. 2 crores, is to be provided by Birlas. The Board of Directors of the company will have three Nepalese nominated by the Government of Nepal.

The mill will have 400 looms and 15,000 spindles.

THE SWISS CREDIT

Approval has been accorded to import Swiss plant and machinery to be financed from the Swiss credit. The following companies are to benefit from this credit.

The Mettur Chemicals and Industrial Corporation will import 22 Caustic Soda Mercury Cells, valued at 1,395,100 Swiss Francs, and Chlorine Scrubbing and Drying Plant, valued at 204,900 Swiss Francs, from the KREBS. From the same Swiss Firm, Century Rayon Mills of Bombay will import 2,500,000 Swiss Francs worth of Caustic Soda Plant. Another Indian undertaking, Fertilizer and Chemicals Limited of Travancore will import from the KREBS and Company 110 KW Switchgear valued at 497,500 Swiss Francs. The fourth Client of KREBS and Company is National Newsprint and Paper Mills, Limited, which has contracted to import one Chlorine and Caustic Soda Plant valued at 2,493,800 Swiss francs.

The Kanoria Chemicals and Industries Limited has contracted to import through the KREBS one complete Cell Plant and its auxilliary equipment valued at 2,610,000 Swiss francs. The KREBS will also supply the Travancore and Cochin Chemicals, Limited eleven Mercury Cells to manufacture Caustic Soda, valued at 867,650 Swiss Francs and one complete plant for the manufacture of Sodium Sulph with accessories valued at 320,000 Swiss Francs. Lastly the Doaba Co-operative Sugar Mills of Nawanshahr has contracted to import 1,000 KW Turbo set valued at 222,900 Swiss Francs from Brown Boveri and Company.

Moreover, the Hindustan Electricals and Brown Boveri have entered into collaboration. Approval has been accorded to the terms of collaboration under the expansion scheme in which the Swiss firm will meet all the requirements of foreign exchange upto 5.5 million Swiss francs. The expansion programme includes the manufacture of Switchgears, generators, electric furnaces, rectifiers and lighting ancesters. It was agreed to export twenty-five per cent of the production, so created, provided Brown Boveri and Company were satisfied that Indian product came up to their standard and specifications. The Swiss firm, at present holds fifty per cent in the equity capital plus one share of the Indian undertaking. It has been permitted to retain the existing pattern in the equity capital.

THE YUGOSLAV CREDIT

Broad allocations of the Yugoslavian credit of forty million dollars have now been agreed upon. Ten million dollars will be available for the purchase of ships, another ten million dollars for Power projects and the remainder will be utilized by the Ministry of Commerce and Industry and the private sector.

IDA CREDIT

India has asked assistance from the International Development Association, an affiliate of the World Bank, for four irrigation and power projects. They are the Parambikulam project, a joint venture of Madras and Kerala Governments, the Purna project in Maharashtra, the Tawa project in Madhya Pradesh and the Sone project in Bihar. The Parambikulam project, when completed, will irrigate 240,000 acres of land and produce 180,000 kw. of power. The Tawa multipurpose project will provide irrigation facilities for 787,000 acres and generate 42,000 kw of electricity. Purna also is an irrigation-cum-hydro-electric project. While it will irrigate 152,000 acres, it will generate only 15,000 kw. The Sone project will irrigate 307,000 acres in Bihar.

As a result of the discussions, assistance by the World Bank and the International Development Association for the multi-purpose Beas project in the Punjab, the Sone barrage in Bihar and for a detailed survey to assess the power potential in the country is now assured.

NORWEGIAN FISHERIES EXPERT IN INDIA

A Norwegian expert arrived here recently to help draw up the final project report for the Fisheries Operatives Training Institute, proposed to be set up by the Government of India at Cochin. The Institute, for which Norway is expected to supply technical aid, will train a wide range of personnel, including fisheries engineers, boat-building foremen, master-fishermen, gear technicians and refrigeration and processing staff. The draft outline of the project report for the Institute, it is gathered, has already been prepared and it has been approved in principle by the Planning Commission.

MORE COAL WASHERIES

The Government of India has decided to give preferential treatment to the manufacturers of coal washeries. At present there is only one such manufacturer in India and the equipment is obtained on the basis of global tenders. With the setting up of additional capacity in India, the tenders will be restricted to the indigenous manufacturers.

In order to meet the increasing needs of the steel plants for coking coal of good quality, Government of India has planned to create 12.7 million tons of additional capacity for the washing of coking coal under the Third Plan. Part of this washing capacity is being set up by the Hindustan Steel and part by the National Coal Development Corporation. The Hindustan Steel's programme comprises setting up of a Second unit at the existing Dugda Washery with a capacity of 2.4 million tons and by expansion of the Bhojudih washery which is expected to be commissioned shortly, by about 0.8 million tons.

Of the washeries for coking coal being planned by the National Coal Development Corporation, Kathara, with an input capacity of 3 million tons and Karanpura with a capacity of 2.8 million tons are being financed from Russian and Polish credits respectively. These washeries will be commissioned by about the end of 1964. The project reports for two other washeries, namely, one at Chalkari (0.5 million tons), which will be an extension of the present Kargali Washery and the other at Swang (1 million tons) are expected to be ready by March and June, 1962, respectively.

While the washeries at Kathara and Karanpura are tied with foreign credits, those at Swang and Chalkari offer scope to indigenous manufacturers. Subject to price and delivery being reasonable, the indigenous manufacturers will be given preference over foreign suppliers. The expansion of the Dugda washery offers similar scope to the indigenous manufacturers.

The National Coal Development Corporation propose to set up two more washeries with input capacities of 1.5 million tons and 2.2 million tons respectively at Ramgarh and Sudamdih. Although the mines in respect of these are being planned respectively with American and Polish technical assistance—the manufacture and installation of washeries for these projects will be by indigenous manufacturers, subject to price, delivery, etc., being found reasonable. A few more coking coal washeries may be set up by the Corporation and the private sector steel plants. These will also be within the scope of supply of indigenous manufacturers, who will have preference over foreign suppliers depending upon the ...ory price and delivery term.

RECORD EXPORTS IN 1961

India's export earnings in 1961 were of the order of Rs. 668 crores, the highest ever except during 1951-52 when the value of exports was slightly higher on account of the Korean War boom. Compared with 1960, export earnings last year were higher by as much as Rs. 34 crores. The 1961 export performance approximates the Plan estimate of Rs. 667 crores worth of exports in the 1961-62 financial year.

Official circles, although still anxious to step up exports in view of the country's none-too-happy foreign exchange position, have expressed much satisfaction over the last year's performance due to the fact that record earnings have been achieved despite a fall in the world prices of some of our traditional exports, like tea, manganese ore, undressed hides and skins, spices, oilcakes and tobacco. Despite a fall in average prices, the earnings on account of exports of tea, tobacco and coffee increased substantially last year. The shortfall in respect of some other items was made up by the increased export earnings from jute manufactures, sugar and art silk and fabrics.

Foreign exchange to the tune of Rs. 16 crores was earned through exports of iron and steel, metal manufactures, machinery and transport equipment during the 11 months to November, 1961, as against Rs. 11 crores during the corresponding period in 1960.

INDIA'S TRADE WITH U.K.

India's unfavourable trade balance with the United Kingdom increased from £2,019,000 in 1960 to £6,865,000 in 1961. Total exports from India to Britain during this year amounted to £144,929,000, while imports from these amounted to £151,794,000. The corresponding figures for 1960 were £148,464,000 and £150,483,000.

Major declines in exports were in tea, leather and leather goods, cotton yarn and woven fabrics and miscellaneous textile manufactures. The exports of the last two items fell by as much as £2,758,000, from £26,241,000 in 1960 to £23,473,000 in 1961. Tea exports declined by £1,101,000 from £63,518,000 in 1960 to £62,417,000 in 1961.

Notwithstanding the fact that imports from Britain of almost every major article were lower in 1961 than in the previous year, total imports were up by £1,311,000 over the 1960 level. Imports of machinery other than electrical machinery, apparatus and amounted to £42,568,000 as against £43,550,000 in the previous year. Imports of electrical machinery, apparatus and appliances were of the order of £13,546,000 as against £14,809,000 in 1960. Imports of road vehicle and aircrafts suffered a sharp decline from £22,381,000 to £14,658,000.

INDO - RUMANIAN TRADE

The existing trade agreement between India and Rumania has been extended upto December 31, 1962, as a result of the signing of a new protocol.

The commodities available for import from Rumania continue to be machine tools, oil prospecting and drilling equipment, power transformers, electric motors (permissible types), water and electric meters, diesel generating sets, refrigerating compressors, petroleum products, petroleum coke, carbon black, caustic soda, dyes and intermediates, bleached wood pulp, other chemicals and pharmaceuticals, printing paper etc.

The commodities that can be exported from India to Rumania are rolled steel products, jute manufactures, coir products, cotton textiles, woollen products, asbestos textiles, hides and skins (tanned and semi-tanned), tanning materials, fountain pens, plastic goods (including spectacle frames), animal casings, dry salted fish and tinned fish, sport goods, paper and pulp-making machinery and equipment etc., besides the traditional goods like tea, coffee, pepper and spices, shellac, essential oils, iron ore, ferro-manganese, mica, cashew kernels seasum seeds etc.

The volume of trade between India and Rumania during 1961 is estimated to have been slightly over Rs. 6 crores both ways. During the current year, the trade between the two countries is expected to develop further.

INDO - YUGOSLAV TRADE

As a result of the talks held between a trade delegation from the Federal Peoples' Republic of Yugoslavia and the officials of the Government of India, trade between the two countries is envisaged to be stepped up to a higher level than approximately Rs. 13 crores achieved in 1961. A fresh schedule of goods available for export and import between the two countries for the current year has been arrived at.

The commodities that can be imported into India from Yugoslavia during the current year are machine tools, cranes, marine and diesel engines, rails and railway equipment, textile machinery, telephone and railway signalling cables, metals and metal products, refractories, mineral lubricating oil, explosives and accessories, bleached wood pulp and printing paper.

Exports from India to Yugoslavia will be rolled steel products, machine tools, textile machinery and accessories, railway materials, cotton and woollen fabrics, leather footwear, tinned fruits and juices, coir products, wood screws, diesel engines, precision and scientific instruments, industrial pumps, air compressors, zip fasteners, vacuum bottles, bicycle parts, spectacle frames, fountain pens, cosmetics and toiletries, rubber goods, plastic goods, asbestos manufactures, coke-oven bye-products, plywood and veneers, jute manufactures, linoleum, sports goods, handicrafts, chemicals, drugs and medicines, tanned and semi-tanned hides and skins etc., apart from such traditional goods such as tea, coffee, spices, tobacco, cashew kernels, essential and vegetable oils, mica, shellac, iron ore, mining products etc.

ANKLESHWAR CRUDE FOR BOMBAY REFINERIES

Bulk supply of Ankleshwar crude to the Burmah-Shell and the Standard Vacuum Refineries in Bombay started last week when the first bulk consignment of 600 tons of crude from the Ankleshwar oilfields was despatched to the two refineries. The supply is envisaged to be gradually increased to 1,500 tons a day by the end of the current year. This will lead to a daily saving of well over Rs. one lakh in foreign exchange for the country.

So far 31 wells have been drilled in the Ankleshwar oilfield. Of these, 16 have turned out to be producers of good quality petroleum; 2 have proved dry and 4 are under test. The Ankleshwar crude has a high API gravity and is superior to the crude at present imported by the Burmah-Shell and the Standard Vacuum Oil companies from abroad. The two refineries have agreed to pay a premium for this crude over the landed cost of the imported crude.

BRIEFS

Due to inadequacy of foreign exchange, the Government of India has advised the Automobile Industry to lay greater emphasis on the manufacture of Commercial Vehicles, for which provision is being made during the next licensing period. The original allocation for the Third Plan period for the Automobile industry was Rs. 35 crores. The production of cars was to be stepped up from 20,000 to 30,000 a year by 1966. A re-assessment of the foreign exchange requirements of this industry is now placed at Rs. 70 crores.

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There was little chance of India getting cotton from the U.S.A. under PL 480 in 1962. This was revealed here last week by Mr George McGovern, the Director of the U.S. "Food for Peace" programme.

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The six monthly meetings of the Import and Export Advisory Councils will be held here on March 5 and 6. The Minister for Commerce and Industry, Mr. K. C. Reddy, will preside. As was agreed in September last, the two Councils will hold a joint session.

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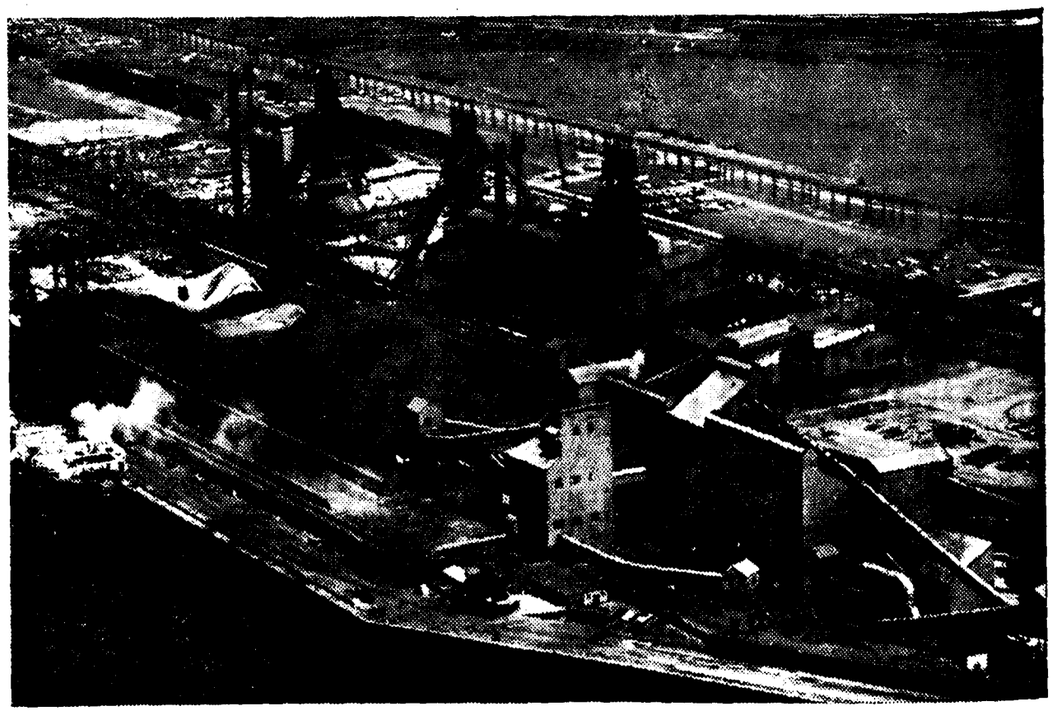
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COMPANY AFFAIRS

STATE BANK OF INDIA

The State Bank of India's Peddar Road Branch in Bombay was inaugurated on February 12 by Mr. P. C. Bhattacharyya, the Chairman of the Bank. He said that from its inception, the Bank had adopted the policy of taking the Bank nearer to the people and making them bank-minded. It was in pursuance of this policy that the Bank had opened over 400 new branches in the rural and semi-urban areas of the country in a period of 5 years from its inception. Many of these places did not have a bank at all before the State Bank of India went in. So far as big cities like Bombay were concerned, many suburban branches were opened. Apart from bringing the Bank nearer to the homes of the people and thus making it possible for a larger section of the people to utilise the services of the Bank, it would result in a definite improvement to the Customer Service. It would save the customer's time, energy and trouble. An incidental benefit would be that the congestion and pressure on the older branches in the City would be reduced and this should improve our service at all these branches also.

NEW ISSUES

Six companies have been authorised by the Controller of Capital issues to issue equity shares totalling Rs. 4.71 crores. Of these, one is a Central Government undertaking. The consent given to five of the companies is valid for 12 months. The consent for the sixth is valid only up to June 30, 1962.

National Mineral Development Corporation Ltd., Delhi, a Central Government undertaking, has been accorded consent to issue a further equity capital of Rs. 290 lakhs for cash at par. The proceeds will be utilised for mining operations of iron, copper and diamonds at various centres in the country. The Corporation has a paid-up capital of Rs. 263.03 lakhs.

Ralliwolf Limited, Bombay, is to issue capital of Rs. 10 lakhs divided into 10,000 equity shares of Rs. 100 each at par to be subscribed privately. Of this, shares of the value of Rs. 3 lakhs will be issued to Wolf Electric Tools (Holdings) Limited of U.K. against supply of plant, machinery, jigs and fixtures. Ralliwolf has a subscribed and paid-up capital of Rs. 19,36,400 all in equity.

Republic Forge Company Ltd., Hyderabad, is issuing a fresh capital of Rs. 120 lakhs for cash at par, divided into 1,00,000 equity shares of Rs. 100 each and 20,000 9.3 per cent (subject to tax) preference shares of Rs. 100 each. The proceeds will be utilized for setting up a commercial forge shop. The consent for this issue is valid up to June 30, 1962.

Nanubhai Industries Private Ltd., Bombay, will issue a further capital of Rs. 19.12 lakhs in equity shares of Rs. 1,000 each for cash at par. The proceeds will be used in connection with nylon yarn project of the company. This company has a paid-up capital of Rs. 130.88 lakhs.

Coates of India Private Ltd., Calcutta, is to issue privately 28,153 equity shares of Rs. 10 each, at a premium of Rs. 65 per share. The proceeds will be utilised for financing substantial expansion in the manufacture of printing inks and surface coating materials etc.

Amalgamated Electricity Company Ltd., Bombay, is raising a further capital of Rs. 28.63 lakhs in equity shares of Rs. 10 each for cash at par. The proceeds will be utilised for the installation of generating sets and the establishment of a solvent extraction plant. This company has a paid-up capital of Rs. 125.75 lakhs.

SHREE SITARAM SUGAR

During the year to August 31, 1961, Shree Sitaram Sugar Company Limited made a gross profit of Rs. 6.29 lakhs which was slightly lower than the previous year's balance of Rs. 7.48 lakhs. After providing for interest (Rs. 4.60 lakhs) depreciation (Rs. 1.28 lakhs) and other expenses, there is a net profit of Rs. 3.34 lakhs. Rs. 2.05 lakhs have been set aside for taxation. The directors have proposed the payment of dividend at the rate of 75 nP. per share which will absorb Rs. 1.19 lakhs.

During the season 1960-61 under review, the factory achieved a record crush of total quantity of 42.52 lakh mds. of cane with an overall recovery of 9.25% as against cane crush of 34.42 lakh Mds. and recovery of 9.46% during the season 1959-60.

The increase in crush is as direct result of the development activities of the factory towards bringing in more area under cane, and improvement of varietal position resulting in better yield. The lower recovery during the season under report is mainly due to the early start of crushing.

In view of the record sugar production throughout the country and heavy carry over of stocks with the factories, the Government of India have under an Ordinance restricted the production of sugar during 1961-62 and the factory's quota has been fixed at 13,205 M|Tons for the current season.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

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

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GLAXO LABORATORIES (INDIA) PRIVATE LIMITED, invite applications for the post of Assistants in their Organisation & Method Department. Applicants should have at least a first or second class degree in Business Management or Accountancy of an Indian or Foreign University, and must, in addition, have some practical experience in Organisation & Methods work. Total initial emoluments will be about Rs. 600/- per month with good future prospects. Higher emoluments may be considered for an exceptionally suitable candidate. Applications giving full details about qualifications and experience should reach the Personnel Officer, Glaxo Laboratories (India) Private Limited, Dr. Annie Besant Road, Worli, Bombay 18, on or before the 28th February 1962.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	112.0
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	124.9
November 1960 ..	120.2	116.8	120.1	148.0	131.6	124.7	125.6	126.0
December „ ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
January 1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
November 1961 ..	120.2	98.3	122.4	136.9	140.2	124.1	126.4	124.2
December „ ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
January 1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
30-12-1961 ..	117.2	95.6	121.6	136.2	138.4	124.9	126.8	122.6
6-1-1962 ..	117.2	97.1	121.1	136.9	138.6	123.9	126.0	122.5
13-1-1962 ..	117.5	97.3	122.3	137.1	138.0	124.3	126.3	122.8
20-1-1962 ..	119.4	97.3	122.3	137.5	137.4	123.7	125.7	123.7
27-1-1962 ..	119.5	97.3	122.6	138.3	137.2	124.2	126.1	124.0

* Revised

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

Period	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	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 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	302*	171	406	482	498	166	480	172	168	173
August	419	438	302	171	410	491	501	167	481	171	170*	175
September	417	436	302	169	410	491	499	169	479	171	171	175*
October	415	434	302*	168	417	499	501	172	480	172*	177	175*
November	415	434	—	170	417	508	497	—	481	—	—	—
December	416	435	—	171	410	—	493	—	481	—	—	—
1962 January	—	—	—	—	—	—	—	—	482	—	—	—

† Base 1944 = 100. * Provisional.

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

	9-2-1962 High	9-2-1962 Low	9-2-1962 Average	2-2-1962 High	2-2-1962 Low	2-2-1962 Average	26-1-1961 High	26-1-1961 Low	26-1-1961 Average	19-1-1962 High	19-1-1962 Low	19-1-1962 Average
Gold (per 10 grams)	120.80	118.20	119.57	120 30	117.95	119.18	119.20	117.05	118.30	117.15	115,85	116.66
Silver (per kilogram)	213.25	211.40	212.46	213.75	211.80	212.71	213.35	211.45	212.62	211.70	210.05	210.88

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES Demand	Time	Total (2+3)	Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Government Securities in India
(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	5.58	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										
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
Dec. 1961	847,91	1,156,07	2,003,98	48,00	78,75	6.32	1,073,18	183,83	62.72	604,47
Jan. 1962	860,39	1,163,12	2,023,51	46,98	77,15	6.39	1,114,63	197,12	64.82	590,41
Week Ending										
12-1-1962	856,20	1,157,46	2,013,66	46,52	71,56	5.86	1,112,81	196,78	65.03	583,66
19-1-1962	862,08	1,165,44	2,027,52	46,63	76,55	6.08	1,116,41	199,50	64.90	588,14
26-1-1962	866,33	1,170,78	2,037,11	46,74	79,87	6.22	1,124,47	198,16	64.92	596,01
2-2-1962	862,91	1,174,28	2,037,19	44,97	75,82	5.92	1,139,75	202,29	65.82	596,75

† Including foreign bills purchased and discounted.

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	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
April 1961 ..	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 „ ..	2,798,56*	1,921,03	877,53	857,04*	20.49*	— 10,17
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*
November „ ..	2,829,21*	1,944,51*	884,70*	864,08*	20,62	+ 21,53*

* 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 Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS 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	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										
Nov. 1960 ..	1,816,70	18,32	1,835,02	117,76	123,01	240,77	12.13	129,70	1,464,55	1,835,02
Dec. „ ..	1,855,90	16,59	1,872 48	117.76	127,01	244,76	13.07	127,66	1,500,06	1,872 48
Jan. 1961 ..	1,911,58	16,83	1,928,41	117,76	128,01	245,17	12.75	124,35	1,558,29	1,928,41
Nov. 1961 ..	1,918,47	16,09	1,934,57	117,76	116,86	234,62	12.13	123.60	1,576,35	1,934,57
Dec. „ ..	1,937,46	14,76	1,952,22	117,76	116,86	234.62	12.02	122.78	1,594.82	1,952 22
Jan. 1962 ..	1,981,87	17,71	1,999,58	117,76	126,86	244,62	12.23	121,17	1,633,80	1,999,58
Week-Ending										
5-1-1962 ..	1,969,90	14,77	1,984.67	117.76	126,86	244,62	12.34	121,24	1,618.81	1,984,67
12-1-1962 ..	1,991,41	12,49	2,003,90	117,76	126,86	244,62	12.21	120,48	1,638.80	2,003,90
19-1-1962 ..	1,985,59	18 89	2,004 48	117 76	126,86	244,62	12.20	121.07	1,638.80	2.004.48
26-1-1962 ..	1,980,66	24,68	2,005,28	117,76	126,86	244,62	12.18	121,87	1,638,79	2,005,28
2-2-1962 ..	1,993,68	11,09	2,004,76	117,76	126,86	244,62	12.20	120,94	1,639,20	2,004,76

BANKING DEPARTMENT

Period	Deposits Central Government	Other Governments	Banks	Others	Total	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
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	79.81	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														
Nov. 1960 ..	62,29	14,72	100,63	89,46	267,10	97.00	449,10	18,40	10,53	17,49	32,35	120,42	236,36	13,05
Dec. „ ..	60,25	15,71	95,20	91,78	26.295	104,08	452.03	16.69	19.53	26,35	37.78	135,04	198,94	16,70
Jan. 1961 ..	53,48	19,71	79,57	93,82	246,58	110,37	441,93	16,91	57,41	19,54	41,17	145,25	144,11	17,55
Nov. 1961 ..	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
Dec. „ ..	56.83	20.23	82,90	147,22	307,18	120,02	512,20	14,81	28,61	31,95	66,61	136.85	207 67	21,70
Jan. 1962 ..	58,92	20,79	79,27	149,78	304,76	133,74	522,90	17,76	37,10	13,23	59,90	146.60	221,91	26,41
Week-Ending														
5-1-1962 ..	61,21	11,81	78 85	147,82	299,69	128,39	513,08	14,82	39,22	16,59	61,73	143,83	210,62	26,27
12-1-1962 ..	53,64	12,62	75.74	148,43	290,43	130,34	505,77	12,54	52,39	13,95	64,14	145,93	190,46	26,35
19-1-1962 ..	52,15	39.91	82,46	154.26	312.79	138,01	535,80	18,94	34.98	11,40	52,92	147.62	243,58	26.35
26-1-1962 ..	68,67	18,83	80,02	148,60	316,12	135,83	536,95	24,74	21,79	10,97	60,80	149,03	242,97	26,65
2-1-1962 ..	68,10	17,29	75,61	149,03	310,03	136,13	531,16	11,15	20,21	11,16	60,76	158,86	241,92	27,11

* 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.

RUPEE COUNTERPART FUNDS

TABLE I.

LOANS FROM U.S. PL 480 SALE PROCEEDS

(Rs. crores)

Project	Amount
I. Loan Agreements	
1. Refinance Corporation	26.2
2. River Valley Development*	124.1
3. Sharavathi Hydro-electric Project (first stage	7.0
4. Industrial Credit and Investment Corporation of India	10.0
5. Industrial Finance Corporation	10.0
6. Chandrapura Thermal Power Project	20.5
7. Barauni Thermal Power Project	1.3
8. Durgapur Thermal Power Project	3.4
9. Kanpur Thermal Power Project	1.0
10. Barapani Hydro-Electric Power Propect	6.4
11. Trombay Fertiliser Plant	13.4
TOTAL of loan agreements	223.3
II. Commitments	
1. Talcher Thermal Power Project	8.5
2. Birsinghpur Thermal Power Project	6.6
3. Sharavathi Hydro-Electric Project (Second Stage)	17.2
TOTAL of commitments	32.3
III. Total of loan agreements & commitments	255.6
IV. Total Amount Available as loans (as on Oct. 31, 1961)	265.5

TABLE II.

GRANTS FROM US PL 480 SALE PROCEEDS

(Rs crores)

Project	Amount
I. Agreements Concluded	
1. River Valley Development*	5.94
2. Malaria Eradication	8.00
3. Indian Institute of Technology, Kanpur	0.45
4. U.P. Agricultural University	1.00
5. All India Institute of Medical Sciences, New Delhi	2.90
6. Indian Investment Centre	0.22
7. Dairy Development	3.60
8. Soil and Water Conservation	2.00
9. National Highways	20.00
10. Exploration of Ground Water Resources	0.80
TOTAL of agreements concluded	44.91
TOTAL Amount available as grants (as on Oct. 31, 1961)	134.9

* The break-up of the amount (Rs. 124.1 crores loans and Rs. 5.9 crores grants) is as follows:

(Rs crores)

Project	Amount
Chambal	27.1
Hirakud	4.6
Damodar Valley	7.5
Mahi Right Bank Canal	2.0
Kakrapara	3.0
Nagarjunasagar	29.5
Kosi	17.0
Bhadra	7.9
Tungabhadra	7.1
Mahanadi Delta Irrigation	5.2
Kundah	7.6
Koyna	11.4
TOTAL of loans and grants (for Irrigation & Power Development	130.0

TABLE III.

LOANS FROM COOLEY FUND

(Rs. crores)

Firm	Amount	Firm	Amount
1. Synthetics and Chemicals Ltd. (M/s. Kilachand/Firestone Inc.)	3.92	10. Premier Tyres Ltd. (Joint Enterprise with Dayton Rubber Co. Inc.)	0.30
2. Goodyear Tyre & Rubber Co., of India Ltd.	2.25	11. Lederle Laboratories (India) Pvt. Ltd.	0.25
3. Seshasayee Paper & Board Ltd. (M/s. Seshasayee/Parsons & Whittemore Inc.)	2.00	12. Ex-Cell-O (India) Private Ltd. (M/s. Amerind Engineering Co./Ex-Cell-O Inc.)	0.20
4. Hindustan Aluminium Ltd. (M/s. Birla/Kaiser Inc.)	1.00	13. Wyeth Laboratories Pvt. Ltd. (American home Products Corp.)	0.17
5. East India Hotels Ltd. (M/s. Oberoi/Intercontinental Hotel Corporation Inc.)	0.76	14. Otis Elevator of India Ltd.	0.10
6. Mysore Cements Ltd. (M/s. Sarangapani Mudaliar/Kaiser Inc.)	0.55	15. Gabriel India Private Ltd. (M/s. D.C. Anand/Gabriel of De'roit)	0.05
7. Limac Limited (Allis Chalmers and Baldwin—Lima Hamilton)	0.52	16. Madras Rubber Factory Ltd. (in collaboration with Mansfield Rubber Co. of Ohio	0.05
8. Merck, Sharpe and Dohme Private Ltd.	0.50		
9. Carrier Air Conditioning & Refrigeration Private Ltd. (M/s. Voltas/Carrier Air Conditioning Inc.)	0.38		
		TOTAL	13.00
		Total amount reserved for loans	77.6

Source: "Food For Peace" U.S.I.S.

EMPLOYMENT TRENDS

EMPLOYMENT OF INDIANS IN FOREIGN (OWNED OR CONTROLLED) FIRMS

(On Salaries of Rs. 1,000 and above per mensem)

Year (as on 1st January)	No. of Indians employed	% of Indians in total emp.oyment	No. of non Indians employed	%of Non-Indians in total employment	Total no. of persons employed
1954	3,455	33.0	7,008	67.0	10,463
1955	4,139	37.8	6,810	62.2	10,949
1956	4,862	42.5	6,566	57.5	11,428
1957	5,906	49.5	6,025	50.5	11,931
1958	69,59	55.2	5,652	44.8	12,611
1959	7,916	59.9	5,304	40.1	13,220
1960	9,113	65.5	4809	34.5	13,922
1961	10,229	70.1	4,364	29.9	14,593

DISTRIBUTION OF EMPLOYMENT* ACCORDING TO INDUSTRIAL GROUPS

(Percentages)

Industrial Groups	1-1-1959		1-1-1960		1-1-1961	
	Indians	Non-Indians	Indians	Non-Indians	Indians	Non-Indians
1. Automobile Dealers and Manufactures	61.4	38.6	68.6	31.4	73.6	26.4
2. Printing, publishing stationery and allied trades	67.7	32.3	71.1	28.9	76.3	23.7
3. Chemicals and allied trades	71.6	28.4	81.1	18.9	84.5	15.5
4. Metals (incl. iron and steel)	71.9	28.1	75.9	24.1	82.1	17.9
5. Machinery, equipment, tools, engineering etc.	63.7	36.3	69.3	30.7	75.8	24.2
6. Leather, rubber (trading and mfg.)	80.1	19.9	84.0	16.0	85.3	14.7
7. Public utility companies	80.4	19.6	84.9	15.1	87.7	12.3
8. Cotton mills and presses	63.8	36.2	70.0	30.0	73.4	26.6
9. Jute mills and presses	37.3	62.7	47.9	52.1	55.0	45.0
10. Planting and allied companies	30.2	69.8	35.0	65.0	37.4	62.6
11. Coal companies	74.5	25.5	77.0	23.0	78.1	21.9
12. Oil companies	79.3	20.7	83.4	15.6	86.5	13.5
13. Sugar and breweries	67.2	32.8	70.9	29.1	74.7	25.3
Total of all companies	59.9	40.1	65.5	34.5	70.1	29.9

* Employees drawing Rs. 1000 and above per mensem.

PER CAPITA MONTHLY PERSONAL INCOME BY STATES 1958-59

(Income and Expenditure Approach)

State	Population in 1960-61 (in 000 Nos.)			Per capita Personal Income (in Rs.) per month					
				Income approach			Expenditure approach		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Andhra Pradesh	29,717	6,291	36,008	13.19	19.67	14.32	13.26	20.87	14.59
Assam	10,971	889	11,860	24.48	30.49	24.93	21.25	31.19	22.00
Bihar	42,542	3,915	46,457	13.12	26.34	14.23	13.40	26.26	14.48
Bombay	43,816	16,309	60,125	7.50	31.74	14.08	16.37	31.35	20.43
Jammu & Kashmir	2,982	602	3,584	21.04	20.70	20.98	20.55	21.42	20.70
Kerala	14,340	2,536	16,876	13.10	17.66	13.78	13.26	17.62	13.92
Madhya Pradesh	27,765	4,629	32,394	13.84	30.02	16.15	14.27	30.03	16.52
Madras	24,660	8,991	33,651	11.75	22.99	14.75	11.80	23.10	14.82
Mysore	18,360	5,187	23,547	15.42	19.51	16.32	15.66	19.57	16.52
Orissa	16,454	1,111	17,565	10.70	22.95	11.47	10.81	23.98	11.64
Punjab	16,219	4,079	20,298	18.82	35.65	22.04	19.45	35.11	22 60
Rajasthan	16,913	3,233	20,146	12.76	32.93	16.00	12.96	33.37	16.23
Uttar Pradesh	64,277	9,476	73,753	15.25	18.32	15.64	15.92	22.10	16.71
West Bengal	26,872	8,096	34,968	18.79	54.10	26.96	18.74	54.29	26.97
Union Territories*	2,623	2,511	5,134	17.93	30.44	24.05	17.73	30.81	24.13
TOTAL	358,511	77,855	436,366	13.97	28.97	16.65	15.02	27.84	17.31

* Excluding Andaman, Nicobar, Minicoy, Lacadive and Amindive Islands.

PER - CAPITA MONTHLY PERSONAL INCOME BY STATES (1958-59)

(In rupees)

States	Based on Income approach		Based on Expenditure approach	
	Personal Income Rs.	Index†	Personal Income Rs.	Index†
West Bengal ..	26.96	162	26.97	156
Union Territories	24.05	144	24.13	139
Punjab	22.04	132	22.60	130
Assam	24.93	150	22.00	127
Jammu & Kashmir	20.98	126	20.70	120
Bombay	14.08	84	20.43	118
Uttar Pradesh ..	15.64	94	16.71	96
Mysore	16.32	98	16.52	95
Madhya Pradesh	16.15	97	16.52	95
Rajasthan ..	16.00	96	16.23	94
Madras	14.75	88	14.82	86
Andhra Pradesh ..	14.32	86	14.59	84
Bihar	14.23	85	14.48	84
Kerala	13.78	83	13.92	80
Orissa	11.47	69	11.64	67
All India ..	16.65	100	17.31	100

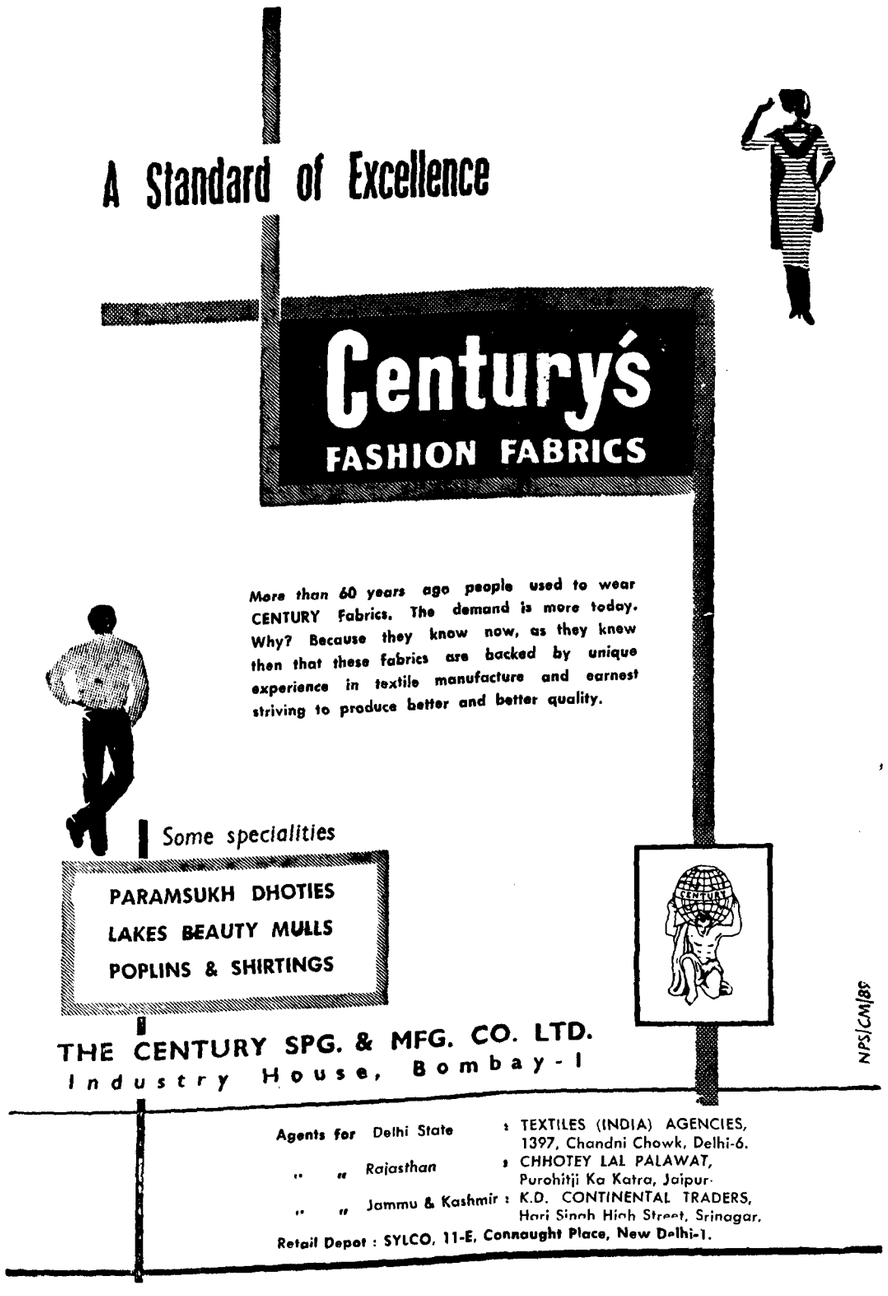
CONSUMER EXPENDITURE PER PERSON PER MONTH BY STATES 1957-58* AND 1958-59

(In rupees)

States	Consumer Expenditure		Indices†	
	1957-58	1958-59	1957-58	1958-59
Union Territories ..	36.33	36.99	180	169
Punjab	26.93	33.94	133	155
Jammu & Kashmir ..	22.71	30.61	112	140
Rajasthan	24.15	27.01	120	124
West Bengal ..	22.56	24.87	112	114
Assam	26.04	24.06	129	110
Bombay	20.84	23.16	103	106
Madhya Pradesh ..	19.78	21.47	98	98
Uttar Pradesh ..	18.39	21.06	91	96
Mysore	20.86	20.62	103	94
Bihar	17.94	19.20	89	88
Madras	18.10	18.61	90	85
Kerala	17.60	17.85	87	82
Andhra Pradesh ..	17.93	17.52	89	80
Orissa	14.14	15.35	70	70
All India ..	20.20	21.85	100	100

*September 1957 to May 1958.

†All-India=100.



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THE EASTERN ECONOMIST

MARCH 2, 1962.

The New Political Spectrum: Right Wheel?

THE sovereign people have spoken; it seems clear from the results already available that they are determined to exercise their sovereignty in their own independent way. Delhi itself has been so overwhelmed by the complete victory of the Congress Party in five Lok Sabha seats as well as in the Corporation that it does not seem to have taken note of the major vote of censure that has been inflicted on the Congress Party almost throughout the country. Similarly, for the outside world, whose attention was improperly riveted on North Bombay, the overwhelming vote of confidence that Mr. V. K. Krishna Menon has received might again lead it to believe that the Prime Minister and the Defence Minister have received a new and abiding vote of confidence. Anyone who reads the election results in this simple way will be doing great violence to the facts. The essence of the major results of this election has been a severe rebuke to the Congress Party in the States, with only two or three exceptions. The Chief Minister of Madhya Pradesh has been unseated; a number of Ministers in the States have fallen, the total number of such Ministers being no less than 34. The Congress Party has failed to get a majority in Madhya Pradesh and Rajasthan; in the Punjab the loss of thirty seats and the Chief Minister's victory by 34 votes in one of the most dubious elections in the country, must make one feel that the majority of thirteen seats there means very little in itself. In the South, the D.M.K. has inflicted a terrible blow even upon the placid ascendancy of Mr. Kamaraj Nadar. For the present the emphasis is so much on Congress discomfiture that the larger meaning of all these reverses has not been seen.

A little reflection will, however, show that this election means nothing more or less than that Congress of Socialism has not been fastened on the country. There is no vote for socialism in the results of this election. The hard core of the Congress which is its legend and its magnificent organisation has delivered, with the Prime Minister's personal popularity, undoubtedly a factor in this legend. But it is the legend and the organisation—not the ideology—that seems to have won.

On the other hand, the Swatantra Party, with just two years of electioneering, has already become a major contender for power, being the chief Opposition party in Bihar and Rajasthan and a major force to reckon with in Gujarat. In fact today the Swatantra Party with 164 seats in the State Assemblies is the largest Opposition Party in the country. When to its regular seats are added the Ganatantra Parishad Lok Sabha victories and three Akalis, who are really Swatantra men in origin, the showing in the Lok Sabha would also be large enough to carry conviction that the country has moved substantially to the Right. If this is a vote of confidence in the Congress Party, it can only be one of warning that, while the Congress is still to be in power, its policies will need to be trimmed to other prevailing winds. The Swatantra Party is one of the waves of India's future.

It is not merely a move to the Right in an economic sense that is indicated in the pattern of the new Opposition. The rise of the Jan Sangh, decried as a 'communal' party by the Prime Minister among others, is as spectacular as that of the Swatantra Party. It is the Jan Sangh which has made itself the leading Opposition in Madhya Pradesh as well as in Uttar Pradesh. It is the Jan Sangh again that promises, because of its militant and disciplined character, a far greater Opposition to the Congress in the years to come. One might, or might not, like this particular expression of opinion of the Hindi electorate, but it is undoubtedly, a force of great importance which needs quickly to be evaluated. *The Eastern Economist's* guess is that the successes achieved will bring it soon much more respectability and not a little monetary support.

If this argument is correct, it implies that, while the Congress has been voted back to power in practically every State of the Indian Union, it is visibly on the decline so far as its appeal to the Indian electorate is concerned. There are personal currents to endorse this view. The Prime Minister's own majority over Dr. Ram Manohar Lohia was much lower than expected, and the majorities of most Chief Ministers—except that of Dr. B. C. Roy, who has had a resounding triumph in the difficult constituency of Chowringhee—do not carry intense conviction that the electorate is wholly satisfied even with the leading personalities. The vigorous rebuke given to Dr. Katju, who had been imposed on that State for no better reason than that the Prime Minister seems to have blind confidence in him, is a warning which should not pass unheeded. There will now be much greater pressure on the Congress Party to provide leadership of much more dynamic kind. Quite apart from the question of new blood in leadership, there is the problem of making concessions to the basic currents in the Hindu way of thinking or in the individualist way of life. The Jan Sangh and the Swatantra Party have won so much largely because they appeal to something deep in the emotions of the Indian people. If the Congress Party does not heed these signs, there will be worse to come in 1967.

At the present time the outlook in Delhi can be described as uncertain. In the first place, it is believed that the Prime Minister, particularly with his lieutenants, Mr. T. T. Krishnamachari and Mr. V. K. Krishna Menon, might wish to demonstrate socialism in their time by a dramatic further movement to the Left. If this should happen—though it would be, in fact, a defiance of the electorate's mandate—it will only lead to the eventual strengthening of the Rightist currents which have already shown that the country is by no means wedded to a rapid movement to the Left. This is perhaps a sense of rebellion in a 'have-not' society—particularly in the towns, because of the high cost of living in the lower income brackets—and because of vast rural unemployment in the villages. This is one of the great paradoxes of Indian life. Poverty, desperate and in some respects unforgiveable, is not yet a revolutionary force. Quite the contrary; it is now expressing itself in terms of a policy of containment of Leftist revolutionary elements.

The Eastern Economist believes that, should the Prime Minister proceed Left, and somewhat recklessly embark on public sector experiments which prove costly or wasteful, he will hasten the decline of the Congress, which is written into the figures already

released. It does not believe that so astute a politician as Jawaharlal Nehru will make this error. But should it be accomplished by his lieutenants in the mistaken belief that they have all power vested in them by the majority they enjoy, particularly in the Centre, the damage that can be done to the country as a whole may look great in the short period, but it might be an actual advantage to the Right Centre parties which will eventually obtain control of the political machine. There is, therefore, no need for much long-term concern at things as they are. The Indian electorate has done what it has always done, which is to choose the only government that is possible, but to surround it, as if by a policy of containment, with both Right and Left wing elements of growing strength.

In 1952 the warning came from the Left. In 1962 it has come from the Right. By and large, the Indian people want a Centre party which will maintain stability, foster economic progress, maintain confidence and, in the last analysis, make the opportunities for a reasonable standard of living, but associated always with reasonable freedom and the individual life. It will be five years before the electorate speaks decisively again. The Congress Party is now in no position of indefinite choice. It can prolong its life for a short period by a wise concession to the electorate. It can hasten its own downfall by the worship of dogma and the refusal to recognise the warnings that it has clearly received.

Co-operation in Outer Space

THE proposal for co-operative effort in the exploration of outer space may superficially convey an unfamiliar ring, coming as it does, this time, from Mr. Khruschev. But it is positively encouraging and intended to raise high expectations. Apparently a new desire for collaboration inspires the suggestion. For Mr Khruschev seeks to amplify his object in resounding words. The proposed collaboration is to be directed to peaceful uses of outer space by pooling the scientific, technical and material resources of the two countries which have made demonstrable progress in unfolding the mystery of space. Mr. Kennedy responded to it promptly—within a matter of hardly twelve hours—with the sincere desire that the representatives of the two Governments should meet early to discuss the issues frankly in a genuine spirit of co-operation. The Kennedy Administration has lost no time in moving its expert machinery to draw definite schemes for space co-operation. This mood shows neither impatience nor any amateurish zeal. It has been an article of faith with the United States long since to seek to enlist international—not merely bilateral—co-operation in space exploration. The offer was made as far back as 1958 by Mr. Eisenhower and it extended not only to exploration of outer space but to experiments for a probe into mars and venus. It was renewed by Mr. Kennedy in his first State of the Union Message of January 1961.

The sequence in which events moved quickly helps to explain the move for collaboration which Mr. Khruschev has made for the first time in happy contrast with his previous lack of response. Col. Glenn's triple orbit round the earth on February 20 proclaimed to the world the effective sharing of the knowledge and experience of space science and technology by the United States with Russia. It gave redoubled content to the acknowledged theory that access to the secrets of science recognises no national frontiers. The one spectacular aspect of the American experiment was that it was conducted openly, which in itself was a practical demonstration of the readiness to break the veil of secrecy. The confidence that Col. Glenn has created is responsible for America's advance announcement that 18 orbits round the earth would be performed in December this year or at any rate in January next year. It may be that by that time Russia may improve upon Maj. Titov's 17 orbits. If so, it would be a healthy pursuit in the cause of the advancement of the conquest of outer space. Mr. Khruschev's proposal for collaboration followed the next day on February 21 as part of his message of congratulation on Col. Glenn's achievement. But his proposal limits the participation in collaboration to the United States and Russia, ostensibly because of their proved capacity to undertake space exploration.

The idea of enlisting co-operation in outer space has now definitely caught on. The United States has announced its decision to convene an international conference at Seattle from May 8 to 10 this year to discuss at a high expert level the problems giving rise to the utilisation of outer space for peaceful objectives. What now appears a vague goal will be given a definite shape at Seattle. And the United Nations committee on the peaceful uses of outer space is to hold its first session on March 19 next, promising at long last to end an empty period of inactivity. Russia has hitherto chosen to stay aloof, but her new mood of participation could well be channelled towards this forum too, since she commands authority to give a joint lead to the committee in its mission. What these two conferences, rather the conference to be held at Seattle, would succeed in doing is to make a positive contribution to the theoretical background for space exploration. Mr. Kennedy has suggested for it a definite agenda comprising weather satellites, communication satellites and research relating to mars and venus. But undoubtedly it is reserved for the bipartite collaboration between the United States and Russia, during the foreseeable future, at least, to give a massive form to more intensive activity for exploration. They possess both the knowledge and the experience in this mysterious sphere.

Easily the greatest gains from Russo-American collaboration would be elimination of duplication of exacting effort and avoidance of enormous outlay on individual ventures. While these benefits argue forcefully for co-operation, joint enterprises in exploration will be feasible only on the basis of concrete propositions about the specific programmes to be taken in hand. They could be implemented on the basis of a bilateral agreement, to be reviewed and improved upon from time to time in the context of the progress and advances that may prove the value of collaboration. Agreement on the principle of co-operation would go a long way to foster concrete effort, but a definition of the rights, obligations and functions of the parties would be vital to the success of collaboration. The complex problems it would raise cannot be underrated, for instance, the presence of observers of one party at the enterprises to be launched by the other. Complete and unqualified disclosure of technical data collected and communication of the results of their analyses present another set of significant problems. These and similar issues will crop up and they will demand unequivocal concurrence. Presumably, the object of the exchange of ideas about collaboration on which Mr. Kennedy has laid forthright emphasis is to thrash out problems such as these.

Both the sides are too seasoned in diplomacy to allow their enthusiasm for collaboration to outrun the limits of its feasibility. It is apparent that a line of demarcation will need to be drawn in the bilateral agreement between the peaceful uses of space research and its military potential, notwithstanding the protestations made by Mr. Khruschev about eschewing its exploitation for the cold war. At the present time the potentiality of space satellites for reconnaissance and relaying by radio the information gathered is beyond question. But installation of military bases, space fortresses or use of satellite bombers, at a later stage, need not be ruled out. These issues of the military uses of space technology could be tackled at an appropriate stage. They merge into the larger problem of disarmament. But the new temper of collaboration must be conserved and directed initially towards exploration of outer space for peaceful purposes.

Guest Editorial

The Problem of the Pause

By PAUL BAREAU, Editor, The Statist

"PAUSE" is becoming a very typical word in British economic parlance. It applies to the Government's income policy and defines the first phase of that policy which is due to end on March 31. By wider application, it also applies to the whole behaviour of the British economy over the past two years. Figures have just been published of the Index of Industrial Production for the final month of 1961. They show that over the year there was a net setback of 2 points and that over the two years 1960 and 1961 the level of industrial output in this country has, on balance, hardly changed. This may be stagnation at a high level and in the context of a still decidedly affluent society; but it is stagnation, nonetheless and it strikes a somewhat ominous note when regard is paid to the rate at which economies on the Continent of Europe have been expanding while we in Britain have been virtually standing still. The pay pause is thus being criticised because it is regarded as part of that body of restrictive economic measures which must be held responsible for the disappointing behaviour of the British economy. This is too harsh a view to take of the Government's attempts for an incomes policy.

Over the two years that preceded the emergency measures taken last July, wages in Britain had increased by between 6 and 7 per cent a year while output per head had risen on an average by between 2 and 2½ per cent. In the disparity between these figures lies the main explanation of the balance of payments deficit and the push towards inflation from which the measures applied last July were intended to save us. In those measures the wages pause held a logical and, indeed, essential place. The pause has been far more successful than the prevailing criticism of it would suggest. It has held back the rise in wages and has prepared the ground for a period of restraint in the growth of money incomes. It has done so at a period when wages, costs and prices have been rising fairly fast on the Continent of Europe. This helps to explain the optimism with which the Government views export prospects for 1962 and awaits the competitive tests that will come when Britain enters the Common Market.

The time has now come to end this first phase of the pause and to replace it by a long-term policy or understanding about incomes. It is to this objective that the setting up of a National Economic Development Council was decided. This Council has now been appointed and a small permanent staff enlisted. From the start it was decided that the trade unions should collaborate in its work. After considerable hesitation the T.U.C. have now appointed their representatives and all is ready for the first session of a body which has inevitably and familiarly become known as "Neddy". A great deal is expected from it.

The main danger that has to be guarded against lies in over-expectation. No long-term planning and no logical incomes policy can be effective unless an appropriate, sound economic policy is pursued. The White Paper on Incomes Policy gives too little attention to this fundamental aspect of Britain's economic problem. It sets out very eloquently and convincingly the dangers of "push-cost" inflation. This has in the past been induced by the practice of increasing wages either by adjusting them to the cost of living or by fixing them in relation to earnings prevailing in comparable industries, or by "leap-frogging".

The Chancellor of the Exchequer then proceeds to argue that since wages and salaries are a large proportion of total incomes and since increases in pay do not in general come out of profits, it follows that "a substantial pay increase obtained by one set of workers must ultimately be paid for by their fellow workers." This is not so. If the prevailing economic conditions are of an inflationary character and if the level of demand is, therefore, excessive, the result will be that all wages will tend to go up together and that profits will also rise because producers will be able to pass on their higher costs in the form of higher prices to the consumers. These increased earnings, whether wages, salaries or profits, will be received in the form of depreciated currency.

An incomes policy and an appeal for restraint in wage demands will, therefore, work only if the appropriate economic policy is followed. Although that is basic dogma and can only be disregarded at the peril of the Government's whole income policy, the fact remains that new ground is being broken in trying to wed economic policy to a conscious and direct attempt to control wages and other forms of income. The Government need have no fears that the incomes derived from profits will get out of control. Recent indications from the large number of companies which have declared their profits and dividends for 1961 show that in this slice of incomes there has been not only a pause but a very substantial retrogression. The restraint of trade unions in pressing for higher wages, the absence of serious official strikes and, therefore, the relative success of the pay pause, can be attributed to the change in the economic climate for which the measures of last July can be given some responsibility. Profit margins have fallen. The wherewithal to pay higher wages is not there. Most trade union leaders are sufficiently intelligent to understand these particular facts of economic life. Their understanding will become greater as "Neddy" gets into its stride.

The success of the pay pause so far and the launching of this new experiment in planning and income policy may well be a turning point in the economic history of Britain.

A DELHI DIARY

FUN AT THE FAIR

HAVE general elections their funny side? It seems pretty terrible that when politicians, or those not so described who enter the political arena, fall from their pedestals every one laughs with unholy joy. I have not seen this week much charity dispensed to those who have fallen in the fray. In particular, Dr. B. V. Keskar, Minister of Information and Broadcasting, who has presided over the destiny of the Information Ministry, and, as a consequence, of the Press, has received very little sympathy. It seems a hard thing to have to exercise all the responsibilities of power and then to see them depart from one's hands with the immediate loss of the halo which surrounds seats of power. A very distinguished administrator once put it to me cynically when he said, "When you leave office, your friends leave you." I have seen literally dozens of instances of persons roaring with laughter at the discomfiture attendant on political assassination which the electorate has committed ruthlessly this week.

In no particular case that I remember has feeling run so high as against the Chief Minister of Punjab whose escape from political death has been the narrowest possible, if one excepts the case of the tossing of the coin in one crazy case in Maharashtra or the Jan Sangh candidate in Uttar Pradesh who won by one vote. Somehow there is the impression that a victory by 34 votes for a Chief Minister is somewhat undignified. My naughty cartoonist has been unable to restrain his particular delight and has actually allowed himself to commit what I think is a great injustice. But what can I do except to produce him publicly and show his unworthy effort?

What a Life!



A close shave, you say ?

Courtesy "The Hindustan Times"

Far away in North Bombay, I see that I have been proved wrong by not less than 145,000 votes, all of which shows the dangers of prophesy. Whereas the Indian Institute of Public Opinion seems to have been remarkably right in the Punjab and Rajasthan as well as on the total votes and the number of seats in the Lok Sabha—which follow not at all from the popular vote percentages!—I must admit that my feminine institution misled me into believing that Mr. Kripalani might win the election. I confess my sin in public and must now, greatly humbled, congratulate Mr. Menon for having achieved the impossible. Only I am hoping that next time he will be able to do it without Communist support. In the event this seems to have been unnecessary.

But before I depart let me congratulate Dr. Ram Manohar Lohia and submit for your consideration the somewhat different predicaments of the two most courageous members of the Opposition that have contested this election. It is on men like Lohia and Kripalani, fighting great uphill fights, that the spirit of democracy ultimately rests. The courage to take a defeat, knowing that it is likely, is a different kind of courage from those who rush in where the angels fear to tread!

What a Life!



Courtesy "The Hindustan Times"

THE PRESS ROOM

Before I leave elections, I cannot refrain from paying an ungrudging and even enthusiastic tribute to the Ministry of Information and Broadcasting. It has lost its Minister, but has, in the process, acquired a new image of efficiency the like of which I have not previously seen. I refer to the Press Room organised for Election News and the wonderfully organised distribution of material coming through on many tickers and then dispersed cheerfully to hundreds of greedy journalists. The public relations impact of the Press Information Bureau has reached a level so high that (alas!) it can now only recede.

THE LONDON PHILHARMONIC ORCHESTRA

I leave politics (with some considerable pleasure) to say an all too brief and inadequate word on the London Philharmonic Orchestra which performed to an enthusiastic audience at Vigyan Bhavan on Thursday night. Comparisons are always odious, but being an odious person, I insist on making them. I remember well the visit of the Vienna Philharmonic Concert, under Herbert von Karijan, nearly two years ago and in my mind the contrast with the London Philharmonic was as interesting as you can make it. The music was beautiful in both cases, but the programme of the Vienna Philharmonic was, it seemed to me, much more vivacious than that of the London Philharmonic Orchestra. In much the same way, the two brilliant Conductors are almost poles apart. Karijan, perhaps being a Continental, could throw his whole physical system and his flaming hair into conducting; Sir Malcolm Sargent is the polished English gentleman, correct, dignified and a little distant from the audience. He has, however, equally endeared himself to the musical circles in Delhi. And, people keep on asking me, how do great musical conductors keep themselves so young and handsome? Sir Malcolm Sargent at 67 must, it seems, be the fittest man of his age; his figure is as attractive as his charm. But did the music chosen do full justice to his tremendous range? I think not; but how could the London Philharmonic, with a British Council sponsorship, avoid giving so much of its programme to a British composer?

ARGUS

THE WEEK'S NOTES

Rhodesia

THE UNWANTED FEDERATION

MR. DUNCAN SANDYS' fifteen-day mission in the Federation of Rhodesia and Nyasaland has served to underscore the radical differences between the leaders of the three territories on the constitutional issue. It is clear beyond any possibility of pretence that there is no common ground and no hope of a compromise between Sir Roy Wellensky, Dr. Banda and Mr. Kaunda. Dr. Banda who has emerged to power in Nyasaland and Mr. Kaunda who is rising fast in Northern Rhodesia are determined to put an end to the make-believe of the "federal" constitution for the three territories, howsoever adamant Sir Roy Wellen ky may show himself to be in maintaining the status quo.

Since the federal constitution was brought into force in its entirety on October 23, 1953, the supermacy which Southern Rhodesia enjoyed in the set-up was an open secret. In terms of the constitution, the protectorate status of Northern Rhodesia and Nyasaland was retained unaltered. How truly representative the Federal Assembly is of the inhabitants of the three units is clear from the composition of its membership even after its size was enlarged in July 1957. Out of the total strength of 59 members, 44 (including 24 from Southern Rhodesia) are elected from "any race", meaning, in practice, overwhelmingly the European settlers, only 8 are exclusively elected Africans, 3 are European members "charged with special responsibility for African interests" and the remaining 4 are Africans specially elected in equal ratios from the protectorates of Northern Rhodesia and Nyasaland. Southern Rhodesia has a weightage of about 50 per cent in the membership. The elections are based on a restricted franchise.

The day of reckoning is approaching fast since a review of the constitution and a decision on its future must be made by a conference of the delegations of the three federal units and the British Government to be convened not later than October 23, 1962. While the ostensible object of the federal constitution is to forge a multi-racial society, it is as far off as ever before. Vesting the substance of power in the settlers and withholding it from the nationals is by no stretch of imagination a means to achieve it. Nyasaland and Northern Rhodesia are insisting on a genuine independent status which is incompatible with the existing federal constitution. By a combination of intransigence and astonishing support drawn from certain powerful quarters in Britain, Sir Roy Wellensky has succeeded in maintaining his inflexible opposition to a change. It is high time the British Government made up its mind to call his bluff and radically alter the federal structure which cannot be foisted any longer on Northern Rhodesia and Nyasaland. The situation threatens to become more explosive with signs of procrastination. The present indications are that the British Government is most unlikely to show vacillation at least in so far as Sir Roy's resistance to constitutional progress is concerned.

Government Servants

RIGHT TO STRIKE OR DEMONSTRATE

A RECENT decision of the Supreme Court on the right of government servants to stage demonstrations or to resort to strikes in matters pertaining to the conditions of their service is of more than usual interest in so far as it relates to the right to strike. On the right to strike the Supreme Court has made a pronouncement which may prove to be of decisive influence on the controversy raised on this issue.

A rule framed by the Bihar Government in August 1957 under the Bihar Government Servants' Conduct Rules, 1956, prohibited government servants from participating in demonstrations of any sort or to resort to strike. The rule was challenged on the ground that it offended against the fundamental right to freedom guaranteed by Article 19(1) of the Constitution in regard to freedom of three types—(a) of speech and expression (b) to assemble peacefully and without arms and (c) to form associations or unions. The Patna High Court dismissed the writ petition to restrain the State Government from putting it into effect. The High Court's reasons for dismissal were that the Article in question did not confer the right to strike or the right to demonstrate so far as the government servants were concerned and it further recorded its finding that the rule was in the nature of a reasonable restraint on those freedoms.

The finding of the Patna High Court on the right to demonstrate was reversed by the Supreme Court on the strength of Article 33 of the Constitution under which alone this right to freedom could be restricted or abrogated. There it is specifically laid down that the restriction contemplated could be placed only on the members of the armed forces or the police force which is charged with the maintenance of public order. It had no application to the other categories of government servants. The State Government's contention on this point was based on the reasoning that demonstrations would disturb the public order and as such they would not be covered by Article 19(1)(b). In rejecting this contention the Supreme Court ruled that demonstrations could be peaceful and the impugned rule put a blanket ban on demonstrations of any variety wha soever. The constitutionality of the rule could have been upheld if it had set out specifically the prohibited types of demonstrations which were likely to lead to a disturbance of public tranquility. The Supreme Court's ruling, in effect, retains the right to peaceful demonstrations.

The question of Article 19(1)(c) conferring the right to strike was raised in the Supreme Court in an earlier appeal against the decision of the Bombay High Court filed by the All-India Bank Employees' Association against the ruling of the National Industrial Tribunal (Bank Disputes, Bombay). In that appeal the Supreme Court held that no right to strike was guaranteed by the Article cited. This ruling was re-affirmed in the Bihar case. The judicial interpretation, therefore, lays down that the right to resort to strike is not necessarily implied in the right to form associations or unions. In the wake of the Central Government employees' general strike the question of the right of these employees to strike had caused a considerable controversy. The second Pay Commission had recommended that although this right existed in India, it should not be withdrawn, but should be held in abeyance, and the machinery of Whitley Councils should be given a full trial. The Supreme Court's ruling in this behalf is of direct relevance to this disputed point.

Turkey

AFTER THE COUP

THE FAILURE of the mutiny of a handful of military officers in Turkey on February 22 was hardly surprising. The officers who indulged in this foolhardy attempt had little solid backing from the armed forces and their only sympathisers were a few hundred cadets from the Military Academy, the Gendarmerie Academy and a battalion from the Tank School The overwhelming majority of the military officers entertained no idea of staging a coup to overthrow the Government and seize power a second

time in a short span of a year and a half. The swift support action extended to the Government by the air force proved timely and quite decisive in putting down the rebel activity. The decision which the Government has taken not to adopt drastic or other legal action against the organizers of the coup constitutes a censure on them and speaks for the scanty support they could muster.

On the following day the entire National Assembly without distinctions or divisions of party affiliation, gave an enthusiastic ovation to Premier Ismet Inonu. The ovation needs to be interpreted more as a mark of jubilation at the collapse of the coup and the unscathed survival of the Assembly and the Government than an expression of profound acknowledgment of Mr. Inonu's firmness in putting it down. That mark of gratitude is due to President Gursel whose personal popularity and influence over the armed forces (which he commanded at the time of the May Revolution of 1960) were really responsible for maintaining their allegiance. The halo which Mr. Ismet Inonu wore (and quite deservedly) as the political heir to Kemal Ataturk has virtually faded out over the years—particularly with the public resistance and disapprobation which a long, tiresome and degenerating tenure of office for the People's Republican Party created. If he finds the qualities of firmness and capacity for vigorous action slipping fast, it is partly the fault of age, but more so the disrupting effect of the divisions inside his party. The elections held last October under the new constitution found no party gaining a grip and the Justice Party which emerged with some relative strength is but a successor in a veiled form to the Democrat Party of the late Mr. Menderes. It is this party with which Mr. Inonu's Republican Party has formed a coalition, presumably owing to President Gursel's intervention. The coalition partner has turned to be a liability to Mr. Inonu in launching a campaign to meet the reasonable demands of his people for rooting out corruption and introducing liberal reforms. The coup of the younger army officers (with the support of youthful cadets) was a token expression of impatience with the sluggish activity of the coalition Government in regard to reform—a meaningful pointer which Mr Inonu can hardly brush aside.

Higher Education

CEILINGS ON ADMISSIONS

THE AVAILABLE sketchy summary of the report tendered by Sir John Sargent to the Government of West Bengal on the reform of the education system in the State at all levels discloses some controversial suggestions in the field of higher education. Perhaps, the most controversial one is the strongly argued recommendation on the limitation of the maximum number of students to be admitted to colleges and individual universities. Theoretically considered, his views are based on very sound reasoning inasmuch as their aim is to restore a rational balance in the student-teacher ratio without which the quality of education cannot be improved from its rapidly declining standards. Sir John has recommended that no college should admit more than 1,000 students and he has argued a strong case against the undesirability of colleges running two or three shifts. He has further suggested that no university should admit more than 6,000 students. These recommendations, if acted upon, would confront the State Government with very difficult alternatives—either to limit the number of students aspiring to receive college education or to multiply the number of universities and colleges to cope with the requirements. The second course is financially well-nigh ruled out. But the limitation of the students seeking higher education to such a disproportionately small number against the present strength of colleges and universities would result in denying opportunities of education and causing socio-economic upsets in the middle class. This also is not desirable. The present influx of students seeking admissions to universities for the conventional careers will diminish as openings become available for technical jobs.

Sir John has made one pointed suggestion in respect of technical education in the sphere of engineering. He has urged that the outturn of engineers should be in alignment with the requirements of the economy. Seemingly this recommendation is superfluous, but in reality it is astonishingly not so. The programme of engineering education in the Third Plan discloses precisely such a disparity. A relevant table published in the Draft Outline of the Third Plan (but not reproduced in the final version) makes the startling revelation that during the Third Plan there will be a serious maladjustment between the outturn of engineering graduates and the demand for them. The outturn of graduates in civil engineering will be 33.5 per cent in excess of the demand, in mechanical engineering it will be 13 per cent in excess and in electrical engineering 15 per cent in excess. These graduates cannot change over to any other avocation because of their technical specialisation. Nor can they afford to wait for an indefinite period of time for jobs to materialise since it would invite financial strain on their families, not to speak of the frustration and demoralisation that may overtake these unemployed specialists.

Burma's Dilemma

IMPORT LICENSING

COMMENT BASED on the scanty report about the particulars of Burma's new import licensing policy made effective from March 1 must be brief and, even so, subject to the possibility of correction. From the available facts one development which is clear is that the reaction of import traders to the policy has been one of strong dissatisfaction and protest. A drastic revision has been made in the procedure of issuing import licences which will affect some 3,000 erstwhile licence-receivers. The depth of the discontent is to be gathered from the fact that Prime Minister U Nu felt it necessary to clarify the policy and the objects behind it in a radio broadcast.

U Nu had some truths to be publicly brought home to the disgruntled licence-seekers. These 3,000 strong importers will no longer be entitled to the issue of licences in their individual names as a result of the attack the government was launching on traffic in import licences. The Prime Minister made the startling disclosure that 90 per cent of the licence-holders did not possess either the investment capital or the business acumen and they procured the licences only to sell them at heavy premiums to foreign businessmen operating in the country. The traffic inevitably led to steep price-inflation and fomented the black market. The policy which the Government has now introduced is to make it obligatory on the ousted individual licence-sellers to acquire shares on graduated scales in the State-controlled Joint Venture Corporation. Clandestine sales of licences will thus be prevented. One significant feature about the Corporation is that the Government will be a sleeping partner in this business and the joint issue of licences will aim at ensuring that the licence-seekers are true importers. Here seems to lie a flaw in the new policy. Licences appear to have been issued hitherto to all and sundry without ascertaining whether they were established traders, genuine new entrants or actual users. If this precaution is not taken under the new procedure (and this point is not clear from the available report), the true importers, so-called, may sell the imported goods to their former licence-purchasers and, so long as supply and demand are in disequilibrium, it will be difficult to control the black market which is the real aim of the new policy.



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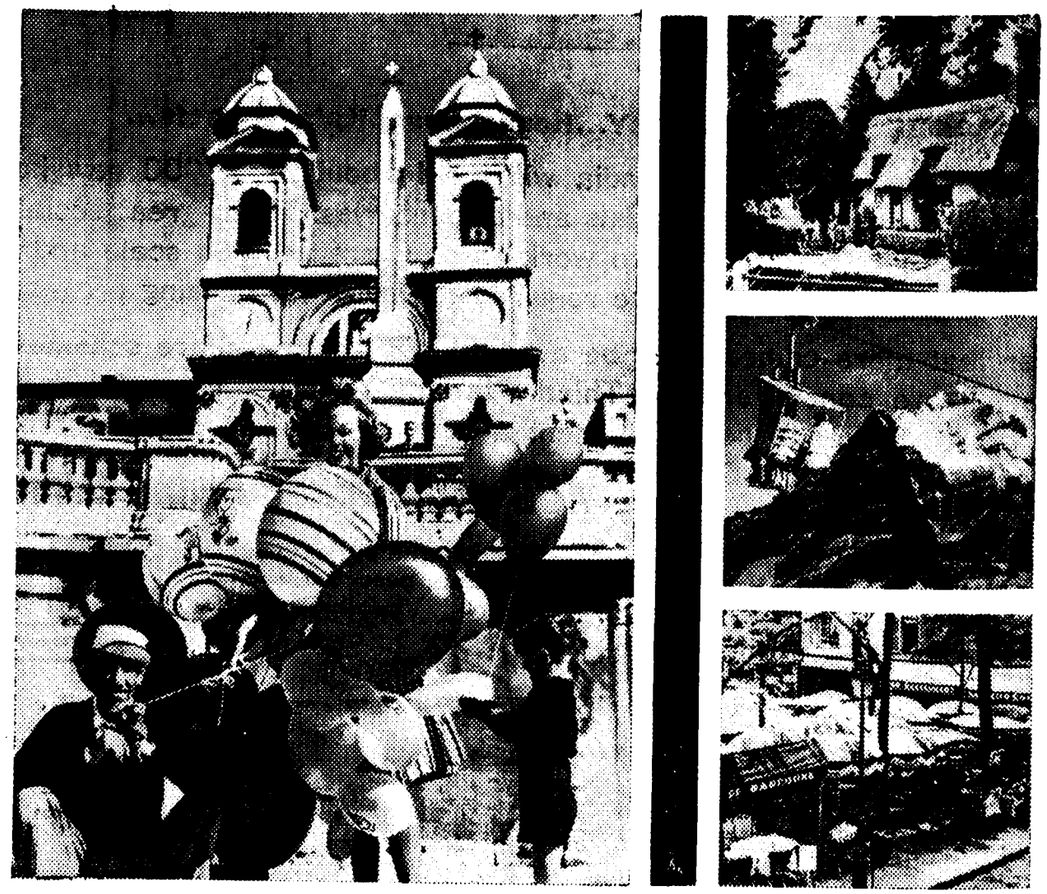
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RISING PRICES IN GERMANY

By ODYSSEUS

SEVEN STUDY TOURS, of a fortnight each, in Germany between 1957 and 1962 inclusive, have won me the nickname "Tacitus" from the cabinet ministers, officials, industrialists, bankers, trades union leaders, and others, who give me so generously of their time. Tacitus (I had forgotten) was the historian who sermonised the decadent consumption-orientated (panem et circenses) Romans on the virtues of the simple (abundans labor non nocet) German tribes. This year, however, it was the tribal chieftains who wanted to know what the Romans were doing—about rising wages and prices! It may be, as Professor Erhard last week assured Germany's trade union leaders, that he has no intention of introducing a national wages policy, but my off-the-record discussions with authorities close to him, and with others in key positions, revealed that one and all are pondering the problems involved in a wage policy, and are watching the birth pangs of Britain's National Economic Development Council with the anxiety of a husband straining for a glimpse into the maternity ward.

Hitherto, Germany's economic success has compelled awe. She has expanded industrial production at a rate at which the fantastic percentages of the 1950's level out to an average the exact double of the UK. Real wages between 1953 and 1960 rose by 38 per cent. The OEEC's 1961 report, "The Problem of Rising Prices", has become the bible of the DGB (German TUC) because its statistical analysis suggests that, even with the achievement of full employment, there was little evidence in the years 1951-59 that negotiated wage increases were an independent cause of rising prices in Germany, where wages rose in accordance with the classical text book proposition that, in a free market, increasing demand for any commodity causes its price to rise. Moreover, one of the OEEC's more significant findings is that wage negotiations in Germany have been sensitive to variations in local demand. Although the average rate of wage increase was higher than the average increase in productivity, there were several long periods when the increase in wages was substantially below the long-term growth of productivity so that, in particular industries, the rise in productivity could, as it should, be shared by capital in higher dividends, the workers in higher wages, and consumers in lower prices. A very moderate slackening in the rate of local expansion sufficed to bring wage negotiations back into relation with the growth of productivity. This important achievement is explained by the widespread realisation by German popular opinion, the unions, and the government, that inflation, far from being the mark of a buoyant economy, chokes the rate of growth.

THE TRIBES GROW RESTIVE

So far my exposition is in line with what was to be expected from a Tacitus upholding the example of the noble tribesmen to his decadent compatriots. But now varied and contradictory forces have emerged in Germany, which are causing the wage earning tribesmen to become restive.

One is that although the total labour force was 20,837,000 in 1952, of whom 6,410,000, or 41 per cent, were unionised, today it has risen to 27,011,000 of whom 6,829,000, or only 32 per cent are unionised. There are three unions, the BB (civil servants) the DAG (white collars), and the overwhelmingly industrial DGB. From a peak membership of 38 per cent of the labour force in 1951, the DGB's present 6,378,800 members represents only 30 per cent. DGB members pay one hour's earnings a week in dues, which, at today's average rates, is Rs. 3.50 out of a weekly average take-home wage of Rs. 150. Union officials are conscious that a majority of workers ask why they should belong to a union at all, when, through market forces, wages rise of themselves. Nor, for the same reason, do many of those who are union members see any point in building up huge strike funds; surpluses should, they grumble, be switched to pensions or insurance schemes. Apathy is widespread. Few vote in union elections. "It's no use appealing to class solidarity today," a union official told me. "The workers want to see value for dues paid." Many responsible observers (including some union officials) therefore expect the unions to become increasingly militant merely to justify their existence.

A second factor is that, although employers are making strenuous efforts to recruit fresh labour from Italy, Spain, Turkey, so that there are some 525,000 foreign workers in Germany today, the closing of Berlin to immigrants from the East (13,000,000 to date) must, in a growing economy, increase the demand for labour. Some union officials even regret the cessation of the flow of refugees. "They helped to keep wage demands reasonable and avoid inflation, which leads to rising nominal wages with falling buying power," I was told. Several deplored the militancy of "doctrinaire Socialists, like Otto Brenner," leader of the Metal Workers. "Militancy harms the unions, gives us a bad name with the public, makes non-union workers even more reluctant to join," a prominent union official told me. "Instead, we should campaign to popularise ourselves by striving to secure what wage increases may be possible without employer-worker show-downs, and, above all, by concentrating on improving fringe benefits rather than direct wage rises. By deferring consumption, fringe benefits are anti-inflationary. Then, again, we could organise cheap facilities for travel and holidays, and build up legal aid services for social security and other causes."

Basically, it has been the buoyancy of the economy which has enabled Germany's workers to enjoy steadily rising (real) wages. Output per man-hour rose between 1953-60 by 5 per cent a year. Clearly, the higher the rate of productivity achieved, the less the incentive, and the ability, of the unions to push the rate of wage advance to the point of endangering stability of prices.

RISING GERMAN EXPENDITURE

This idyllic picture of life among the tribes changed, however, in 1960-61 when wages began to rise faster than productivity. So far the effect on prices has been largely countered by reducing profit margins, by a noticeable rise in private savings, attributable in part to the sale of £93 million of Volkswagen shares to 1,600,000 small shareholders, and by the accumulation

of unspent federal and state cash balances. But federal budget expenditure has risen between 1955-56 and 1961 as follows:

	1955-56 £ million	1961 (Estimates) £ million	1955-61 rise per cent
Total budget ..	2,650	4,299	162
of which			
Defence	545	1,048	192
Social Security*	876	1,264	144
Housing	788	1,674	215

*Federal expenditure only, i.e. about one third of total Social Security revenues. Remaining two thirds come from employer-worker contributions.

Is this, then, the end of the German "miracle"? All my informants feared that rising wages due to the strong demand for labour would now be reinforced by union militancy, that social security and housing expenditure would gather pace, and that these forces, combined with rising defence expenditure, would substantially slow the rate of growth, even if inflation could be avoided.

Before, however, we indulge in any malicious pleasure at the prospect that Germany is about to join the many countries wallowing in the inflationary mud, it is well to point out some important characteristics of Germany's economy.

The first is psychological. Whatever their problems, German employers and workers feel on their toes in a genuinely competitive economy. The UK is still dominated by memories of pre-war unemployment. On any structural change being proposed in coal mining, textiles, or any other industry, up goes the cry "This will put thousands out of work"—in total blindness to the fact that UK unemployment stands at 1.73 per cent today and has never been above 2.17 per cent since 1950! In Germany, feather bedding and restrictive practices do not exist. The unions may press for higher wages, but they will co-operate to economise labour. Moreover, the unions cover industries: demarcation disputes are unknown. Next, wage negotiations end in legally enforceable contracts for definite periods, enabling employers to plan ahead on the basis of known costs, and employers and workers to enjoy clear periods of industrial peace in which they can both concentrate on getting on with their jobs.

Another outstanding difference is that Germany is not bowed down by a huge burden of inflationarily financed nationalised industries. As heirs to Hitler's state monopolies, Germany's federal government, states, and municipalities own a very substantial sector of the economy. But nationalised enterprises compete for capital on the market. Their borrowing terms depend on the market's estimate of their earning capacity. The prices charged for their output must, therefore, be those of the market. It follows that Germany's state-owned enterprises are run in as business-like a manner as private enterprises. The government just happens to be a shareholder. If a company's record is persistently poor, the government, like any other shareholder, puts in new directors. The capital value of federal owned enterprises in 1953 was £134 million, yielding a dividend of 4.2 per cent. In 1958, capital value was £238 million, yielding 25 per cent. In the UK, investment yield of nationalised industries has been about 5 per cent, compared with 15 to 20 per cent in private enterprise, and since the "public interest", as defined by electoral considerations, largely prevails over business principles, it seems that a substantial proportion of the £6,827 million (no less than 26 per cent of total UK investment) invested in them between 1948-58 was allocated uneconomically, and used wastefully, and so distorted the economy and slowed its growth. It is one of the strengths of Germany's economy that it is free from such distortions.

[This is the first of three articles. The second will discuss Germany's Social Security system, and the third "Socialim" as understood in Germany.—Ed.]

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The European Scene

ALGERIA'S CHANCES

From Our Special West European Correspondent

PARIS, February 24

WRITING before the terms of the agreement between the French Government and the FLN are known (and before the white community's Secret Army has staged whatever violent reaction it is planning to greet that agreement), it might seem premature to try to assess the chances of the Algerian Republic that will no doubt be born this year. Yet it is clear that the details of a written treaty are less important (once granted that both the FLN and the French Government regard it as a generally acceptable document) than the spirit in which each side approaches the problems of cohabitation and co-operation. And as for the Secret Army, it is only important in so far as it represents the permanent mood of the white community; what matters is less the support the non-Muslims might give to a brief and violent gesture, than the frame of mind in which they will envisage, once fighting is finished, the possibility of living on in a country where the majority are at last free men. So little do these abiding problems of cohabitation and co-operation depend on what we might learn in the coming week that they are in fact the same as in 1954, before the long and bloody war began.

It was already clear then that the Algerian question concerned the possibility of liberating seven million Muslims without depriving a large minority, of over a million, of their only homeland. It is still the same today. Yet how many refused to see this, over the past seven years! On the one hand, many non-Muslim Algerians and some Frenchmen pretended not to see the necessity of emancipating millions of Arabs in a world where colonialism is dead. On the other hand, most anti-colonialists preferred not to see the problem of the white community, which is at home in Algeria as much as the Arabs who arrived, in small numbers, some time before it, to impose their colonial will on the Kabyle aborigines. (Their present numbers, far from representing some sacred right to obliterate the minority, result very recently and directly from the benefits the minority brought them in agriculture and hygiene.) Those who chose the first of these errors imagined that, by some miracle, the Algerian Muslims could be excluded from the wave of national liberation that has changed our age, and could be fobbed off with second-class citizenship and myths about integration. Those who chose the second, affected to believe that Algeria was another open-and-shut case of colonialism, and the white community just a handful of interloping burra sahibs who could be shipped home overnight. In reality, adjusting the Algerian population and time-scale to Indian standards the minority was the equivalent of 40 million non-Hindus that the British might have left behind firmly implanted in Indian commerce and farming in 1947; i.e., it was comparable rather to the Muslim problem than to the Clive Street problem.

Many years of violence were required to drive home the fact that these two attitudes were completely erroneous. Instead of shuddering and averting our gaze from violence, it is as well to look at it squarely and ask whether the claim of the Algerian Muslims for freedom could have been enforced otherwise than by the long and nauseating procession of murders, ambushes and indiscriminate killings—and whether the claim of the non-Muslim minority to its Algerian home could have been enforced otherwise than by the counter-terrorism, insurrection and murders of the white community and its Secret Army. Peoples usually make wars to win them, in the hope of the Napoleonic victory that crushes the adversary; but in this case neither side ever had the least chance of winning and must have known it. No FLN leader could have dreamed of driving the French and the minority they protected into the sea, as by the quick surgery that cured India of the Goa canker; and the non-Muslims, even at moments of paroxysms of violence, have known for at least three years past that the creation of an independent Algerian Republic is inevitable. Each made war to state a claim that otherwise would not have been listened to; to the extent they have succeeded, a settlement has a chance of being realistic, in the sense of addressing itself to the real problem.

In this light, the long war is not simply to be deplored as a calamity that prejudices the future of the young Republic with its trail of remembered horrors. It is also to be seen as the only way everybody concerned could be brought to recognise all the realities of the Algerian predicament. To say that the problem is now seen on all sides in all its aspects is not, however, to say that it is soluble. The insurrection of the Muslims and the ferocious counter-insurrection of the non-Muslims have produced agreement that the Algerian question is not a simple colonial issue and not an internal problem of French administration; it is concerned with arranging the cohabitation of two communities of totally different race and mentality within the one free republic. At various stages of the war, I have written here that the problem is probably insoluble, and that in the end the smaller community will be forced out. If that is correct, the ending of hostilities merely means that a long, painful but relatively peaceful process of expropriation and expulsion is about to begin, and that it will conclude, after maybe a generation of constant friction, with the disappearance of the minority community and the regression of the majority to the condition of poverty and insecurity that it will have to accept once it loses the co-operation of France.

Perhaps one is incorrect in this; one would hope so. The Algerian problem has been different to other national and colonial issues throughout its evolution, despite indolent or interested attempts to fit it into familiar categories, and so perhaps one is entitled to guess that it might find a different upshot: that, in the end, two peoples will learn to live in the same land without one crushing the other. There is no precedent for this, certainly not in the recent history of decolonisation. While remaining sceptical, one may admit that the economic factors surely suggest that solution. If the "economic substructure" were as all-important as some people imagine, one would have no hesitation in forecasting peaceful cohabitation between the Algerian communities and (what guarantees the first) fruitful co-operation between the Algerian and French Republics. For both sides have an evident economic interest in working together, without, for all that, being so dependent on each other as to create uneasiness and resentment.

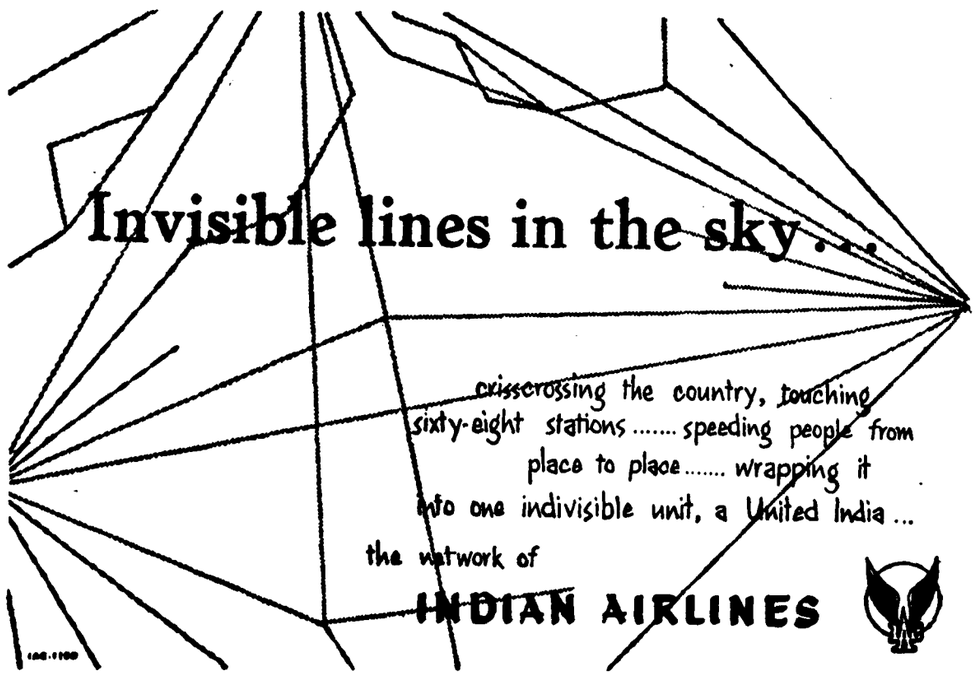
Algeria, and for that matter the Maghreb generally, is a narrow strip of unattractive country between the Mediterranean and the Sahara, with limited fertile land and no possibility of irrigation on a large scale, lacking coal or hydro resources. From the most ancient times, including Carthage and the Roman settlements, the pre-Islamic and Muslim ages down to French imperialism, it has never supported more than a small number of

people living in symbiosis with the rest of the Mediterranean basin. The numbers it supports today are an entirely artificial—and perhaps disastrous—result of French settlement, which brought more improvements in hygiene than in local productivity and which imbricated the region into the French economy. It draws the largest part of its revenues from direct and indirect French subsidies, from the sale of agricultural products (notably wine, not drunk by the Muslims) to France—sales which take place at favoured prices—and, finally, from sending hundreds of thousands of its men to work in French industry. These facts are recalled not to argue that Algeria could not be self-supporting (that is the usual argument of colonialists opposing liberation of a territory) but to point out that it could not necessarily support the numbers it now contains, which result from peculiar conditions. It could perhaps support them and—though this is taking a very optimistic view—cope with the vast demographic expansion that is in trian while increasing living standards, if it managed to maintain this same economic imbrication with a European economy. In other words, if it continued to receive French preferential assistance, as the price for the security of the non-Muslim minority and of various other French interests (or what General de Gaulle believes, perhaps mistakenly, to be French interests).

There is nothing particularly degrading in this prospect for the Algerian nationalist who knows that it was always thus with his country when it lived (with a much smaller population) in intimate economic relations with the Roman and Islamic empires. Provided the terms of the collaboration are arranged equitably, taking full account of Algeria's sovereignty, the country's perpetual economic reliance on whichever nation happens to be most powerful in the Mediterranean could be reconciled with its liberation from direct French domination—though one must always expect to see a degree of reliance on France that will leave it open to people of bad faith to raise the "neo-colonialist" accusation. People of bad faith will not be lacking: the Algerian Communist Party and the Trotsky-ite MNA (both eclipsed by the FLN so far but liable to operate independently henceforth) and the FLN's wartime allies, Egypt and Communist China, will no doubt hypocritically attack as neo-colonialist any close co-operation with Europe such as Algeria needs to live, possibly because certain of them have less interest in a viable Algeria than in a disorderly one.

At this point, someone who has not seen the squalor and stagnation in which most oil-producing countries live will ask whether the Saharan oil strikes do not guarantee the country's future. Firstly, the oil is not in Algeria but in the remote Saharan hinterland; the French were powerless to dispute the FLN's quite implausible claim to this territory but neighbours, who kept silent out of anti-imperialist solidarity, will soon raise their voice. Granted the Algerians manage, with French help, to maintain their claim to the desert and exploit its oil, they will be offering a surplus product on a glutted market at prices higher than elsewhere (because of the wells' distance from the coast), and will find that the only buyers are the French. The oil is an asset, no doubt, but one that reinforces Algeria's economic reliance on the major Mediterranean power.

The country's main "economic" asset will be that of other desert peoples throughout history, its warriors. Issued directly from the war with France, the Army of National Liberation will constitute the most effective military force in the Arab world and in much of Africa, and could revolutionise the balance of power south and east of the Mediterranean—notably in the Maghreb where conservative regimes rest on insecure foundations in Morocco, Tunisia, Mauritania and Libya. But in the absence of all domestic industry, this force must be armed from outside; it has been so by anti-French, or more generally anti-Western, powers during the war with France. In the event of that close collaboration with France that economic factors indicate, it will no doubt be armed henceforth by the French. In the event of a break with France, the army of the poverty-stricken and unstable Algeria that would result would no doubt be open to use by others, whose purposes then could not be concealed under anti-colonialist rhetoric.



Economic Report from the U.S.

GENEVA AGREEMENT ON TEXTILE TRADE

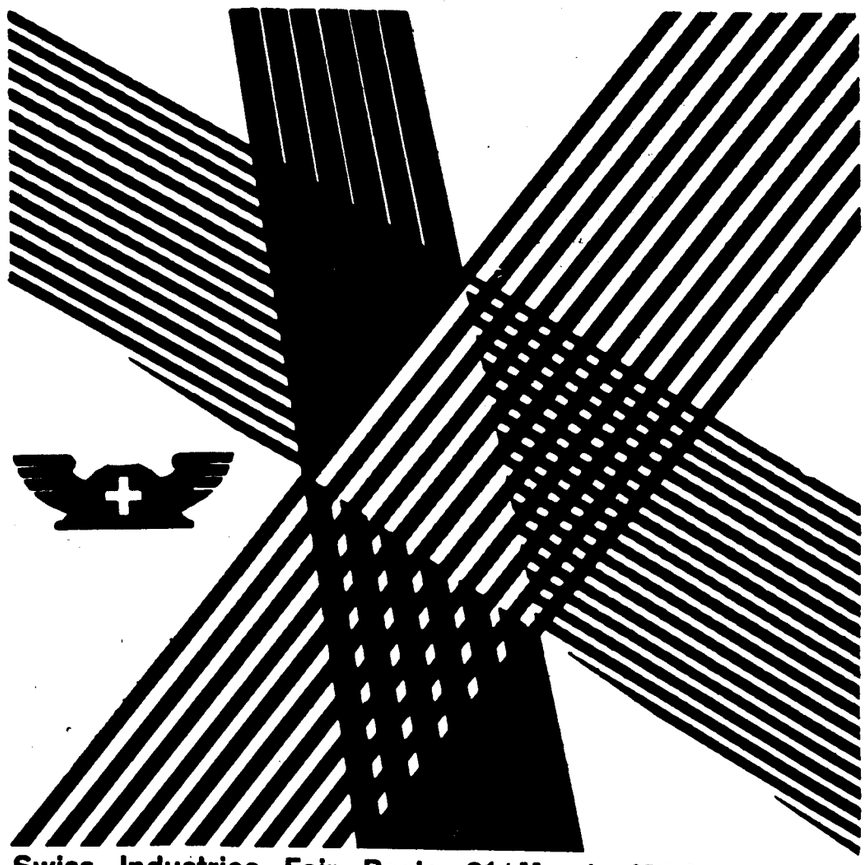
By GUY SIMS FITCH

WASHINGTON, February 20.

ANY time a group of nations with diverse interests can agree on a course of action regarding a common and difficult trade problem, it is cause for gratification. It is doubly gratifying when that agreement enhances the prospects for an expansion of exports while safeguarding the vital interests of importers. Such is the promise inherent in the history-making accord on cotton textiles hammered out by 19 nations in Geneva. It is to be expected that the United States and the other participating nations had to give as well as receive concessions. Their willingness to do this, and in the process agree on a plan which can work for their mutual benefit, is a tribute to the statesmanship and courage of the governments taking part in the conference. The agreement in effect puts on a long-term basis some of the principal elements of a short-term arrangement worked out last year. Under that arrangement, so-called low-wage exporting countries, such as India, Pakistan, Hong Kong, and Japan, agreed to hold down their shipments to the United States, Canada and other large consuming countries which do not impose official limits on imports. If voluntary restraints on exports were not forthcoming, these consuming nations had the right to limit imports.

The five-year plan just concluded in Geneva carries this principle into new and important areas of agreement. It declares that the United States or any other nation that does not officially restrict cotton textile imports may ask one or all foreign producing nations to limit shipments to certain levels. An importing nation can do this if it finds itself subject to or threatened by market disruption on any cotton textile item or category. If a solution is not worked out in consultation among the parties concerned in 60 days, the importing nation could freeze imports for one year to the level of shipments during the first 12 of the 15 months preceding its initial request for limitations. If the market trouble continues, the freeze could be extended another year in exceptional cases. After that, increases in imports could be limited to five per cent a year until the agreement runs out in October 1967. This five per cent, it should be noted, is a minimum; conceivably, the import increase could exceed that rate. Thus, the agreement would bring a desired degree of order to world trade in cotton textiles. This trade, always highly competitive, could very easily become chaotic, particularly as sharply rising production in exporting nations tended to disrupt international markets and the cotton textile industries in other lands. Such a situation, if allowed to develop unchecked, obviously could carry with it the seeds of serious and wide-spread trade restrictions. The logical solution clearly is the kind of international agreement which now has been drawn up in Geneva. The agreement emerges, then, as a realistic and workable response to a recognized need. It is an agreement that is permissive rather than mandatory. It allows nations to apply brakes on imports for temporary periods, but it does not require that they do so. It is an agreement, moreover, that over the years encourages rather than discourages the expansion of cotton textile exports. One of its important advances, in this connection, is its implication that many of the West European nations, notably the Common Market group, will be relaxing their currently stiff restrictions against textile imports. The agreement's usefulness is further augmented by the fact that it sets no specific or rigid quantities of cotton textiles that can be exported or imported by various nations. Rather, it provides a framework within which all 19 participants can co-operate to assure an orderly growth of international trade in cotton textiles. Significantly, the nations that took part in the Geneva talks account for some 90 per cent of the world's cotton textile trade. It follows, then, that administration and implementation of the agreement will be important keys to its success. The governments concerned have until October 1, 1962, to sign the agreement. After that it will be up to them to continue the statesmanlike co-operation they already have demonstrated in making the plan work for the benefit of all.





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THE BUSINESS WORLD

Life Insurance Looks Ahead

By CROESUS

WHEN Mr. P. A. Gopalakrishnan, Chairman of the Life Insurance Corporation (L.I.C.), was recently interviewed by the All India Radio and asked by the Question Master as to what precisely was the job of the L.I.C., he gave this reply: "One of the principal objectives of nationalisation was to plan the expansion of life insurance on a national basis and extend life insurance protection to every insurable family in the country." Another objective, he said, was "to mobilise savings through life insurance all over the country and make funds available for the country's Five-Year Plans". To another question as to how far these objectives had been fulfilled, the L.I.C. Chief claimed that the Corporation had given an excellent account of itself and was well on its way to realise the objectives of nationalisation. He also added that "it should be possible for the Corporation to realise its target of Rs. 1,000 crores by 1963."

But, the other day,—i.e., not very long after the above interview—when the preliminary figures for the year 1961 were released to the Press, he was inclined to be a little more cautious and said that the target might be reached, "perhaps with some difficulty." Notwithstanding this, it is not incorrect to say that, by and large, the L.I.C. has continued to make headway. The completion of a new business of over Rs. 608 crores in 1961 is unquestionably an all-time high annual business. Not only was it absolutely higher than in the previous year, but, even percentage-wise, the improvement was perceptible, the percentage increases over the previous years for 1960 and 1961 being 15.9 per cent (an earlier figure given by the L.I.C. itself was 16.1 per cent, though) and 22.3 per cent, respectively. The L.I.C's explanation for the performance in 1961 falling below its expectations (as adumbrated in its own Five-Year Plan —1959-1963—to reach the Rs. 1,000-crore target) was that "1961 was a difficult year for the Corporation, inasmuch as there were natural calamities and disturbances in some parts of the country". This surely cannot be the complete explanation, for, every year, we in India are accustomed to have natural calamities in one part of the country or the other. Perhaps, the rising cost of living provides part of the answer. Although the L.I.C. organisation has been growing by leaps and bounds, one cannot yet rule out that it is not sufficiently streamlined to cope with the inevitable and growing pace of increase in the volume of life insurance, and this may also explain the lower rate of growth than that envisaged earlier. To quote from a thought-provoking article in a recent issue of "Yogakshema", the L.I.C's official organ, "with such a large expansion in economic activity, with consequent increase in employment and national income, a commensurate increase in the volume of life insurance business is inevitable 'even if the Corporation does not pursue what may be called an active organisation policy' ". I do not mean to suggest that the L.I.C. today lacks an active organisation policy; only it has still to become active enough.

That the L.I.C. has been striving hard to spread the gospel of life insurance is evident from the fact that 70 per cent of the total policies (that is, 5,78,897 policies out of a total of 8,23,470) were issued to persons who took up life insurance for the first time. This must be set alongside the fact nearly 35 per cent of the total policies (over 284,000) came under the non-medical schemes which now cover the entire country. Normally —and more so in the latter context—in respect of new policies, one has to wait for atleast a couple of years before assuming all of it to be 'pucca' business. It seems too early, therefore, to treat these as the final figures for drawing any considered conclusions.

The zonal position in respect of the total new business shows that the Southern Zone has again maintained its lead with a completed business of Rs 151.68 crores, followed by the Eastern Zone (Rs. 138.91 crores) the Western Zone (Rs. 132.90 crores), the Northern Zone (Rs. 96.38 crores) and the Central Zone (Rs. 79.25 crores) in the order given. Here, again, it does not seem correct to rush to such general conclusions as that more work requires to be done in the zones lagging behind and so on, expecially as the divisional ranking has placed divisions in the Eastern and the Western Zones above those in the Southern Zone. Moreover, the extent of new business depends not merely on the effort put in but also on the extent of life insurance cover already taken by the people of a given zone. Thus, if people in the Western Zone generally have already taken reasonably large cover, their capacity to take further or fresh cover would be severely limited. In other words, for a proper assessment of the efforts of the different zones of the L.I.C., an essential pre-requisite would seem to be the 'per capita' life insurance figure for each of the regions. It is to be hoped, therefore, that, along with several other proposed surveys, such as those on attitudes to life insurance, the L.I.C. would also institute a survey of the 'per capita' life insurance in the different zones.

As regards the average size of life insurance policies, it is gratifying to note that the steady rise from year to year has been maintained. From Rs. 3,671 in 1959, the figure has steadily risen—to Rs. 3,903 in 1960 and to Rs. 4,097 in 1961. An equally notable feature is that every zone has participated in this improvement.

The L.I.C. has also reasons to congratulate itself on the progress being made by its group and superanuation schemes, a comparatively new field for it. The total business underwritten under this scheme rose from Rs. 4.22 crores in 1960 to Rs. 5.15 crores in 1961. However, no noteworthy gain would appear to have been made by the L.I.C. in it annuities business.

In order to assess the contribution that the L.I.C. has made to the economic development of the country, one has to examine the L.I.C's investments. These cover practically every industry, and Mr. Gopalakrishnan was only stating a fact when he declared that "there is not a single important industry in the country which does not have the benefit of L.I.C's investments." But, then, the country's needs, especially of industries, are growing at a very fast pace, and some fear that their needs for the investment of the L.I.C's funds may be relegated to the background 'vis-a-vis' the needs of the Exchequer in the form of Government loans. The insuring public, in particular the with-profit policy-holders, is interested in this also because of the relatively lower yield (as compared to the return on equities) that any in-

vestment in Government Securities offers. To the extent that more of the L.I.C's funds are invested in Government Securities, therefore, there is a double loss to the public, first, by way of a lower amount that would then be available for investment in private indu tries and, secondly, by way of a lower return realisable from the investment in gilt-edged.

In conclusion, I would like to revert to the article in 'Yogakshema'—"A prospect—Not a Flight of Imagination" by Mr. T. S. Krishnamurthi. An annual turnover of Rs. 2,000 crores (or Rs. 2,500 crores for which a blue-print was originally invited) is not impossible or impracticable, but the question is whether the L.I.C., as it is today, is adequately geared to the task. Some idea of the immense magnitude of the L.I.C's operations to handle a Rs. 2,000 crores annual business has been indicated in the above article. "The L.I.C. will then have on its roll over two crores of policy-holders. Everyday some 20,000 policies will be issued and more than Rs. 2½ lakhs of collections made and receipts issued. Similar figures for 1959 are 3,000 policies and 40,000 receipts per day". All this means streamlining every facet of the Corporation's administration and that, in my opinion, calls for more than a multiplication of divisional offices and abolition of with-profit policies. The laudable goal of operating a simple economic and efficient life insurance to everyone needing it in the country which the L.I.C. has in view is indeed a stupendous task.

Given below is a synoptic table of the L.I.C's progress over the past five years:

	Total Sum Assured (in crores) Rs.	Total business (in crores) Rs.	Average Policy	Lapse Ratio %	Life Fund (in crores) Rs.	Claims (in crores) Rs.	Investment (in crores) Rs.	Premium (in crores) Rs.
1957	283.07	1,473	3,424	6.4	409.55	28.70	381.90	88.12
1958 ..	344.68	1,682	3,551	5.1	447.81	25.05	420.94	73.08
1959	429.17	1,958	3,671	6.0	504.75	28.14	456.63	84.46
1960	497.54	2,285	3,903	6.6	560.38	30.69	527.11	96.89
1961	608.75	2,906	4,097	—	—	—	—	—

Implications of Geneva Agreement

By CROESUS

ALTHOUGH, quantitatively, the recent Geneva Cotton Textile Agreement may not mean much—not that small mercies don't matter or are not welcome at the present juncture—its psychological effects are considerable. No one can afford to miss the point that the Agreement represents a major shift in emphasis, a shift from restraint to orderly expansion of textile exports from the less developed countries. This was to be expected, though, in the prevailing context of a refreshingly reorientated outlook on the part of the industrially advanced countries, especially the United States, to view the development—normal and natural, and, therefore, logical—of the under-developed and undeveloped economies as a desideratum and an essential pre-requisite to any expansion in world trade. But one shou'd not forget that these are times when one cannot take anything for granted. Hence the conclusion of the five-year Cotton Textile Agreement by the 19 participating nations at Geneva really marks an important milestone in the history of international trade. It only remains now for the concerned governments to ratify the Agreement, and, judging from the reactions to it in the World Press so far of the governments of all the 19 participating countries, there should be no difficulty about it. In fact, knowledgeable circles expect the ratification to be completed well in time for the Agreement to come into force on October 1, 1962, as scheduled, thereby replacing the present short-term Agreement due to expire on that date.

The value of the Geneva Agreement lies in the opportunity that has been afforded to countries like India and Pakistan to increase their exports to some European countries, as also to the U.S.A., where the recent tendency seemed to be unduly restrictive, thanks to the 'cry wolf' compaign of interested sections in these countries that unrestricted imports from under-developed countries would lead to a disrup'ion of the market for the domestic industry. The discussions at Geneva preceding the Agreement, however, not only belied these fears but also made the participating countries realise that nothing would be lost, and much would be gained, in fact, by allowing access to textiles from the less developed textile-exporting countries. Here is a clear indication of the liberal tendencies that have begun to manifest themselves in the trade policies of industrially developed countries. One need not bother to probe whether this is the outcome of enlightened self-interest or uninhibited self-sacrifice. If one can argue that the resulting increase in the share of world imports by the developing countries would benefit the developed countries, it is also possible to argue that some of these developed countries have only lately modernised and rationalised the textile industries in their respective countries which can well take care of whatever growth there may be in demand for textiles not only in their own countries but in their region as well.

Now, there are both countries which have been applying restrictions on imports of textiles as, for instance, in Europe, and countries which have not been doing so, as, for example, the U.S. and Canada. It is significant, from the point of view of developing countries, that the chances of access for their textiles have improved in both the cases. Whereas, in the former case, the countries concerned have agreed to allow more imports, albeit in phased stages—the exact rate of permissible increase being subject to bilateral agreements—countries falling under the latter category have undertaken to allow unrestricted access to imports from textile-exporting countries so long as such imports do not threaten the domestic indu try. It is noteworthy that a built-in safety valve has been introduced in the Agreement which prevents the domestic industry from "crying wolf", so long as imports do not exceed the average imports of the 12-month period three months prior to the date of request (by the affected domestic industry in these countries) for imposition of restrictions on imports of textiles from the developing countries. Even when restraints are imposed, it should be added here.

the proposals as per the Agreement are quite reasonable. And the restraints themselves, it is made clear in the Agreement, are to be used sparingly.

A particularly notable feature of the Agreement is the insistence on importing countries paying particular attention, having regard to equity, to the need of the less developed countries possessing the necessary resources, such as raw cotton, and technical skill to have larger opportunities for increasing their exchange earnings from the sale to world markets of products which they can efficiently manufacture. India and Pakistan fit nicely into this description of less developed countries. Not only are these countries less developed compared to European countries like the U.K. and the U.S.A., but they are also less developed 'vis-a-vis' Asian countries like Japan, but unlike both, they raise the raw materials required by their textile industry. On the face of it, thus, it might seem that India and Pakistan particularly would stand to gain much, but these countries have not only to face the challenge of the admit ed efficiency of the Japanese textile industry but also the known advantage that Hong Kong, Spain, and Portugal enjoy—and will continue to enjoy even af.er the new Agreement comes into force—in West Germany and France, especially in the latter. So, although a doubling of, or a cent per cent increase in, the present volume of exports may sound very big, it is anybody's guess as to what share of the increased markets precisely would fall to India. This would depend on the success of our bilateral agreements with the countries concerned, in particular of the European Common Market, but, to a like extent, if not more, on the efficiency of our textiles. Only to the extent that we are able to offer them at competitive rates would it be possible for us to avail ourselves of the prospects of increased exports, which means that a great responsibility, greater than ever before, now devolves on the Cotton Textiles Export Promotion Council.

It is necessary, while on the subject of cotton textile exports, to utter a note of caution. For we are too often and too much prone to take things for granted, whether it is a question of our traditional exports or it is one of our traditional markets. True, so long as population continues to increase, the demand for textiles in these markets also increases, but, unless our exporters keep a continuous watch on the changing tastes of the people in our traditional markets, as also the twin competition from rival countries and rival synthetic fibres, and suitably and promptly adapt their marketing technique, we might find even our traditional exports to our traditional markets slipping under our very feet.

Business Notes

Electricals

EXPANSION OF EXISTING UNITS URGED

OUR ELECTRICAL industries have made considerable progress during the last decade. Not only have they attained the targets set for them in the first two Plans but have, in some cases, exceeded them, thus reducing the dependence of the country on foreign supplies. This was disclosd by Mr. Gurjar in his Presidential Address at the 14th Annual General Meeting of the Indian Electrical Manufacturers' Association, the other day.

The targets fixed for the Third Plan could only be achieved if the electrical industries made an attempt to overcome bottlenecks, such as shortages of raw materials and transport, which prevent them from utilising their full capacities, according to Mr. Gurjar. Import licences should be liberally given by the Government to the industry to ensure adequate and regular supplies of specialised and up-to-date materials at reasonable prices till they are developed in the coun.ry. Rail and road transport should be increased to help the supply of coke and coal, as also to facilitate movement of essential raw materials.

Proceeding, Mr. Gurjar referred to the Government proposal to set up two more heavy electrical factories and said that this would not be in the interests of the country. On the other hand, he felt that it would be easier and far more economical to expand the existing factories than to start new ones. This expansion would, incidentally, also be helpful in utilising their capacities to the fullest extent. Accordingly, he urged the Government to expedite sanction of applications made by a few units to expand their activities. Referring to the export promotion drive on the part of the electrical industries, Mr. Gurjar said that, unless the in talled capacities of these industries were fully utilised and unless the workers put forth their best, the country would not be able to achieve its export targets.

Mr. Gurjar observed that the electrical industry covered a vast field and that, so far, only few major units in the field had been developed. He, therefore, wanted the manufacture of more elctrical items to be taken up in the country, as, for instance, the electronic industry, and the Government should play its role in assisting such new industries by granting tax reliefs, continuing facilities for initial and additional depreciation allowances and giving approval, without u due delay, to colloboration agreements between Indian manufacturers and reputed foreign firms.

A NEW VENTURE IN KERALA

A NEW company, called Kerala Hitachi Electricals Limited, is to be formed in the near future for setting up a heavy electricals plant in Kerala with Japanese collaboration. The sponsor of this venture is Mr. N. J. Nair, Managing Director of Messrs. Textile Supplies Syndicate (India) Private Limited, Bombay. The total capital of the company will be Rs. 1.1 crores. Of this, Rs. 27.5 lakhs will be contributed by the foreign collaborators, Messrs. Hitachi of Japan, in the form of plant and machinery. Capital worth Rs. 55 lakhs is envisaged to be raised through public subscriptions. The remaining capital will be the Kerala Government's share.

The project envisages manufacture of power transformers up to 50,000 KVA in two stages to be completed in a period of 3½ years. No other private sector firm is at present allowed to manufacture the range of transformers for which this company has been licensed.

The Japanese collaborators have also agreed to provide technical assistance for the manufacture of some other electrical goods such as switchgears, capacitors, motors, etc.

The collaboration terms provide for the payment of a royalty of two per cent and technical assistance fee of one per cent on the value of the goods produced, besides a 5 per cent royalty on the value of exports. The foreign firm is also to receive a "handling and testing charge" of 3 per cent on the value of machinery which will be procured by it from non-Hitachi sources. One-third of the output is to be exported.

Banking

S.B.I's WORKING IN 1961

IN 1961, once again, the State Bank of India was able to report good results, both in its traditional business

and in its developmental activities. Thus, the demand for bank credit rose considerably during the year 1961. The S.B.I's total advances increased from Rs. 211 crores to Rs. 272 crores during the busy season of 1960-61 (October-end 1960 to April-end 1961), while those of other scheduled banks rose from Rs. 819.9 crores to Rs. 1,036.9 crores.

The Bank's aggregate deposits liabilities stood at Rs. 511.7 crores in December, 1961, as compared to Rs. 557.4 crores in December, 1960. As in the previous year, this decline was mainly attributed to the transfer of a part of PL 480 funds to the Reserve Bank of India. If, however, the deposit liabilities of the State Bank, exclusive of PL 480 funds, were considered, there was an increase of Rs. 37.7 crores in 1961, as compared to an increase of Rs. 131.6 crores (1,467.3 crores) in the deposit liabilities of other scheduled banks.

The Bank undertook during the year under review several steps in order to attract more deposits. Thus, the Bank not only began accepting call deposits and other short-term deposits from January 1, 1961, but also offered higher rates of interest on these deposits.

A notable feature of the Bank's activities was the introduction of a Special Credit Transfer System so as to facilitate the spread of the banking habit in the country. According to this scheme, a constituent can utilise the services of any of the 954 branches and offices of the Bank for transferring money paid in cash for credit of his account, free of charge, but only when the deposit is not in excess of Rs. 1,000. However, the scheme still being in experimental stage, its scope and the results may not be available till July, 1962.

During the year 1961, the Bank intensified its work of assisting small-scale industries. The number of units assisted and the credit limit sanctioned, as also the outstandings, both by the S.B.I. and its subsidiaries, registered increases. The number of units assisted by the S.B.I. rose from 2,451 to 2,811 and those assisted by the Bank's subsidiaries increased from 384 to 463. Similarly, the credit limits sanctioned of the S.B.I. and its subsidiaries improved from Rs. 7.8 crores and Rs. 2.7 crores to Rs. 10.1 crores and Rs. 3.4 crores, respectively. So also the outstandings which rose from Rs. 3.7 crores and Rs. 1.1 crores to Rs. 5.1 crores and Rs. 1.5 crores respectively. The increase in outstandings amounted in either case to more than 50 per cent.

The S.B.I. was able to earn a net profit of Rs. 2.71 crores in 1961 as compared to Rs. 2.18 crores in the previous year. This was in spite of the fact that earnings from interest and discount fell slightly from Rs. 14.87 crores to Rs. 14.12 crores, mainly due, it is stated, to the decline in the Bank's Investments.

New Issues

PAPCHEMI CORPORATION LIMITED

FOUR COMPANIES are entering the market shortly to raise capital from the public either for setting up new industrial units or for financing their expansion programmes.

Papchemi Corporation Limited, a company incorporated in Bombay in November last, is to raise capital to the tune of Rs. 25 lakhs in the form of 25,000 equity shares. Of this, shares worth Rs. 12.50 lakhs have either been already subscribed or promised to be subscribed by the promoters, directors, their friends, associates and nominees. The remaining 12,500 shares, worth Rs. 12.5 lakhs, are to be offered to the public for subscription.

The list opens on March 1 and closes on March 9 or earlier at the discretion of the directors, but not before March 5. The authorised capital of the company is Rs. 50 lakhs, consisting of 40,000 equity shares (of Rs. 100 each) and 10,000 unclassified shares (also of Rs. 100 each).

The proceeds of the issue are to be utilised for setting up a factory at Kalyan to manufacture 3,000 tons of pulp and 3,000 tons of paper per annum from rice straw, waste paper, cotton rags and waste wood pulp. The total capital outlay on the project is expected to be of the order of Rs. 40 lakhs. Since the share capital will only be making available Rs. 25 lakhs, the company is negotiating with the Industrial Finance Corporation of India a loan of Rs. 15 lakhs. The company may also obtain loans to the tune of Rs. 2 lakhs from its bankers and will be having Rs. 3 lakhs as deposits from the prospective setting agents.

The directors, among whom are included Mr. J. R. Mehta (Chairman), Mr. Devji Rattansey, Mr. G. Bhagwandas, Mr. L. S. Dabholkar and Mr. S. H. Shah, claim that they will be able to save considerable expenditure on transport costs through elimination of intermediaries because the essential raw materials to be made use of are available in abundance in the neighbourhood of Kalyan. The company has outstanding debentures or debenture stock or any other loan capital.

URMI CHEESE AND CHEMICALS

THE URMI CHEESE AND CHEMICALS COMPANY, which proposes to manufacture all varieties of cheese, butter, ice-cream and other dairy products and chemicals at a factory to be set up at Manuya, in Mysore State, is entering the market on March 22 to raise from the public capital worth Rs. 25 lakhs, in the form 2.5 lakh equity shares of Rs. 10 each. The promoters and the directors of the company and their friends have already agreed to put in another Rs. 25 lakhs. The list closes on March 29 or earlier at the discretion of the directors.

The manufacturing programme is envisaged to be implemented in two phases. The first phase will cover manufacture of such specialised varieties of cheese as Cheddar, Bali, Edam and Craft, together with butter and ice-cream. In the second phase, the company will undertake the production of condensed and concentrated milk, baby food, skimmed milk powder and allied dairy chemicals like casein glue, casein hydrolysate, loctose, calcium lactate, protein hydrolysate, whey etc. The plant will have a capacity to produce 27 tons of cheese, 14 tons of butter, 9 tons of casein and 8 tons of calcium lactate per month and 2,000 litres of ice-cream per day.

The total capital outlay on the project is estimated to be around Rs. 59.68 lakhs. Since the share capital will be making available only Rs. 50 lakhs, the company proposes to borrow from banks and other institutions a sum of Rs. 9.68 lakhs.

The project is to be implemented with Czech collaboration. The plant is to be supplied by Messrs. Strotexport, one of the leading manufacturers of such machinery in the world.

The Board of Directors of the Company include Maharaja Fatehsinghrao Pratapsinghrao Gaekward of Baroda (Chairman), Kumararajah M.A.H. Muthiah Chettiar of Chettinad, Dr. Raman C. Amin, the promoter of the scheme (he will be the Managing Director and the technical consultant of the company), Mr. S. G. A. Naidu, Mr. Kanti Lal Keshavlal Kapadia, Mr. Raojibhai Patel, Mr. Mulraj Goculdas Dungersey and Mr. Susserwanji Hormusjese C. Dinshaw.

ELCON ENGINEERING COMPANY

THE ELCON ENGINEERING COMPANY, Bombay, is entering the market, probably towards the end of this month, to raise from the public Rs. 34.50 lakhs in equity shares of Rs. 100 each. The company has an authorised capital of Rs. 100 lakhs, of which Rs. 10 lakhs is already paid-up. The new issue is for a total sum of Rs. 50 lakhs. Of this, the directors and their friends are taking up capital worth Rs. 13.10 lakhs and shares worth Rs. 2.40 lakhs are to be given to the foreign collaborators. The rest of the issue is being thrown open to the public for subscription.

The proceeds of the issue are to be utilised to meet part of the expenditure on the expansion programme of the company which includes undertaking the manufacture of such engineering items as reduction gears, troughing idlers, etc., at its new factory set up in Anand, in Gujarat. The company is at present manufacturing mechanical equipment like belt conveyors, screw conveyors, gravity roller conveyors, etc., at its Parel factory. Technical collaboration for the new lines of manufacture has been arranged with the Birmingham firm of Alfred Wiseman and Company. The company has entered into another agreement with the U.K. firm of Spenser (Melksham) Limited of Woltshire, for acquiring this firm's goodwill in regard to manufacture and sale of its patented idlers.

The expansion programme involves an outlay of Rs. one crore. Half of this cost will be met by the new issue. The Industrial Credit and Investment Corporation of India is providing a loan of Rs. 20 lakhs (Rs. 12 lakhs in foreign exchange and the rest in rupees). The balance of Rs. 30 lakhs are envisaged to be procurred through bank borrowings and customers' deposits.

The Company's present production facilities have a capacity to give annually a turnover of about Rs. 25 lakhs. The new facilities are expected to account for a turnover of Rs. 35 lakhs a year. The company is said to be having on hand orders for about Rs. 75 lakhs and more are stated to be under negotiation.

PRABHAT UDYOG LIMITED

PRABHAT UDYOG LIMITED, Bombay, a public limited company which has taken over the Prabhat (Stove and Lamp) Products Company (Private) Limited as a going concern, is to raise from the public capital to the tune of Rs. 29.40 lakhs, all in equity shares of Rs. 100 each. The authorised capital of the company is Rs. 3 crores. The issued capital is Rs. 60 lakhs. Of the issue capital, the directors and their friends have already taken up shares worth Rs. 30.60 lakhs—Rs. 7.20 lakhs worth of shares in consideration of the purchase price of the private company taken up by them and the balance Rs. 23.40 lakhs worth of shares against cash.

The proceeds of the issue are to be utilised to expand the manufacturing programme of the company, which is estimated to cost Rs. 70 lakhs. A loan of Rs. 10 lakhs is being negotiated with the ICICI. The expansion programme includes raising the present production facilities to enable manufacture of 5,00,000 liquid gas stoves, 1,00,000 lamps, 1,00,000 gross gas mentals and spare parts worth Rs. 18.50 lakh per annum.

Technical collaboration is envisaged to be secured from a well-known Swedish firm. Negotiations have almost been completed in this respect; a collaboration agreement is expected to be reached soon.

When the expansion programme is completed by the end of 1964, or early 1965, the turnover of the company is expected to go up to about Rs. 2.25 crores. At present the turnover is around Rs. 81 lakhs.

Economy

PLEA FOR TAX CONCESSIONS

FROM THE speech of Mr. Mariwala at the 54th annual general meeting it is clear that he in no way wanted to raise the controversy regarding the private and public sectors. As a matter of fact he never questioned the role of the public sector. What he stressed in his address was that there should be a reapparaisal of the tax structure and the difficulties in obtaining industrial licenses for various projects should be done away with. His plea was that the earlier position should be restored, according to which it would be possible to get a license by a letter without the production of a collaboration agreement. He did not deny the incentives that have been provided by the Government to the private sector. What actually he meant was that the disincentives that exist in the form of present taxation structure should be re-examined. It is all very well to say that our taxation structure should be integrated as has been underlined by Mr. Morarji Desai, Union Finance Minister; but the great inconvenience that is caused to the assessees and fruitless expenditure that is involved in the administration of taxes like wealth tax, estate duty and gift tax, one wonders whether they have much utility. It goes without saying that they yield very little revenue. Besides they not only act as a damper on savings and investment but even cause a good deal of harassment.

Then again the plea made by Mr. Mariwala against the proposal of having a ceiling on urban incomes is quite justified as a proposal of such sort can act as a disincentive to expansion. There is definitely a logic in the statement the ideological consideration should not weigh with the Government in devising measures for mobilising the resources for the public sector only because the existing sources of revenues would not adequately meet the requirement of investments in the private sector. There is no doubt that there should be a healthy co-ordination of the different sectors and it is only to be wished that such an approach would always be followed.

Regarding the loan to the Jayanti Shipping Company it was questioned if the financial assistance given to it was justified under the circumstances to build up a balanced merchant navy for India. The Minister for Finance, however, remained quiet on this issue. The fact cannot be denied that private sector is put to a lot of inconvenience in obtaining licences and the taxation structure is quite cumbersome. It is high time that the whole problem is viewed in a right perspective and an end is put to disincentives that stand in the way of the rapid economic growth of the country.

Hindustan Lever

EXPANSION PLANS

HINDUSTAN LEVER would soon be making a big leap forward as its expansion plans are now more or less ready. Besides strengthening its activities in the existing fields, Hindustan Lever proposes to enter into new industrial fields like human foods which they would try to preserve by dehydration in initial stages and later by more sophisticated methods. They would also try to secure a balanced food for cattle as it is considered that a balanced food might help in procuring better yield in the form of milk and other milk products. Hands in the oil seeds field are also likely to be strengthened. The most notable project is likely to be the establishment of research departments on the lines of those in the United Kingdom and United States. Research facilities have been lacking and it is considered that by adopting the methods practised in the Western countries better results perhaps may be achieved. Research has an importance in every field of the economy and there is no doubt that here also it would help in delivering better goods.

So far as modernisation programme is concerned, it was emphasized by Mr. Tandon, Chairman of Hindustan Lever Ltd. recently that their existing equipments would be modernised as far as possible. The foreign exchange difficulties, of course, were there but a good deal would be done within the resources. Although

the share of Hindustan Lever in the Indian market in soaps was not very large, the quality of the goods produced by it cannot be questioned. At present its share was not more than 16 to 17 per cent whereas the total quantity of soap consumed in the country was in the neighbourhood of 5 lakh tons of which about 1,60,000 tons came from the organised or powered sector and the remaining two-thirds from the small or non-powered sector. Prices of Hindustan Lever were more or less the same in most countries except in Indonesia where they tended to be distorted. Needless to say that Uni-Lever has made good progress in its selling and marketing methods, still a good deal remains to be achieved. Propaganda in countries like Africa and other under-developed countries needs to be much more intensive in case progress of the concern is to be enhanced.

Voltas

AN EXPANDING ORGANISATION

FROM THE statement of the Chairman of Voltas Ltd., Mr. J. D. Choksi, circulated with the annual report, it is apparent that the company has entered new fields, new products and an ever widening horizon with increasing pursuits and increasing activities. Marketing and distribution is the important part of Voltas activities. Such an excellent network of regional facilities and services has been built up that it can be compared with any top organisation any where in the field. Its focal points are the large branches at Bombay, Calcutta, Madras, Delhi and Bangalore, which in turn are served by regional offices, area offices and service establishments within the territories of these branches. The branches themselves are again sub-divided into administrative units and into product-wise trading sub-divisions. Close co-operation is maintained in all important matters, between general management, branches and divisions to achieve speedy and quick service and smooth movement of the various complicated parts of the Voltas organisational machine.

In the field of manufacturing activities, Voltas have tried to promote local manufacture by bringing about collaboration between foreign associates and suitable Indian manufacturers retaining for itself the distributorship of the locally made products in succession to the distributorship of the previously imported products, and by associating with other foreign principals as partners in manufacturing ventures. The result of all this is that today Voltas have achieved a position where more than 50 per cent of their business is in products of Indian manufacture, as, for instance, pharma division (94 per cent), machine tools (54 per cent), textile mill-stores (63 per cent) and airconditioning 52 per cent. A number of obstacles, of course, are still there within the manufacturing field and sooner they are done away the better it would be. From the progress attained, one can say with confidence that Voltas have a bright future ahead.

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FROM THE CAPITAL'S CORRIDORS

POWER SUPPLY IN W. BENGAL AND BIHAR

FURTHER details are now available of the Sachdev Committee's findings in regard to the recent failures of power supply in West Bengal and Bihar. The Committee had reviewed the present power situation in these two States, including the areas served by the power system of the Damodar Valley Corporation, in consultation with the engineers of the West Bengal State Electricity Board, the Bihar State Electricity Board and the Damodar Valley Corporation, and assessed the power requirements in different parts of West Bengal and Bihar during the Third Plan period in the light of the demands for power anticipated to mature by 1965-66.

The West Bengal State Electricity Board's memorandum on the proposed augmentation of the generating capacity in West Bengal, submitted to the Committee on August 16, 1961, was considered in detail. In this memorandum, the State has been divided into the following four 'power' regions: (i) Areas covered by the Damodar Valley Corporation; (ii) Areas covered by Bandel-Durgapur-Calcutta-Azimganj system; (iii) Malda-Dinajpur area; and (iv) North Bengal area.

In the West Bengal areas covered by the Damodar Valley Corporation, both inside and outside the valley, the Committee assessed the load demands as presented by the West Bengal State Electricity Board in its memorandum, in reconciliation with the corresponding estimates made by the Central Water and Power Commission according to its detailed load survey. The final estimate of loads by 1965-66, as accepted by the committee, is as follows:

Name of Load	M.D. as anticipated by 1965-66 (M.W.)
(a) Inside the Valley.	
Licensees:	
i. Dishergarh E.S.	18.39
ii. Seebpore E.S.	24.20
W.B.S.E. Board's loads at Pandaveswar, Benachetty and Burdwan.	16.00
Ropeway Project, Seebpore	6.50
Indian Iron and Steel	
i. Kulti	9.00
ii. Burnpur	9.00
Hindustan Steel, Durgapur	64.00
Hindustan Cables, Rupnarayanpur	0.80
Chittaranjan Locomotives	14.40
N.C.D.C. Loads	5.60
Panchet Development Scheme	20.00
Traction loads at Burdwan, Durgapur and Ramkanali.	25.79
Aggregate	213.68
Simultaneous demand (diversity factor 1.2)	=178.07 MW
(b) Outside the Valley.	
Licensees:	
Calcutta E.S.C.	99.00 (Firm)
W.B.S.E. Board's loads at Kharagpur, Midnapore and Purulia	22.40
Traction Loads:	
i. Howrah	10.50
ii. Belmuri	10.00
iii. Purulia	8.50
iv. Kharagpur	7.00
v. Kolaghat	9.50
Aggregate	166.90
Simultaneous demand (diversity factor 1.2)	**=155.58 MW**

BANDEL-DURGAPUR-CALCUTTA-AZIMGANJ SYSTEM

This area would cater to the power requirements of the newly developing industries in Bandel and Durgapur regions as well as the tube-well irrigation loads and Farakka Barrage construction, power in the Azimganj supply area and the Calcutta region (with the exception of 99 MW of bulk supply to be obtained from the Damodar Valley Corporation by the C.E.S.C.). The anticipated demands for this region, as finally accepted by the Committee, are as follows:

Name of Load	M.D. as anticipated by 1965-66 (M.W.)
Group A—Durgapur System.	
Coke Oven, Durgapur	9.90
J. K. Industries (Aluminium), Asansol	15.00
B&C Machinery Mfg. Co. ACC-Vickers-Babcock group	6.00
Mining Machinery Project	16.00
W.B.S.E. Board's loads at Durgapur, Sonamukhi, Bankura, etc.	6.00
Bulk supply to Damodar Valley Corporation from Durgapur Power Station of West Bengal	7.50
Small Industries, Refractories, etc.	4.00
Kreba scheme	6.50
Optical Glass	3.00
Binani Metals	10.00
Misc. Industries	2.00
Sub-Total	85.90
Fertilizer Plant	40.00
Alloy Steel Plant	40.00
Aggregate Group A	**165.90 MW**
Simultaneous Demand	**138.25 MW**
GROUP B—BANDEL-AZIMGANJ AREA	
1. Railway Traction:	
i. Eastern side of River Hooghly	42.50
ii. Bandel	10.00
2. Tube-well Irrigation	20.00
3. Calcium Carbide, Birlapur	10.00
4. Gourepore E. S. including Gourepore Rayon	26.00
5. Farakka Barrage	10.00
6. Unforeseen	16.50
Group B Aggregate	**135.00 MW**
(Simultaneous demand	**112.50 MW)**
GROUP C—CALCUTTA AREA	
1. Bulk supply to Calcutta Electric Supply Corporation System comprising:	
i. C.E.S.C. Licensed area	167.00 MW
ii. Section 27 consumers	65.00
iii. North Calcutta, South Calcutta, Howrah, Amta and Singur-Tarakeswar grids	33.00 MW
Group C Aggregate	**265.00 MW**
Grand Total of Simultaneous Demand	**515.75 MW**

The Damodar Valley Corporation claimed that the Fertilizer Plant and the Alloy Steel Plant loads really fell within its area of supply. The Committee, however, found that the Fertilizer Plant will be located within the Durgapur Industrial Belt and the Damodar Valley Corporation could not meet the Alloy Steel Plant load by the end of 1963, when it was stated to be required. The Committee, therefore, decided to include these two loads under West Bengal's Power System. Accordingly, the total simultaneous demand in the Durgapur-Bandel-Calcutta-Azimganj area by 1965-66 is estimated at 515.82 MW.

MALDA-DINAJPUR AREA

The anticipated loads in this area, as finally accepted by the Committee, are as follows:—

Name of Load	M.D. as anticipated by 1965-66 (M.W.)
1. Tube-well Irrigation	4.50
2. Spinning Mill	1.50
3. Food Preservation	0.50
4. Bulk supply to English Bazar, Dinajpur, Balurghat, Raiganj etc.	4.00
Aggregate	10.50 MW
Simultaneous Demand (diversity factor 1.2)=8.75 MW	

NORTH BENGAL AREA

The anticipated loads, as finally accepted by the committee, for the North Bengal area as follows:

Name of Load	M.D. as anticipated by 1965-66 (M.W.)
Bulk supply to Darjeeling, Kalimpong, Gindharia, Jalpaiguri including rural loads	15.00
Tea gardens outside Darjeeling Municipal Area	5.00
Unforeseen	4.00
Aggregate	**24.00 MW**
Simultaneous Demand (diversity factor 1.2)=20 MW	

With regard to the present power situation in the Calcutta area and the demands anticipated there by 1965-66, the Committee met the representatives of the Calcutta Supply Corporation as well as the representatives of the various Chambers of Commerce and Industries in West Bengal, besides the engineers of the West Bengal State Electricity Board. According to the load forecast submitted by the Calcutta Electric Supply Corporation, a basis of 9 per cent annual increase has been adopted and the present demand of 406 MW (1960-1961) was thus anticipated to grow to 640 MW in 1965-66. Taking into consideration the restrictions now imposed by the Government of West Bengal under Section 22 B of the I.E. Act in this area, and also the estimates of the Central Water and Power Commission and the West Bengal State Electricity Board in respect of North and South Calcutta, Howrah, Amta and Singur and the area served by the Calcutta Electric Supply Corporation under Section 27, the Committee reckoned that the 1965-66 demand would be of the order of 670.00 MW in the Calcutta system, as against the estimate of 640 MW by the Calcutta Electric Supply Corporation. The representatives of the Chambers of Commerce and Industry, however, reckoned the present load in the Calcutta area to be of the order of 430 MW on an unrestricted basis and estimated that by 1965-66 this demand would be 935 MW. Further, they felt that the conditions such as the facts of growing population and certain other industrial developments including the development of the port at Calcutta, called for planning for power development in the Calcutta area on the basis of 1000 MW demand target by 1965-66. The Committee, however, taking into account all possible factors and in particular the power shortage position till the end of 1963, felt that the estimate of 670 MW for Calcutta area by the end of the Third Five-Year Plan period, would be more realistic.

BIHAR'S REQUIREMENTS

The final estimates of loads, as accepted by the Committee, for South Bihar and North Bihar regions are as follows:—

Name of Load	M.D. as anticipated by 1965-66 (M.W.)
SOUTH BIHAR INSIDE THE VALLEY	
Licensees:	
i. Sijua (J) E.S.	28.00
ii. Dishergarh E.S.	10.70
A.C.C. Sindri	6.40
Sindri Fertilizers	10.00
Hindustan Steel, Bokaro	40.00
Bihar State Electricity Board.	
i. Ganeshpur	6.70
ii. Digwadih	6.00
iii. Bokaro	8.50
iv. Tilaiya	5.00
v. Ramgarh	12.00
vi. Badjna	6.60
Multipurpose Engineering Works Ramgarh or Ranchi	15.00
Refractory, Ramgarh	2.50
National Coal Development Corporation loads	60.00
Traction loads:	
i.. Tilaiya	12.40
ii. Nimiaghat	10.50
iii. Maithon-Kumardhubi	10.80
Unforeseen	9.00
Aggregate	**260.10**
Simultaneous demand	**216.75 MW**

SOUTH BIHAR: OUTSIDE THE VALLEY

(a) Loads committed by Damodar Valley Corporation for supply.	
1. Tisco	81.00
2. ICC, Ghatsila	6.00
3. Bihar State Electricity Board:	
i. Sultanganj	10.00
ii. Patna	15.00
iii. Jamshedpur	8.00
iv. Gaya	6.00
v. Barun	27.00
vi. Mosabani	1.00
4. Traction loads:	
i. Barun	10.00
ii. Manikui	13.50
iii. Gaya	9.50
iv. Mosabani	6.50
Aggregate	**193.50 MW**
Simultaneous Demand	**174.75 MW**
(b) (Loads beyond Damodar Valley Corporation's commitment and to be supplied by the Bihar State Electricity Board.)	
5. Tilaiya	5.00
6. Maithon-Sultanganj	19.40
7. Jamshedpur	60.60
8. Mosabani	5.60
9. Gaya	7.75
10. Patna	31.25
11. Barun-Pipradi	54.20
12. Tisco	59.00
13. ICC Ghatsila	4.00
14. Kenskosi	10.00
15. Hatia	50.00
16. Karamnasa	5.00
17. Traction loads	36.10
18. Unforeseen Industries	12.50
Aggregate	**360.40 MW**
Simultaneous Demand	**310.16 MW**

The aggregate load on the Damodar Valley Corporation system inside the Valley is estimated to be 260.10 MW and the Committee's estimate of aggregate demand outside the Valley amounts to 193.50 MW, giving a total of 453.60 MW. Assuming a diversity factor of 1.2 on all the loads excepting the TISCO demand of 81.00 MW, the system demand by 1965-66 is estimated to be 391.50 MW. on the Damodar Valley Corporation system. As regards the loads outside the Valley, in South Bihar, which are to be supplied by the Bihar State Electricity Board, the aggregate is 360.40 MW. This aggregate load will result in a system demand of 310 MW with the application of a diversity of 1.2 on all the loads excepting on item 12 above, which relates to a specific bulk supply demand of the steel mill.

NORTH BIHAR REQUIREMENTS

Name of Load	M.D. as anticipated by 1965-66 (MW)
1. Oil Refinery, Barauni	15.00 (Firm)
2. Railway Coach Factory	1.50
3. Steel Re-rolling Mills	4.00
4. Sugar Mills	0.50
5. Paper Mill, Darbhanga	3.00
6. Paper Mill, Samastipur	3.00
7. Cotton Mill, Samastipur	1.70
8. Dairy Products, Barauni	0.50
9. Cold Storage	2.00
10. Industrial Carbon	2.50
11. Drum Manufacturing	1.00
12. Railways at Barauni	2.50
13. Bulk Supply to West Bengal at Katihar	10.00 (Firm)
14. Bulk supply to Nepal at Biratnagar	5.00
15. Mokameh	6.00
16. Fertilizer and unforeseen	25.00
17. Rural and town loads	36.70
Aggregate	**119.90 MW**
Simultaneous Demand	**104.08 MW**

The aggregate of 119.9 MW in North Bihar will result in a system demand of 104 MW by 1965-66 by considering the demands under items 1 and 13 as firm and not subject to diversification.

To sum up, the anticipated system demands by 1965-66 in the West Bengal, the Damodar Valley Corporation and the Bihar areas, on the basis of both fertilizer and steel alloy loads considered under West Bengal, are as follows:

West Bengal	M.D. as anticipated by 1965-66 (MW)
Bandel-Durgapur-Calcutta-Azimganj area (including 405 MW at Calcutta)	920.75
Malda-Dinajpur area	8.75
North Bengal area	20.00
	949.50 MW
DAMODAR VALLEY CORPORATION	
West Bengal Territory:	
i. Inside Valley	178.07
ii. Outside Valley	155.58
Bihar Territory:	
i. Inside Valley	216.75
ii. Outside Valley	174.75
	725.15
BIHAR	
North Bihar area	104.08
South Bihar area	310.16
	414.24

AVAILABILITY OF POWER

The power availability (in MW) during the Third Plan period in the Bandel-Durgapur-Calcutta-Azimganj region is estimated to be as follows:

Name of Station	1961-62 Inst. (MW)	1961-62 Firm (MW)	1965-66 Firm (MW)
Durgapur	60	60	210
Bandel			247
Aggregate-firm capacity less 12½ per cent towards auxiliaries & losses	—8		—57
Net saleable capacity	52		400
Add available capacity from the CESC including bulk supply from the Damodar Valley Corporation	361	382	405
Total saleable capacity	413	484	805

The anticipated demand in this region by 1965-66 in 921 MW and, therefore, the shortage will be 116 MW.

The West Bengal State Electricity Board has put forward the following proposals for augmentation of generating capacity during the Third Plan in addition to its Bandel Thermal Power Station scheme:—

(i) Extension of the Durgapur Termal Power Station by a third 75 MW generating unit at an estimated cost of Rs 677 lakhs.

(ii) Installation of a new thermal power station at Azimganj with 2 Nos. 50 MW generating units and necessary transmission lines at an estimated cost of Rs 1037 lakhs.

(iii) Extension of the Gourepore Thermal Power Station by installing a packaged thermal generating unit of 15 MW at an estimated cost of Rs 180 lakhs.

PROPOSALS TO MEET SHORTAGES

The Committee has carefully considered these proposals. Considering the anticipated power shortage in the Durgapur-Bandel-Calcutta-Azimganj region and with particular reference to the acute shortage in the Calcutta area, the Committee feels that steps should be taken to provide additional generating capacity over and above that which has been accepted under the Third Plan of West Bengal. The Committee has recommended the following for consideration:—

(i) Installation of one 15 MW power plant at Gourepore, stated to be available from an East European country. This will take about two years for commissioning under a guarantee. This will help in reducing the shortage of power in 1963 to this extent.

(ii) Installation of a third 75 MW generating unit at the Durgapur Coke Oven power station of West Bengal. This should be completed and commissioned by 1964-65.

(iii) A new thermal power station proposed by the West Bengal Government at Azimganj, consisting of two 50 MW units each. The Committee understands that certain preliminary steps, such as selection of the site, have already been taken by the West Bengal Government and the latter feel confident that the commissioning of these units could be achieved by the close of the Third Plan or latest by the beginning of the Fourth Plan period.

With the sanction and achievement of the works mentioned above, it should be possible to make available an additional firm power of 122 MW as below:

	Installed capacity	Firm capacity
Gourepore	15 MW	15 MW
Durgapore	75 MW	75 MW (one 75 MW unit at Bandel has been kept out for overhaul)
Azimganj	100 MW	50 MW (one 50 MW unit out for overhaul)
Total	190	140

After allowing for auxiliaries and transmission losses at 12½ per cent, the net firm power available will be 122 MW.

The Committee considered the question of finding the necessary resources for the projects mentioned above. The cost of these works has been estimated by the West Bengal Government at about 19 crores. While the Durgapur extension will need a foreign exchange component of about 4.5 crores, the balance of the foreign exchange component in respect of the other projects, is proposed to be met under trade agreements with East European countries. The Government of West Bengal has assured us that the total capital cost will be available by adjustment within the State ceiling laid down by the Planning Commission.

It will be seen that while the above projects, if accepted, will go a long way to meet the situation as will develop by the end of the Third Plan period, the

shortage of power will continue till the end of 1963, when the two 75 MW units under erection at Durgapur, are commissioned. This shortage, the Committee is afraid, will have to be faced.

Planning being a continuous process, the Committee has urged that the planning for the Fourth Plan should be taken up from now. The target for power production was 5.7 million KW in 1961 and is placed at 13.4 million KW in 1966, 23 million KW in 1971, 35 million KW in 1976, and 50 million KW in 1981. It is already known that due to transport difficulties, it has been decided to locate the power station at the site of coalfields. It should be clear that it is easier to transmit power than transport coal. It is also intended to operate power stations with diesel in the areas, where coal were not available. Regional grids is another device in the plan to secure eqitable distribution of power within a region.

BOKARO STEEL PROJECT

The U.S. Ambassador in India, Professor Galbraith, confirmed that negotiations for the Bokaro Steel Project were in progress. This plant, he stressed, was likely to produce steel at competitive prices. It is gathered that a million ton plant with the American equipment might cost fifty per cent higher than the British or the German sponsored plants at Durgapur or Rourkela. This increased cost would naturally be reflected in the cost of end products. One alternative of avoiding this higher cost of steel would be to start the Bokaro Project with five million tons capacity. The Bokaro Steel Project is no longer a project for the Third Five-Year Plan so far as its production was concerned. The Ministry of Steel is already having second thoughts and is examining the possibilities of making it a two-million tons project with possible extension later to five or six million tons.

MORE U.S. GRANT

Agreements have been concluded with the Government of India which provide for American grants to the extent of Rs. 25.3 crores for five projects. The Malaria Eradication Programme and a Project to double India's grain storage capacity are the largest recepients of the grants. The three remaining projects are concerned with the training of engineers and craftsmen.

The grants total $8.4 million (Rs. 4 crores) in dollars and Rs. 21.3 crores in Indian currency. The latter amount has been raised by the sale proceeds of agricultural commodities supplied to India under the U.S. Food for Peace (PL. 480) programme.

The Government of India's Malaria Eradication Programme will receive two American grants to the extent of Rs. 11.3 crores. Of this, $7.2 million (Rs. 3.4 crores) is in foreign exchange and will be utilised for the purchase of 12,000 long tons of DDT powder and 85 million tablets of chloroquine phosphate (an antimalarial drug) from abroad. The grant from PL. 480 proceeds will be utilised for the rupee expenditure of the programme.

For modern storage of foodgrains a grant of Rs. 10.3 crores will be given from the PL. 480 funds in order to double existing foodgrain storage capacity of 2.5 million tons during the course of the Third Five-Year Plan. The American grant will meet the entire anticipated cost of the programme during the first two years of the plan.

During the Third Plan, the Central and State Governments have undertaken the establishment of fourteen regional engineering colleges which will have a total annual admission capacity of approximately 3,500 students. In addition to the basic branches of engineering, the colleges will conduct degree courses in certain specialized fields like mining, metallurgy and chemical engineering.

The United States will make available a grant of Rs. 2 crores from PL. 480 sale proceeds to meet the expenses incurred on the colleges during the first two years of the Plan.

It is estimated that during the Third Plan 1.3 million craftsmen will be required to meet demands of fast growing industries. At the end of the Second Plan there were 167 craftsmen training centres. The Third Plan proposes to increase the number of these centres to 318. This will increase their admission capacity to 100,000 trainees from 42,000. A grant of Rs. 1 crore from PL. 480 funds will be available to meet the costs of this programme during the first two years of the Third Plan. By earlier agreements the United States had made available $1.4 million (Rs. 67 lakhs) in foreign exchange for the supply of equipment to a number of craftsmen training centres in India.

The Indian Institute of Technology, Kanpur, is being developed into one of India's finest institutions of higher technological learning. A consortium of nine well-known American educational institutions was formed recently to aid the Kanpur Institute. A dollar grant of $1.2 million (Rs. 57 lakhs) has been provided to meet the cost of securing the services of one American Programme Director, and twenty professors and consultants. The grant will also provide for the training abroad of 30 Indian members of the staff of the Institute and for the purchase of certain commodities. The latest grant brings the total American contribution to the Institute to Rs. 2.2 crores, of which some 70 per cent has been in foreign exchange.

OUTPUT CAPACITY OF WORKSHOPS

The Government of India is making a detailed study of the production capacity of workshops in India, both in the private and the public sectors, which are supplying major items of equipment required for irrigation and power projects in the country. These items include gates, hoists, penstocks, tubing, gantry cranes and transmission line towers, some of which are at present imported and involve expenditure of foreign exchange.

The study will be undertaken by a group of officers with Mr. P. P. Agarwal, Joint Secretary of the Ministry of Irrigation and Power as the Chairman.

The study group will also draw up a phased programme, in the context of the needs of irrigation and power projects in the Third Plan, with necessary financial implifications, particularly in terms of foreign exchange, for manufacture of items, presently imported, to the extent to which indigenous capacity can replace them.

It will also recommend on the balancing machinery to be installed in selected public works departments and irrigation and power workshops in the States, so that these might be equipped for the manufacture of items of machinery, for which they are best fitted. Moreover it will study what type of additional design and testing facilities should be provided for manufacture of transmission towers and ancilliary equipment. The report is expected to be ready in April 1962.

PATHRATU THERMAL POWER STATION

A two-member technical delegation will leave for Moscow towards the end of the current month to finalise designs, contracts, and orders for equipment for the Pathratu thermal power station in Bihar. Mr S. S Kumar, Chairman, Central Water and Power Commission, and Mr. P. R. Sundaram, Chief Engineer, Bihar State Electricity Board, will be in Moscow for a period of about two weeks. The Soviet authorities have agreed to supply plant and equipment for the Pathratu power station, which, under the Third Plan, will have 5 additional units of 50 MW each. There is, however, a possibility of installing three units of 100 MW each, and the delegaion will discuss the proposal with the Soviet authorities.

The Secretary of the Ministry of Irrigation and Power, Mr. M. R. Sachadev, has addressed the various State Governments seeking their consent to set up a River Board, initially for the River Basins of Mahanadi, Mahi, Narmada and Tapti. The Boards are intended to advise the Governments interested in relation to such matters concerning, the regulation or development of an inter-State river or river valley or any specified part of it. A Board may be empowered to perform all or any of the following functions:

(a) advising the Governments interested on any matter concerning the regulation or development of any specified inter-State river or river valley within its area of operation and in particular, advising them in relation to the co-ordination of their activities with a view to resolving conflicts among them and to achieve maximum results in respect of the measures undertaken by them in the inter-State river or river valley for the purpose of:

(i) conservation, control and optimum utilisation of water resources of the inter-State river;

(ii) promotion and operation of schemes for irrigation, water supply or drainage;

(iii) promotion and operation of schemes for the development of hydro-electric power;

(iv) promotion and operation of schemes for flood control;

(v) promotion and control of navigation.

(vi) promotion of afforestation and control of soil erosion;

(vii) prevention of pollution of the waters of the inter-State river;

(viii) such other matters as may be prescribed;

(b) preparing schemes, including multi-purpose schemes, for the purpose of regulating or developing the inter-State river or river valley and advising the Governments interested to undertaken measures for executing the scheme prepared by the Board;

(c) allocating among the Governments interested the costs of executing any scheme prepared by the Board and of maintaining any works undertaken in the execution of the scheme;

(d) watching the progress of the measures undertaken by the Governments interested;

(e) any other matter which is supplemental, incidental or consequential to any of the above functions.

The Central Government, after consultation with the Governments interested, may empower the Board to perform all or some of the functions.

OIL INDIA'S PROGRESS

Oil India Limited had drilled 122 wells by February 23, 1962—105 in Nahorkatiya and Hoogrijan Concessions and 17 in Moran. A total of 83 wells have turned out to be commercial producers of oil, 74 in Nahorkatiya and 9 in Moran. Seven wells in Nahorkatiya and one in Moran have turned out to be gas producers. Sixteen wells in Nahorkatiya have to be tested further. It is hoped that a good number of these will eventually turn out to be producers of oil. Fifteen wells (8 in Nahorkatiya and 7 in Moran) have proved to be dry. The following table sets out the position clearly:

Type of Wells	No. of Wells	
	Nahorkatiya & Hoogrijan	Moran
Drilled	105	17
Oil Producers	74	9
Gas Producers	7	1
Awaiting further test ..	16	Nil
Dry	8	7
Being Drilled	1	Nil
Footage drilled upto 23-2-62	11,45,051	1,92,275

With the wells already drilled and tested, Oil India is capable of producing slightly over two million metric tonnes of oil per annum. It is supplying about 2.5 lakh tonnes per annum to the Assam Oil Company and a total quantity of about 68,500 tonnes of crude had been supplied to the Noonmati Refinery by rail tankwagons upto 22-2-1962. The company expects to complete a minimum of 40 more wells by mid-1963 in order to meet its commitments of supplying crude to the public sector refineries when Barauni goes on stream.

MANGANESE ORE EXPORTS

The State Trading Corporation has been able to step up the export of manganese ore to Norway and Sweden as is evident from the following figures of total imports of manganese in these countries against India's exports:

(In Thousand Tons)

Country	1956	1957	1958	1959	1960	1961 (upto Nov. '61)
Norway						
Total imports	2,17.53	2,86.60	1,96.58	2,18.10	3,08.37	2,25.37
India's exports	9.70	9.50	4.86	2.50	10.80	8.20
Sweden						
Total imports	29.00	39.31	72.57	85.73	54.10	87.48
India's exports	7.60	9.80	17.32	4.50	16.42	6.11

BRIEFS

A World Bank economic mission led by Mr Peter Wright is arriving in India shortly to assess India's foreign exchange requirements for the last three years of the Third Plan. It will include Mr. R. Pantanali, Mr. S. Plasschaert and Mr. R. Sadobe. It will appraise economic progress India has made since Mr. Paul Hoffman made his report. This appraisal will enable the consortium of aid giving countries meeting in Washington in May to announce aid for three remaining years of the Plan. Another important visitor arriving here is the Vice-President of International Finance Corporation Mr. Morton Rosen. He, it is expected, will explain new policy of his organisation which has decided participation in equity capital and thereby become risk taking investor. Mr. Rosen arrives here on March 19, to stay in India till April 3, including one week in New Delhi. He will be preceded by Mr. Von Hoffman of IFC who arrives here on March 4.

*

An order for £400,000 worth of machine-tools has been placed with the British company of William Asquith Ltd. by Heavy Electricals Ltd., of Bhopal. The contract is for 35 machine-tools, including heavy-duty boring, milling, and radial drilling machines. All are to be made within the next 12 months. These machines are to be used in a new factory at Bhopal.

STATISTICAL OUTLINE OF INDIA 1961

Compiled by the Department of Economics and Statistics TATA INDUSTRIES PRIVATE LTD.,
With 95 tables covering all the key factors of the Indian Economy ranging from National Income and Population to Foreign Trade & Industries.
Price Rs. 3|- Postage Extra.
Published by
VORA & CO. PUBLISHERS Pt. LTD.,
3, Round Building, BOMBAY-2.

COMPANY AFFAIRS

BANK OF INDIA

The Bank of India during the year to December 31, 1961, improved its deposits to over Rs. 125 crores as against Rs. 109 crores a year before. This rise in deposits was accompanied by a similar increase in advances which were recorded at Rs. 98.53 crores against Rs. 83.86 crores a year before. Naturally enough, the bank improved its profits. After providing for taxation, development rebate reserve and depreciation there was a balance of Rs. 1.10 crores which nearly 7 lakhs more than the previous year's profit of Rs. 1.03 crores. An interim dividend was paid for the half year ended June 31, 1960 at the rate of 8 per cent subject to deduction of tax at the prescribed rates on the paid up capital of Rs. 3 crores which absorbed Rs. 24 lakhs. Rs. 15 lakhs were transferred to the reserve fund and Rs. 19 lakhs towards the payment of bonus to staff The directors have now proposed the payment of a final dividend for the half year ended December 31, 1961 at the rate of 12 per cent subject to deduction of tax making 20 per cent for the year which will absorb Rs. 36 lakhs. The bank during the year under review opened new branches at Bhavnagar and Jamnagar in Gujarat, at Ghatkopar, Tardeo, Mandvi and Electric House in Bombay, at Janpath, Karol Bagh and Khan Market in Delhi, at Ernakulam in Kerala and at Madurai and Coonoor. From the above working it seems the bank had a favourable year of working.

STATE BANK OF PATIALA

After providing for taxation and necessary provisions, the net profit of the State Bank of Patiala for the year 1961 amounted to Rs. 5.31 lakhs as against Rs. 2.92 lakhs for the nine months ended December, 31, 1960. The income of the Bank is placed at Rs. 58.75 lakhs as against Rs. 37.57 lakhs for the nine months ended December 31, 1960. A sum of Rs. 1.10 lakhs has been allocated to the Reserve Fund and the provision to bonus to staff amounts to Rs. 2.04 lakhs. The proposed dividend at the rate of 6 per cent (subject to tax) will absorb Rs. 2.10 lakhs.

Against a paid-up capital of Rs. 35 lakhs, the Reserve Fund now stands at Rs. 23.70 lakhs. The deposits and other accounts have gone up from Rs. 10.72 crores to Rs. 12.01 crores at the end of 1961. The Bank's investments have recorded an increase of Rs. 74 lakhs during the year and at the end of the year 1961, the investments at or below market value stood at Rs. 7.44 crores which was 61.95 per cent of the deposits. Advances outstanding as on December 31, 1961 amounted to Rs. 4.16 crores as against Rs. 3.55 crores at the end of 1960. The ratio of advances to deposits was 34.64 per cent as against 33.12 per cent at the end of 1960. In addition to the three branches opened during the year, the Bank secured licenses for opening six more branches.

INDIAN ALUMINIUM

The Directors of Indian Aluminium Company, Limited have recommended a divided of Rs. 1.50 on each ordinary share and a dividend of Rs. 5.55 (less Income-tax payable by the Company) on each preference share of the company to be paid in respect of the year 1961. Both these dividends will be subject to deduction of income-tax at source.

Sales of the Company's products totalled Rs. 839 lakhs in 1961 compared to Rs. 801 lakhs in 1960. Net profits in 1961 were Rs. 111.0 lakhs, after providing Rs. 60.6 lakhs for depreciation and depletion, Rs. 455 lakhs for Development Rebate Reserve, and Rs. 53.0 lakhs for taxation. This compares with a net profit in 1960 of Rs. 119.9 lakhs after providing Rs. 55.3 lakhs for depreciation and depletion, Rs. 2.6 lakhs for Development Rebate Reserve and Rs. 99.0 lakhs for taxation.

The company made significant progress during the year on the expansion programme. The expansion of the smelter at Hirakud in the State of Orissa from a rated capacity of 10,000 tons per annum to 20,000 tons per annum was completed in November, five months ahead of schedule. More than half of the expanded facility was put into production in November and the balance is scheduled for production in April 1962 when it is expected that the additional hydel power will become available. The company's new extrusion press at Alupuram, Kerala State, started production in November and the expansion of sheet rolling facilities at Belur, in West Bengal, is scheduled to be completed in July 1962. Most of the expanded facilities at the company's alumina plant at Muri in Bihar have already been commissioned. The latest estimate of the total capital expenditure on these projects indicates that the expansion programme will be completed within the original budgeted figure.

THE MADRAS INDUSTRIAL INVESTMENT CORPORATION LIMITED.

N.B. This announcement is not an offer to sell. The offer for sale is made by the prospectus, on the terms of which alone will applications be considered.

ISSUE OF Rs. 1,00,00,000/- 4-3/4% 1974 BONDS AT PAR.

(Principal and interest of the above issue guaranteed unconditionally by the Government of Madras - vide G.O. Ms. 895 (Industries) dt. 12.2.62)

Copies of the prospectus and forms of application in connection with the above issue of the Madras Industrial Investment Corporation Ltd. may be obtained from the Corporation's Registered Office at 38, Whites Road, Royapettah, Madras-14.

***

The subscription list will open at 10 A.M. on 1st March 1962 and will close at 4 P.M. on 15th March 1962 or earlier as soon as subscriptions approximating to the amount issued to the public have been received, but not earlier than 4 P.M. on 7th March, 1962.

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Corporation Meeting

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

STATEMENT OF THE CHAIRMAN, SHRI G. L. MEHTA

The Annual General Meeting of the Shareholders of the Corporation will be held at the Registered Office of the Corporation, 163, Backbay Reclamation, Bombay 1, on Tuesday, March 27, 1962, at 4 p.m. The following is the Statement by the Chairman, Shri G. L. Mehta, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1961.

I have great pleasure in welcoming you and placing before you the Seventh Annual Report of the Board of Directors of the Corporation for the year ended December 31, 1961.

2. On January 5, 1962, ICICI completed seven years of operation. During this period, we have assisted 133 industrial concerns and in the process, have developed our own procedures. Industrial development is an inter-related process: no enterprise is self-sufficient. We, ourselves, come to realise this more fully as we build up our portfolio. Industrial development is a chain reaction and has a multiplier effect and we are gratified that ICICI's finance has been contributing to this growth in various ways.

3. The business of a development bank like ours is often taken to be merely that of providing finance for industrial projects. While this is true and the need for finance is the basic factor which brings together a development bank and its clientele, I feel that finance is not the only common ground in this relationship.

4. The process of development basically consists in drawing into industry a large number of people hitherto engaged in other occupations. It means that a trader or a landlord or a technician decides to become an entrepreneur, that an agriculturist or an artisan decides to become a factory worker. This is what happened in the industrially developed countries a century or two ago, and this is what has been going on in India for some decades, although the pace has been accelerated only during the last few years.

5. What is this recent upsurge due to? On the one hand, import cuts and re-direction of channels of trade have closed traditional avenues of vocation for many businessmen. On the other, with sudden curbs on imports, rewards in manufacturing activity have become more attratcive; for, much of the recent upsurge in industry is based on import substitution, where demand is assured.

6. Recently, however, the situation has been changing. The projects planned on the basis of the 1958 foreign exchange crisis are beginning to yield results, and gradually the supplies of many goods have started to catch up with the demand. The next phase of development will have to be based on the general growth of the economy and will require a much more acute cost consciousness on the part of the promoters. The search for worthwhile projects will have to be more painstaking, and quick and large profits more difficult to come by.

7. It is in this context that this Corporatoin's policies and procedures for appraising applications should be judged. I say this because there seems to be a misunderstanding in some quarters about the manner in which we process applications and the time taken in this exercice. I shall try to explain briefly how and why we act as we do.

8. What do we want to be assured about? First, about the market. Many promoters base their calculations on the prevalent shortages. However, the project planned by them may come into production two or more years later—which is the time relevant for considering the demand for the product. Moreover, others are likely to have had the same bright idea, and consequently, the market situation in the future is not likely to be the same at the time the project goes into production as it is today. Hence, in assessing the the market for a product, we take into account not only the present shortages (as evidenced by high market prices or long waiting lists with manufacturers) but also the likely growth in demand, the scope for further import restrictions and the probable increase in internal supply based on licences given and likely to materialise. Recently, we have taken steps to build up a market assessment cell in our Project Department, which we trust will go to strengthen our appraisals on the marketing side.

9. Another matter we want to be assured about is the cost of the project and the means proposed to be adopted to finance it. As regards the cost of a project, we have observed that there is generally a tendency to underestimate it. Promoters are prone to ignore a large amount of financial expenditure which is not for "hardware." Expenditure on buildings, machinery and equipment is more easily visible than pre-operative items. In fact, we have calculated that such financial expenditure often forms about 30 per cent of the expenditure on what I have called above the "hardware" of development. Similarly, working capital needs tend to be under-estimated. It is for these reasons that we endeavour to obtain a detailed break-up of the cost of a project according to certain standard categories.

10. A simple rule which too many promoters tend to ignore is the need to arrange for the total financing of the cost of the project in advance. I referred, in my last Annual Statement to you, to the tendency of many promoters to keep the equity base small. While we try to consider each case individually and allow for a large debt element in the capital structure where necessary, we feel that a company, particularly a new one, should have a strong equity base, for several reasons: a large equity base keeps the burden of interest low during the unproductive period of the enterprise; and by keeping the borrowing capacity unimpaired it enables the enterprise to borrow when actual costs go above the estimates, as they normally do; moreover, in the more competitive conditions which are likely to come about, a strong equity base will strengthen the capacity of the entrepreneur to withstand competition and weather temporary adversities. Although such advice on the capital structure may not always be palatable to some promoters, in the long run, it is sure to stand them in good stead.

11. In this connection, I would like to refer to recent developments in the stocks markets. After the spurt in 1960, the market for industrial shares has recently quietened down. For quite some time, preference shares have, owing to various factors, been almost orphaned on the market. As we seek to attract investment in industry, it will be necessary to offer investors securities which appeal to their requirements. Financial institutions whose eventual objective (even when they immediately take up shares or grant loans) is to dispose of their holdings on the market and thus to turn over their resources to be able to help newer industries, are interested in seeing that promoters offer securities acceptable to the public. In the more discriminating times ahead, it will be necessary to offer to investors securities like preference shares and debentures with varying features like participation in extra profits, option to subscribe to or convert into ordinary shares and so on. Unless our entrepreneurs are willing to offer such terms, they will find themselves more and more inhibited in their development plans by lack of finance.

12. As a financial institution whose profits are dependent on the prosperity of its client, we naturally look closely into the profitability of an enterprise before deciding on our assistance. One factor which governs profitability is the prospective market for the product to which I have alluded earlier. A second factor is obviously the cost of production of the article proposed to be manufactured. Our entrepreneurs have become so used to conditions of artificial scarcity brought about by import and licensing restrictions, that the need to produce at economic costs is not adequately recognised. Besides lack of cost control procedure, this is also due to a failure to spread overheads over the maximum possible output. The results are vividly reflected in our performance in the sphere of exports which has failed to keep pace with the requirements of the economy. The somewhat easier supply position in the markets for many products recently has made entrepreneurs more cost-conscious, and I trust this will help not only our exports but also the domestic consumer.

13. It is on an independent and careful assessment of all these factors that ICICI takes a decision for providing finance. This necessarily takes time which, in its turn, depends a good deal on the thoroughness with which requisite information and data are supplied and relevant queries answered. On an average, we find that it takes 3 to 4 months from the preliminary approach by a client to come to a decision although in some cases it takes much less.

14. But the sanction of finance by ICICI does not end the relationship between the Corporation and its client—rather, it is only the beginning. Legal formalities have to be gone through, agreements signed, import licences obtained, and all the procedures involved in operating an industrial enterprise in a planned and complex economy gone through. The completion of legal formalities alone takes considerable time, as the company has to satisfy various conditions, titles have to be examined, and so on. On an average, we have found that it takes about six months after sanction is given, to enter into the Heads of Agreement with a company. This, however, is not a net loss of time as it is used to push ahead the project further in other respects.

15. Some of the formalities which have to be fulfilled before a loan is disbursed—for example, those connected with import control which is intended to prevent imports of goods which can be locally manufactured—cannot be avoided. We ourselves try to expedite decisions where we can. What is more, we try to adjust our procedures so as not to let them come in the way of expeditious carrying out of the project.

16. Disbursement of funds is a slow process. Some who look at our liquid funds, perhaps, feel that we are not using our funds fast enough. This is not so. Money, for a development banker, is his raw material and he has to keep a sufficient stock of it to enable him to continue sanctioning finance. Moreover, unlike raw materials where supply is continuous, for a development banker the funds do not ceaselessly flow in—we cannot hope to approach the market for funds every now and then and for small amounts. Hence, we have to carry a stock of funds which will last us a year or more. By now, you will find that our sanctions have more or less caught up with our resources of about Rs. 45 crores.

17. Even after all the legal and procedural formalities have been completed and disbursements have started, it takes quite a while to complete the utilization of funds and bring the plant to the stage of production. Machinery and equipment are not normally readily available across the counter; delivery periods for equipment are anything from one year to three years or even more. This means that even when disbursement starts, it has to be spread over a period of two to three years. According to our estimates, out of our sanctions we can expect to disburse about 20 per cent in the first year, about 40 per cent in the second and about 40 per cent in the third year. But this kind of time lag is inherent in the business of development banking.

18. I have spoken at length on all these aspects because the services we provide incidental to the provision of funds are no less important. We have familiarised entrepreneurs with modern practices of preparing project reports to assess the viability of projects. We help them to have a capital structure which in our view, would stand up to difficult times. We assist them with their problems with the Government and we watch over the progress of the project both during the construction and the operating years. We do so in a helpful and constructive spirit keeping the broad requirements of development in view. Over the years, we have found that our clients have come to understand and appreciate our procedures and the need for them. There is a growing interest among the investing public in industrial growth. The appearance of two financial dailies should help them to judge intelligently industrial prospects.

19. I should say in fairness that the emphasis which we have been laying over the years on the need to have a full and detailed appraisal of each project and on the desirability of having closer understanding at all stages among the different financing institutions participating in a project is being increasingly appreciated by the various agencies concerned. This is a healthy development in the sphere of industrial finance which should pave the way particularly for financing large-sized projects which could only be carried out with the joint efforts of a number of financing institutions, including the Life Insurance Corporation, commercial banks, investment trusts as well as development banks.

20. I had mentioned the total cost of the projects assisted by us in 1960, in my Statement to you last year. In 1961, of the gross assistance of Rs. 13.76 crores sanctioned, Rs. 11.94 crores is in respect of new projects. The total cost of these projects would be Rs. 65.49 crores (Rs. 48.66 crores for fixed assets and Rs. 16.83 crores for working capital). This cost will be incurred over the next two or three years. When the units reach full production, the turn-over of the projects would be about Rs. 54 crores. The companies will finance the cost of the project by raising ordinary share capital of Rs. 16.72 crores, preference share capital of Rs. 0.81 crores, loans of Rs. 23.07 crores, and bank borrowings and cash accruals of Rs. 24.89 crores. Of the foreign exchange cost of Rs. 10.53 crores for the projects, ICICI has agreed to provide Rs. 7.40 crores.

21. In keeping with our increasing operations, we have been making efforts to increase our resources. In

the third quarter of 1960, we were able to obtain from the Kreditanstalt of the Federal Republic of Germany, a loan of DM 5 million (about Rs. 60 lakhs); other institutions in India have also obtained loans from the Kreditanstalt. This is the first West German credit we have been able to secure and legal formalities for operating it are being worked out.

22. In September 1961, when I visited the United States, I initiated discussions for a further substantial loan from the World Bank. Since then, negotiations have been going on both with the World Bank and with the Government of India on various aspects of the loan. I am glad to report that these negotiations have reached an advanced stage. I take this opportunity to express our gratitude to the World Bank for their continued confidence in ICICI. I would also like to thank the Government of India for its co-operation and assistance in our work.

23. ICICI's operations have been growing steadily, and as a result, the Corporation's profits before tax increased from Rs. 62.61 lakhs in 1960 to Rs. 74.27 lakhs in 1961. After providing for tax (Rs. 27.75 lakhs), the balance carried to revenue appropriation account is Rs. 46.52 lakhs in 1961 against Rs. 37.67 lakhs in 1960. As required by Article 163 of the Corporation's Articles of Association, we have set aside Rs. 11.50 lakhs out of this to the Special Reserve and Rs. 1.00 lakh to the General Reserve. We have also transferred the entire amount of realised profit of investment being a sum of Rs. 24.26 lakhs (net) to Capital Reserve. The Directors recommend a higher dividend at the rate of 6½ per cent as against 5.75 per cent last year.

24. In my last Annual Statement to you, I had referred to the need for budgetary relief to finance corporations in view of their important role in industrial development. The Government of India, in its last budget for the year 1961-62, was good enough to give finance corporations some relief in taxation. I should like to express our thanks to the Finance Minister for providing this relief, which will strengthen to some extent the financial position of finance corporations. However, I hope that in view of the increased role envisaged for finance corporations in future, the Government will see its way to provide some suitable incentive to strengthen their financial position.

25. For effective implementation of the Plan objectives, mobilisation of capital is required on a much larger scale than in the past. We who are charged with the responsibility of assisting the private sector have a heavy task in future and only through the co-operation of all concerned can we hope to accomplish it. I trust in this constructive endeavour we shall have your good wishes and support.

26. Before concluding, I should like to mention that towards the end of March a conference is being convened under the auspices of ICICI, of development banks in Asia, to discuss various problems of development banks operating in Asia. This conference will be the first Regional Conference of Asian Development Banks and I am sure that, besides the useful personal contacts that would be brought about, the deliberations of the Conference would help to focus attention on various important aspects of development banking in Asia and assist us in our day-to-day tasks.

Company Meeting

VOLTAS LIMITED

STATEMENT OF THE CHAIRMAN, MR. J. D. CHOKSI

The 7th Annual General Meeting of Voltas Limited was held at Bombay House, Bruce Street, Bombay, on the 26th February 1962.

The following is the Statement by the Chairman, Mr J. D. Choksi, which had been circulated with the Annual Report:

This statement on the Company's affairs rounds off a seven year span in this year of the gathering of the Constellations. Not a long period in the life of individuals, much less of corporations; but nonetheless in the ephemeral world of trade and commerce, to which we belong, where fortunes are made and lost every day, it is an innings of respectable dimension.

2. At this seventh milestone, I propose to describe to you the organisation of the Company, how it works, and enumerate its many-sided activities so that shareholders may have a more clearly defined image of Voltas.

3. What is Voltas? What do they deal in? A typical answer is: "They are airconditioning people, of course"! This is true as Voltas has become a by-word for airconditioning and refrigeration. However, the important airconditioning and refrigeration department represents only 13 % of our gross turnover.

4. I should describe our Company as firstly and primarily an importing and distributing house. We are not mere selling agents, or even sole selling agents, according to the normal understanding of that term. We purchase from manufacturers as principals and sell to clients in our own name. We normally hold ourselves responsible not only for selling a product, but also for its erection, where it is plant or machinery, and for elaborate after-sales-service. This is an important side of our activities often overlooked. For a buyer, who acquires a piece of complicated equipment, it is important to have the seller provide after-sales-service for many years. The legal restriction of a 5 year tenure of distributorship, therefore, is hardly appropriate in our case and should not be made applicable to organisations like ourselves, since most plant and machinery have a longer life than 5 years and can best be served after sale by the manufacturers or their representatives. This is one of those instances where the Company Law ill serves the Indian importing house, which performs services such as ours, and discriminate against the Indian importing house in favour of his foreign rivals incorporated abroad.

5. Marketing and distribution, as far as we can foresee the future, must remain the most important part of our activities, because we are essentially a trading organisation. This trading organisation is divided into two



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main groups—one 'Engineering' and the other, for want of a better name, called the 'Marketing' group.

6. The Engineering group consists of 6 independent divisions, each of which handles a range of products which can be conveniently grouped or brought together into one division and handled as such by the staff of that division. Among these 6 independent divisions are the Airconditioning and Refrigeration division, the Agricultural & Construction Equipment division, the Mechanical division, the Electrical division, the Machine Tool division and the Textile and Paper Machinery division each with its own specialists and technicians serving our nation-wide centres and our clients in the remotest parts of the country.

7. The Marketing group consists of two main divisions—one dealing in Drugs and Pharmaceuticals and the other in Chemicals, Vitamins and miscellaneous items of general merchandise.

8. Each of the divisions to which I have referred, while making use of the Company's Central Services, such as Accounts, Publicity, Personnel, Marketing Services, Liaison and Warehousing operates on an all-India basis under the control of General Management. Each division is headed by a manager with wide operating authority, who is fully responsible for the business results of his division. The sales organisation of each division is tailored to satisfy the requirements of consumers. In some divisions, sales are made direct to the end users and consumers; in others, the services of dealers, wholesalers, retailers and stockists, are utilised. The operation of some of these divisions depends on the provision of adequate personnel and facilities for continuous after-sales-service where these are required, since in India reliable service facilities are few or non-existent. Some divisions maintain a fully equipped all-India service organisation to serve the country-wide needs of our clients. The standing and reputation of our Company is due, in large measure, to the excellent after-sales-service provided to clients, large and small, for a wide range of equipment.

9. The central organisation just described, with its trading divisions, is supported by widespread regional service units and stations. For a marketing and distribution organisation of our size and complexity this is essential, if we are to reach every distribution point effectively. We have over the years created and built up a network of such regional facilities and services which, we believe, is second to none. Its focal points are the large branches at Bombay, Calcutta, Madras, Delhi and Bangalore, which in turn are served by regional offices, area offices and service establishments within the territories of these branches. The branches themselves are again sub-divided into administrative units and into product-wise trading sub-divisions. These operate under the control of the branch manager who is the chief representative in the area of the branch within the general framework of the policies laid down by general management and specific policies devised by the divisional managers in regard to the handling of their respective lines and products. Close co-operation is maintained in all important matters, between general management, branches and divisions to achieve speedy and quick service and smooth movement of the various complicated parts of the Voltas organisational machine.

MANUFACTURING ACTIVITIES

10. I have given you a fair picture of the organisation covering our trading operations in the above paragraphs and I should now like to deal with the other major branch of our activities, namely, manufacture. I repeat what I have said on previous occasions that, in the context of our national Plans, the foreign exchange situation and the development of the Indian Commonwealth of States within this Continent of ours, we are firmly convinced of the necessity of promoting local manufacture. We have endeavoured to achieve this objective in one of three ways:

(i) by bringing about collaboration between foreign associates and suitable Indian manufacturers retaining for ourselves the distributorship of the locally made products in succession to the distributorship of the previously imported products;

(ii) by either ourselves, or our parent body, Tata Sons, associating with other foreign principals as partners in manufacturing ventures;

(iii) by undertaking certain lines of manufacture ourselves.

Local manufacture has made substantial progress. Many of our divisions have today achieved a position where more than 50% of their business is in products of Indian manufacture, as for instance, Pharma division (94%), Machine Tools (54%), Textile Millstores (63%) and Airconditioning (52%).

11. A programme for transfer and expansion of our facilities and lines of manufacture from the restricted area of Chinchpokli to the new Thana unit has been worked out.

12. A number of obstacles lie athwart the manufacturing field. A manufacturing licence granted today by the Government does not commit the Government to import essential components and raw materials provided in the phased programme submitted in the licensee's application for manufacture. Consequently, every manufacturer today, who has to rely on even a small amount of imported components and raw materials, lives in constant dread of his requirements being cut substantially if not banned altogether. This is hardly an inducement for the starting up of new enterprises. Even while one appreciates Government's difficulties in the matter of foreign exchange, some way must be found if the country is to progress into ever widening fields of industrial activity. We, for our part, would prefer to see a stricter control over the grant of licences for new manufacturing units, which depend to some extent on imports of components and raw materials, rather than have these licensed in the first instance and then come to grief later for want of essential components or raw materials which can only be imported.

13. Your Company has made steady progress over the last few years both in the trading and manufacturing fields. In spite of severe import restrictions leading to the belief in some quarters that "import houses have had it," we are firmly convinced that there will always be room for a flexible, well balanced and well organised import organisation in India's economy. We refuse to consider our trading activities as a thing of the past or on the wane. On the contrary, we plan to consolidate and expand our position in this field. We hope to retain our pre-eminent position as importers and distributors and at the same time to strengthen our industrial base within the country. New fields, new products and an ever widening horizon with increasing pursuits and increasing activities—that is what sums up Voltas. We look forward to the future with well-founded confidence.

14. Once again, I will close, by expressing our appreciation, on behalf of the Board and all of you, of the excellent services performed by one and all within the organisation during the year.

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

BALANCE SHEET OF THE STATE BANK

As at 31st December, 1960 Rs. nP.	Rs. nP.	CAPITAL AND LIABILITIES	As at 31st December, 1961 Rs. nP.	Rs. nP.
		1. **Capital :**		
	20,00,00,000.00	Authorised Capital—20,00,000 shares of Rs. 100 each	20,00,00,000.00	
		Issued, Subscribed and Paid-up Capital—(pursuant to Section 5(1) of the State Bank of India Act, 1955)—5,62,500 shares of Rs. 100 each		5.62.50,000.00
5,62,50,000.00		2. **Reserve Fund and Other Reserves**		8,20,00,000.00
7,45,00,000.00		2.a. ‡**Integration and Development Fund** (maintained under Section 36 of the State Bank of India Act, 1955)		2,55,98,480.35
1,97,79,687.00		3. **Deposits and Other Accounts :**		
	312,81,16,767.56	Fixed Deposits	251,29,85,448.37	
	41,84,40,699.64	Savings Bank Deposits	49,87,41,138.57	
		†Current Accounts, Contingency Accounts,		
576,32,31,802.10	221,66,74,334.90	etc.	230,15,91,021.58	531,33,17,608.52
		4. **Borrowings from Other Banking Companies, Agents, etc. :**		
	8.17.00.000.00	§ (i) In India	17,00,000.00	
9,96,50,000.00	1,79,50,000.00	(ii) Outside India	1,88,50,000.00	2,05,50,000.00
		§Borrowed from the Refinance Corporation for Industry Ltd. as per contra.		
		Particulars :		
		(i) Secured by investments and bills discounted in Pakistan and other securities assigned for refinance, per contra ..	2,05,50,000.00	
	9,96,50,000.00	(ii) Unsecured	..	
	9,96,50,000.00		2,05,50,000.00	
8,22,64,096.72		5. **Bills Payable**		8,57,28,536.42
		6. **Bills for Collection being Bills Receivable** as per contra:		
	1,66,33,235.63	(i) Payable in India	1,94,26,518.09	
1,94,34,375.13	28,01,139.50	(ii) Payable outside India	32,35,514.71	2,26,62,032.80
		7. **Other Liabilities :**		
	71,71,875.00	*Final Dividend for the year	73,12,500.00	
	29,870.74	Unclaimed Dividend	30,646.10	
		Inter-Office Adjustments (including Rs.		
6,90,33,308.09	6,18,31,562.35	3,70,620.67 due to Imperial Bank of India)	9,33,45,850.56	16,06,88,996.66
		8. **Acceptances, Endorsements and Other Obligations** per contra		
1,55,77,893.37				91,99,759.66
		9. **Profit and Loss :**		
	55,87,498.79	Balance brought forward from last year ..	56,20,677.08	
	2,17,59,053.29	Profit for the year	2,71,00,379.91	
	2,73,46,552.08		3,27,21,056.99	
		Amount set aside for payment of Dividend (made up of Interim Dividend Rs. 56,25,000		
	1,27.96,875.00	and Final Dividend Rs. 73,12,500) ..	1,29,37,500.00	
	25,00,000.00	Amount transferred to Reserve Fund ..	75,00,000.00	
	7.29.000 00	Amount transferred to Pension Funds ..	7,42,200.00	
	42,00,000.00	Bonus to Staff	45,00,000.00	
	5,00,000.00	Amount transferred to Staff Welfare Fund ..	10,00,000.00	
		Amount transferred to Staff Co-operative		
56,20,677.08	10,00,000.00	Housing Fund	10,00,000.00	50,41,356.99
620,53,41,839.49		Carried forward		572,10,36,771.40

‡ In addition to the credit of Rs. 39,44,531.25 pertaining to the final dividend for 1960, a sum of Rs. 30,93,750 was credited to this Fund on account of the interim dividend declared in July 1961. A sum of Rs. 7,37,785 was appropriated from this Fund during the year, under the authority of the Reserve Bank of India, in respect of losses for the year 1960 of the new branches established under Section 16(5) of the State Bank of India Act, vide item 7(a) of the Profit and Loss Account. A further sum of Rs. 4,81,702.90 was appropriated from the Fund, with the approval of the Reserve Bank, in respect of the subsidies granted to the Subsidiary Banks towards losses of their new branches, in terms of Section 36(2) (aa) of the State Bank of India Act read with Section 48(1) (b) of the State Bank of India (Subsidiary Banks) Act.

† Includes Staff Welfare Fund and Staff Co-operative Housing Fund, ownership where of vests in the Bank.

* Of which Rs. 40,21,875 is to be credited to the Integration and Development Fund (item 2A above) bringing the amount in the said Fund to Rs. 2,96,20,355.35.

OF INDIA AS AT 31ST DECEMBER 1961

As at 31st December, 1960 Rs. nP.	Rs. nP.	PROPERTY AND ASSETS	As at 31st December, 1961 Rs. nP.	Rs. nP.
		1. **Cash :**		
		In hand and with Reserve Bank (including		
65,19,88,908.59		foreign currency notes)		63,92,81,207.55
	..	2. **Balances with other Banks :**		..
		(i) In India		
		On current account .. Rs.		
		On deposit .. .. Rs.		
		†(ii) Outside India		
2,72,71,799.03	2,72,71,799.03	On current account .. Rs. 3,58,99,069.71	3,72,26,765.32	3,72,26,765.32
		On deposit .. .. Rs. 13,27,695.61		
		†Including Rs. 33,77,145.26 held abroad under special arrangement		
1,73,33,333.33		3. **Money at Call and Short Notice**		1,66,66,666.67
		4. @ ‡**Investments** (securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost :		
		(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the		
	285.05,72,241.50	Central and State Governments ..	215,19,22,203.58	
		(ii) Shares authorised under the State Bank of India Act, 1955		
		Fully paid-up .. .. Rs. 88,11,312.77		
	1,55,24,368.43	Partly paid-up .. Rs. 98,91,172.00	1,87,02,484.77	
	3,35,69,911.50	(iii) Debentures or Bonds	4,10,27,879.40	
		(iv) Other Investments — Pakistan and		
299,70,75,175.99	9,74,08,654.50	other Government Securities, etc. ..	8,72,74,059.42	229,89,26,627.17
		‡Of which investments of the face value of Pakistan Rs. 2,99,81,900 are pledged against borrowings from other Banking Companies, Agents, etc., per contra		
		5. **Advances :**		
		§(I) Loans, Cash Credits, Overdrafts, etc—		
		(i) In India .. .. Rs. 235,40,83,203.09		
	216,54,20,909.49	(ii) Outside India .. Rs. 3,86,61,108.15	239,27,44,311.24	
		§Includes term advances amount to Rs. 3,77,37,006.67, of which refinance has been obtained from the Refinance Corporation for Industry Ltd. to the extent of Rs. 17,00,000 as per contra		
		¶(II) Bills Discounted and Purchased—		
		(i) Payable in India .. Rs. 11,57,25,263.20		
232,24,36,934.10	15,70,16,024.61	(ii) Payable outside India Rs. 4,46,83,710.52	16,04,08,973.72	255,31,53,284.96
		¶Of which bills of the value of Pakistan Rs. 1,50,00,000 are held by the State Bank of Pakistan as security against borrowings as per contra		
		Particulars of Advances: See separate Statement appended		
		6. **Bills Receivable being Bills for Collection** as per contra :		
	1,66,33,235.63	(i) Payable in India	1,94.26,518.09	
1,94,34,375.13	28,01,139.50	(ii) Payable outside India	32,35,514.71	2,26,62,032.80
1,55,77,893.37	..	7. **Constituents' Liabilities for Acceptances, Endorsements and Other Obligations** per contra		91,99,759.66
		8. ***Premises less Depreciation :**		
	1,35,32,359.88	Total Cost up to the 31st December, 1960 ..	1,92,06,731.94	
	56,74,372.06	Additions (Rs. 17,64,619.24) less Deductions (Rs. 65,382.71) during the year	16,99,236.53	
	1,92,06,731.94		2,09,05,968.47	
1,75,71,334.94	16,35,397.00	Depreciation written off up to the 31st December, 1961 less depreciation previously provided on property which has passed out of the Bank's possession	20,69,816.00	1,88,36,152.47
606,86,89,754.48		Carried forward ..		5,59,59,52,496.60

@NOTE—Includes Rs. 16,11,176.50 of investments, acquired consequent upon the amalgamation of the Bank of Baghelkhand under a scheme sanctioned by the Government of India in terms of Section 35 of the State Bank of India Act, which are still to be transferred to the Bank, pending completion of formalities.

BALANCE SHEET OF THE STATE BANK

Rs. nP.	Rs. nP.	CAPITAL AND LIABILITIES (Contd.)	Rs. nP.	Rs. nP.
620,53,41,839.49		Brought forward ..		572,10,36,771.40
		10. Contingent Liabilities :		
	3,31,924.52	Claims against the Bank not acknowledged as debts .. .. .. Rs.	1,97,866.96	
	..	Bills of Exchange rediscounted .. .. .. Rs.	..	
	20,68,45,230.79	Outstanding Forward Exchange contracts .. Rs.	27,57,07,566.04	
	2,54,00,000.00	On partly paid-up shares .. Rs.	2,35,07,150.00	
	98,650.00	Guarantees given on behalf of Directors, Local Board Members or Officers of the Bank .. Rs.	3,09,250.00	
	131,66,88,318.83	Guarantees given on behalf of others .. Rs.	131,26,31,002.96	
620,53,41,839.49	**Total**		**Total**	**572,10,36,771.40**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1961

Year ended 31-12-1960 Rs. nP.	EXPENDITURE	Year ended 31-12-1961 Rs. nP.	Year ended 31-12-1960 Rs. nP.	INCOME (less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year ended 31-12-1961 Rs. nP.
8,05,03,580.04	1. Interest paid on Deposits, Borrowings, etc.	6,88,72,141.51	14,86,91,173.33	1. Interest and Discount	14,12,24,586.74
7,31,68,616.32	2. Salaries and Allowances and Provident Fund (including Salaries and Allowances of Chairman Rs. 44,405.76 and Managing Directors Rs. 80,473.29 for the year)	7,97,80,106.96	4,28,68,496.81	2. Commission, Exchange and Brokerage	5,39,60,739.73
97,320.00	3. Directors' and Local Board Members' Fees and Allowances	93,940.00	4,80,322.94	3. Rents	4,84,106.40
42,98,224.16	4. Rent, Taxes, Insurance, Lighting, etc.	47,10,120.91	..	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets	..
1,91,995.53	5. Law Charges ..	1,57,476.00	..	5. Net profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets	..
31,77,878.49	6. Postage, Telegrams and Stamps ..	36,72,510.68	..	6. Income from Non-banking Assets, and Profit from Sale of or Dealing with such Assets ..	..
75,000.00	7. Auditors' Fees ..	1,00,000.00		7. Other Receipts:	
22,02,596.70	8. Depreciation on and Repairs to the Bank's Property ..	25,45,746.17		(a) Recoveries from the Integration and Development Fund for the year 1960 Rs. 7,37,785.00	
39,62,739.07	9. Stationery, Printing, Advertisement, etc.	47,02,726.64		(b) Dividends on Shares in Subsidiaries received during the year 1961 Rs. 10,57,040.95	
..	10. Loss from Sale of or Dealing with Non-banking Assets	..	32,94,654.00		17,94,825.95
58,97,643.48	11. Other Expenditure	57,29,110.04			
2,17,59,053.29	12. Balance of Profit ..	2,71,00,379.91		8. Loss	..
19,53,34,647.08	.. Total	19,74,64,258.82	19,53,34,647.08	Total	19,74,64,258.82

OF INDIA AS AT 31st DECEMBER 1961

As at 31st December, 1960 Rs. nP.	Rs. nP.	PROPERTY AND ASSETS	Rs. nP.	As at 31st December, 1961 Rs. nP.
606,86,89,754.48		Brought forward ..		559,59,52,496.60
	1,50,81,285.00	9. *Furniture and Fixtures less Depreciation : Total Cost up to the 31st December, 1960 ..	1,82,04,332.76	
	31,23,047.76	Additions (Rs. 34,45,661.67) less Deductions (Rs. 34,059.74) during the year	34,11,601.93	
	1,82,04,332.76		2,16,15,934.69	
1,29,81,613.98	52,22,718.78	Depreciation written off up to the 31st December, 1961 less depreciation previously provided on property which has passed out of the Bank's possession	68,26,108.78	1,47,89,825.91
..		**10. Other Assets, including Gold and Silver :**		
	3,10,92,142.37	Bullion	2,85,30,026.08	
	2,20,10,327.86	Adjusting Account of interest, commission, etc. Stationery, Stamps, Suspense, Tax Recoverable, etc.	1,33,85,051.08	
12,36,70,471.03	7,05,68,000.80	Shares in Subsidiaries	6,83,79,371.73	11,02,94,448.89
..		**11. Non-banking Assets Acquired in Satisfaction of Claims**	..	
..		**12. Profit and Loss**	..	
620,53,41,839.49	**Total**		**Total**	**5,72,10,36,771.40**

*NOTE—Includes Rs. 1,30,705.53 being written down value of certain, Pakistan assets sold, pending completion of formalities, as sale proceeds of certain properties are still to be received.

PARTICULARS OF ADVANCES

As at 31st December, 1960 Rs. nP.		As at 31st December, 1961 Rs. nP.
204,74,39,712.30	(i) Debts considered good in respect of which the Bank is fully secured	228,93,81,814.08
2,69,27,335.70	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	2,78,84,176.47
24,80,69,886.10	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	23,58,87,294.41
..	(iv) Debts considered doubtful or bad, not provided for	..
232,24,36,934.10		255,31,53,284.96
11,65,956.94	(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons ..	13,23,170.42
63,16,82,276.36	(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	67,81,21,514.62
13,15,204.01	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	22,96,259.92
63,61,88,703.70	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	71,65,96,786.34
9,09,99,356.30	(ix) Due from banking companies	6,65,76,749.37

Report of the Auditors

TO THE PRESIDENT OF INDIA,

We, the undersigned Auditors of the State Bank of India, appointed under Section 41(1) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December, 1961.

We have examined the above Balance Sheet and the Profit and Loss Account and the Accounts relating thereto of the Central Office and the Local Head Offices at Bombay and Calcutta and the Returns submitted and certified by the Secretaries and Treasurers of the Local Head Offices at Madras and New Delhi, by the Manager, Pakistan Branches and by Branch Agents, which Returns have been incorporated in the above Balance Sheet and Accounts, and report (i) that, in our opinion, the Balance Sheet is a full and fair one, containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by the Books of the Bank; (ii) that where we have called for any explanation or information such explanation and information have been given to us and have been satisfactory; (iii) that the transactions of the Bank which have come to our notice have been within the powers of the Bank; (iv) that the Returns received from the Local Head Offices at Madras and New Delhi and from the Branches of the Bank have been found adequate for the purpose of our audit; (v) that the Profit and Loss Account shows a true balance of profit for the period covered by such account; (vi) that, in our opinion, the Balance Sheet and Profit and Loss Account are drawn up in conformity with the law; and (vii) that, in our opinion, Books of Account have been kept by the Bank as required by law.

The audit of the Books and Accounts of the Central Office has been carried out jointly by Messrs. S. B. Billimoria & Co. and Messrs. Ray & Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs. S. B. Billimoria & Co. and at Calcutta by Messrs. Ray & Ray.

8th February, 1962.

S. B. BILLIMORIA & CO.) **Auditors**
RAY & RAY)

P. C. BHATTACHARYYA, **Chairman**
D. G. KARVE, **Vice-Chairman**
B. MUKERJI) **Managing Directors**
N. A. KRISHNAN)

PRATAPSINH MATHURDAS, M. H. HASHAM PREMJI, J. D. CHOKSI, RAMNATH A. PODAR, D. R. GADGIL, B. VENKATAPPIAH, W. H. S. MICHELMORE, K. RAMUNNI MENON, V. S. TYAGARAJA MUDALIAR — **Directors**

THE EASTERN ECONOMIST

The following statement about ownership and other particulars relating to THE EASTERN ECONOMIST is published as required by Clause 19-D of the Press and Registration of Books Act of 1867 as modified in 1956 :

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I, Ram Nandan Sinha, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date 28th February, 1962.

Sd/- R. N. SINHA,
Signature of Publisher.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	112.0
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	124.9
November	1960 ..	120.2	116.8	120.1	148.0	131.6	124.7	125.6	126.0
December	" ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
January	1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
November	1961 ..	120.2	98.3	122.4	136.9	140.2	124.1	126.4	124.2
December	" ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
January	1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
13-1-1962	..	117.5	97.3	122.3	137.1	138.0	124.3	126.3	122.8
20-1-1962	..	119.4	97.3	122.3	137.5	137.4	123.7	125.7	123.7
27-1-1962	..	119.5	97.3	122.6	138.3	137.2	124.2	126.1	124.0
3-2-1962	..	120.2	98.6	122.6	138.2	137.9	124.1	126.0	124.3
10-2-1962	..	120.6	99.1	122.6	138.5	139.1	124.0	126.1	124.6

* Revised

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

Period		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	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	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	302*	171	406	482	498	166	480	172	168	173
	August	419	438	302	171	410	491	501	167	481	171	170*	175
	September	417	436	302	169	410	491	499	169	479	171	171	175*
	October	415	434	302*	168	417	499	501	172	480	172*	177	175*
	November	415	434	—	170	417	508	497	—	481	—	—	—
	December	416	435	—	171	410	—	493	—	481	—	—	—
1962	January	—	—	—	170	—	—	—	—	482	—	—	—

† Base 1944 = 100. * Provisional.

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

	16-2-1962			9-2-1962			2-2-1962			26-1-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	121.45	119.50	120.38	120.80	118.20	119.57	120.30	117.95	119.18	119.20	117.05	118.30
Silver (per kilogram)	212.50	211.20	212.12	213.25	211.40	212.46	213.75	211.80	212.71	213.35	211.45	212.62

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: 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	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										
Nov. 1960 ..	1,816,70	18,32	1,835,02	117,76	123,01	240,77	12.13	129,70	1,464,55	1,835,02
Dec. „ ..	1,855,90	16,59	1,872,48	117,76	127,01	244,76	13.07	127,66	1,500,06	1,872,48
Jan. 1961 ..	1,911,58	16,83	1,928,41	117,76	128,01	245,17	12.75	124,35	1,558,29	1,928,41
Nov. 1961 ..	1,918,47	16,09	1,934,57	117,76	116,86	234,62	12.13	123,60	1,576,35	1,934,57
Dec. „ ..	1,937,46	14,76	1,952,22	117,76	116,86	234,62	12.02	122,78	1,594,82	1,952,22
Jan. 1962 ..	1,981,87	17,71	1,999,58	117,76	126,86	244,62	12.23	121,17	1,633,80	1,999,58
Week-Ending										
12-1-1962 ..	1,991,41	12,49	2,003,90	117,76	126,86	244,62	12.21	120,48	1,638,80	2,003,90
19-1-1962 ..	1,985,59	18,89	2,004,48	117,76	126,86	244,62	12.20	121,07	1,638,80	2,004,48
26-1-1962 ..	1,980,60	24,68	2,005,28	117,76	126,86	244,62	12.18	121,87	1,638,79	2,005,28
2-2-1962 ..	1,993,68	11,09	2,004,76	117,76	126,86	244,62	12.20	120,94	1,639,20	2,004,76
9-2-62 ..	2,034,79	17,77	2,052,56	117,76	126,86	244,62	11.92	118,74	1,689,20	2,052,56

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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														
Nov. 1960 ..	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
Dec. „ ..	60,25	15,71	95,20	91,78	26,295	104,08	452,03	16,69	19,53	26,35	37,78	135,04	198,94	16,70
Jan. 1961 ..	53,48	19,71	79,57	93,82	246,58	110,37	441,93	16,91	57,41	19,54	41,17	145,25	144,11	17,55
Nov. 1961 ..	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
Dec. „ ..	56,83	20,23	82,90	147,22	307,18	120,02	512,20	14,81	28,61	31,95	66,61	136,85	207,67	21,70
Jan. 1962 ..	58,92	20,79	79,27	149,78	304,76	133,74	522,90	17,76	37,10	13,23	59,90	146,60	221,91	26,41
Week-Ending														
12-1-1962 ..	53,64	12,62	75,74	148,43	290,43	130,34	505,77	12,54	52,39	13,95	64,14	145,93	190,46	26,35
19-1-1962 ..	52,15	39,91	82,46	154,26	312,79	138,01	535,80	18,94	34,98	11,40	52,92	147,62	243,58	26,35
26-1-1962 ..	68,67	18,83	80,02	148,60	316,12	135,83	536,95	24,74	21,79	10,97	60,80	149,03	242,97	26,65
2-2-1962 ..	68,10	17,29	75,61	149,03	310,03	136,13	531,16	11,15	20,21	11,16	60,76	158,86	241,92	27,11
9-2-1962 ..	49,94	21,52	75,53	147,53	294,13	132,73	511,86	17,82	31,66	9,59	58,18	168,64	196,68	29,30

* 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

BANKING TRENDS

SHIFTS IN THE COMPOSITION OF DEPOSITS

(Population - wise Classification)

(Rs. crores)

Year	Centres with population between 50,000 & one lakh: Average Deposits (1) Current	Savings	Fixed	Total	Centres with population between 10,000 & 50,000: Average Deposits (2) Current	Savings	Fixed	Total
1955	20.7 (38.4)	13.5 (25.0)	19.7 (36.6)	53.9 (100.0)	35.3 (34.9)	27.9 (27.6)	37.9 (37.5)	101.1 (100.0)
1956	20.3 (36.5)	14.1 (25.3)	21.4 (38.2)	55.8 (100.0)	34.1 (32.1)	29.4 (27.7)	42.8 (40.2)	106.3 (100.0)
1957	23.6 (34.2)	16.9 (24.5)	28.6 (41.3)	69.1 (100.0)	39.3 (30.2)	35.5 (27.3)	55.4 (42.5)	130.2 (100.0)
1958	24.2 (30.7)	18.2 (23.1)	36.4 (46.2)	78.8 (100.0)	45.4 (28.3)	41.7 (26.0)	73.4 (45.7)	160.5 (100.0)
1959	23.3 (29.1)	18.9 (23.6)	38.0 (47.3)	80.2 (100.0)	49.1 (29.7)	40.2 (24.4)	75.9 (45.9)	165.2 (100.0)
1960	27.2 (30.4)	20.5 (22.9)	41.8 (46.7)	89.5 (100.0)	53.1 (28.6)	46.3 (24.9)	86.2 (46.5)	185.6 (100.0)

SHIFTS IN THE COMPOSITION OF DEPOSITS (CONTD.)

(Rs. crores)

Year	Centres with population below 10,000: Average Deposits (3) Current	Savings	Fixed	Total	Centres with population of less than one lakh: Average Deposits (1+2+3) Current	Savings	Fixed	Total
1955	3.8 (29.0)	3.8 (29.0)	5.5 (42.0)	13.1 (100.0)	59.8 (35.6)	45.2 (26.9)	63.1 (37.5)	168.1 (100.0)
1956	4.1 (27.3)	4.7 (31.3)	6.2 (41.4)	15.0 (100.0)	58.5 (33.0)	48.2 (27.2)	70.4 (39.8)	177.1 (100.0)
1957	5.7 (27.1)	6.2 (29.5)	9.1 (43.4)	21.0 (100.0)	68.6 (31.1)	58.6 (26.6)	93.1 (42.3)	220.3 (100.0)
1958	10.5 (30.7)	7.6 (22.2)	16.1 (47.1)	34.2 (100.0)	80.1 (29.3)	67.5 (24.7)	125.9 (46.0)	273.5 (100.0)
1959	13.3 (36.3)	8.9 (24.3)	14.3 39.4)	36.5 (100.0)	85.7 (30.4)	68.0 (24.1)	128.2 (45.5)	281.9 (100.0)
1960	15.0 (30.9)	16.5 (33.9)	17.1 (35.2)	48.6 (100.0)	95.3 (29.4)	83.3 (25.8)	145.1 (44.8)	323.7 (100.0)

NOTE: Figures in brackets relate to percentage of totals.

Source: Reserve Bank of India.

TRENDS IN DEPOSITS AND DEBITS

(According to size of population)

(Rs. crores)

Year	Average Deposits*					Total Debits**				
	Centres with population of					Centres with population of				
	One lakh & more	50,000 & one lakh	10,000 & 50,000	Below 10,000	All Centres	One lakh & more	50,000 & one lakh	10,000 & 50,000	Below 10,000	All Centres
1955	731	54	101	13	899	17,448	728	1,145	123	19,445
1956	787	56	106	15	965	19,050	785	1,222	145	21,202
1957	848	69	130	21	1,039	20,406	892	1,505	230	23,033
1958	934	79	161	34	1,209	22,480	1,090	1,912	432	25,913
1959	1,001	80	165	37	1,284	24,531	1,123	2,058	499	28,211
1960	1,088	90	186	49	1,413	26,974	1,248	2,372	592	31,186
% Change of 1960 over 1955 ..	+ 49	+67	+84	+277	+ 57	+ 55	+ 71	+107	+380	+ 60

NOTE: Deposits and debits comprise those of government and quasi-government bodies, bu iness, individuals and others.

*Exclude P.L. 480 deposits. **Exclude debits to P.L. 480 deposits.

VELOCITY OF BANK MONEY

	1955	1956	1957	1958	1959	1960
I. Overall Annual Rate of Turnover						
(a) In centres with population between						
(i) One lakh and more	16.4	16.5	16.5	17.5	17.1	17.5
(ii) Fifty thousand and one lakh	14.2	13.0	12.8	14.2	13.7	13.3
(iii) Ten thousand and fifty thousand	12.1	11.8	11.8	13.7	13.8	13.4
(iv) Below ten thousand	9.4	9.7	9.6	12.7	13.3	11.2
II. Annual Rate of Turnover of Current Deposits						
(a) In centres with population between						
(i) One lakh and more	N.A.	N.A.	N.A.	36.0	37.6	40.3
(ii) Fifty thousand and one lakh	N.A.	N.A.	N.A.	27.2	28.7	27.2
(iii) Ten thousand and fifty thousand	N.A.	N.A.	N.A.	24.6	25.4	26.2
(iv) Below ten thousand	N.A.	N.A.	N.A.	20.2	24.9	20.4

CREDIT LIMITS APPROVED AND CREDIT OUTSTANDING

(Rs. crores)

Year	Average of approved credit limits				Average of bank credit outstanding			
	Centres with population of				Centres with population of			
	One lakh & more	50,000 & one lakh	10,000 & 50,000	Below 10,000	One lakh & more	50,000 & one lakh	10,000 & 50,000	Below 10,000
1955	N.A.	N.A.	N.A.	N.A.	498	31	54	9
1958	1,106	73	127	28	710 (64%)	47 (64%)	76 (60%)	17 (61%)
1959	1,233	83	143	31	745 (60%)	46 (55%)	78 (55%)	18 (58%)
1960	1,404	96	182	47	836 (60%)	63 (66%)	102 (56%)	23 (49%)
Percentage change of 1960 over 1955 ..	..	..	..	..	+68	+103	+89	+156

NOTE: Figures in brackets indicate percentage of credit limits approved to outstanding credit.

Source: Reserve Bank of India



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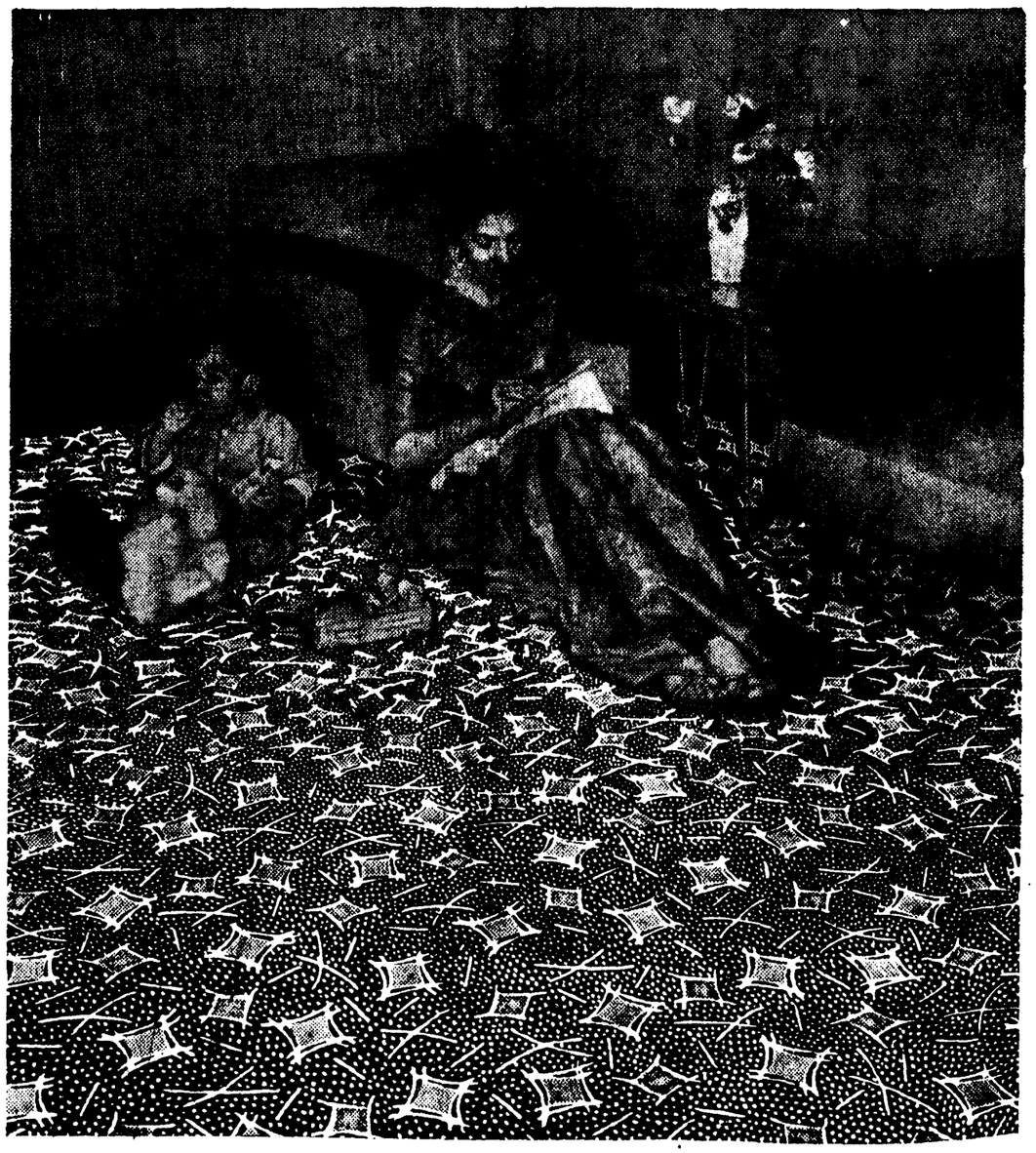


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THE EASTERN ECONOMIST

MARCH 9, 1962.

A New Export Policy?

THE Joint meeting of Import Advisory Council and the Export Promotion Advisory Council on the 5th and 6th March, provided a quite exceptional new slant on export promotion. For one thing, this is the first time that the two Councils have met together and the conclusion was quickly, and rightly, drawn that in the current payments position this could only mean that import demands would be greatly subdued and much the greater portion of time occupied by export promotion. Secondly, the Ramaswami Mudaliar Committee's report was presented to Government on 5th morning and there were abundant references to it in Mr. K. C. Reddy's reply, although as he explained, the subjects to which references were made were not those arising from the report only, but had been under the purview of the Government for some considerable time. Finally, Sir Ramaswami Mudaliar himself addressed the meeting, making some particular recommendations "in his personal capacity," but leaving no doubt in any one's mind that a national crusade for export was essential if the very serious problems facing the country were to be solved. All in all, the meeting was a rewarding one, with a feeling that something dramatic is to come when the Government of India passes orders on the Committee's report at the end of this month.

The meeting was particularly useful because it created this feeling of animated suspense. Much the biggest obstacle to be overcome is the relatively neutral attitude taken both by businessmen and the Government towards the problems of export promotion. Various suggestions were made in the meeting and particular attention was devoted to the possibility that each industry might co-operate to raise a fund so as to help export promotion such as, in fact, the bicycle industry has already done for itself for some time. It was pointed out increasingly that the emphasis had moved away from compulsory exports, but that the element of compulsory performance for the country as a whole lost no element of its force. The general psychology of the country had to be geared to an all-out effort. In this crusade some special monetary incentives had to play a part; but the first step was a great effort of national will.

Both Sir Ramaswami Mudaliar and the Minister of Commerce and Industry, Mr. K. C. Reddy, spoke in particular about the need for some additional incentive in the form of income-tax relief for export earnings above a certain standard quantum. The loss of revenue involved might not, in ordinary circumstances, be significant if in fact exports rose substantially and profits rose with them. There are, indeed, certain circumstances in which a rebate of this kind might, in fact, be a positive gainer in rupees as well as in foreign exchange. But there is no need to assume that this will be the case in the short period. These incentives are for the long haul, and must be backed by a large number of others, particularly the provision of raw materials of adequate quantities and suitable prices and transport facilities which should be available to those units which can export. But as Sir Ramaswami Mudaliar made it clear, not every unit could export. The facilities should be available to all to see whether or not obstacles could, in fact, be overcome if reasonable facilities were available. Not the least of the Government's contributions in addition to these incentives, it was argued, was an entirely new approach to International Fairs with businessmen selling their products hard and contracting with their counterparts overseas instead of presenting what is usually a drab collection of exhibits without any immediate business sales effort.

There seems to be a new sense of reality in respect of Government of India's policy in this matter. It is hoped that the Ramaswami Mudaliar Committee's report, when available, will spell out the needs of policy and provide a concrete framework in which action might be taken over a long period. But even before the orders of Government issue, some preliminary attack needs to be made on the citadels of "safe" finance, particularly in the States.

Particular attention was directed at this meeting to the wide range of levies which went into the structure of costs of India's export industries. This was by no means confined to sales taxes on final products, on which refund was not available, or export duties, such as that on tea, which continue long after they are helpful in the national interest. It was pointed out that the States were very apt to assume that, because they had a source of revenue in sales tax, they should hold the Centre to ransom and argue that they would not release any revenue unless it was made good by the Central Exchequer; in other words,

that all remissions were to be guaranteed by the Centre before the States co-operated. These very States demanded further resources from the Centre by way of planning grants. It is not clear how the Centre is both to meet all remissions and grants and at the same time promote exports in the manner which India's balance of payments now requires. One cannot be quite sure as to what exactly the position of India's exports would be if all sales taxes were remitted. But there is a great likelihood that India as whole would gain on the swings what we lose on the roundabouts. In other words, the foreign exchange would be made available in larger quantities as a result of increased export earnings. There would be no objection, it would seem, to linking additional foreign exchange allocations to the States to their rupee remissions under some reasonable basis. There are great administrative problems here involved, but immediately the Government of India must convene a conference of State Finance Ministers to make it clear that the direction of its policy is to remit all taxes on exportable goods and that States could not, in a national effort of this kind, argue that their rupee finances were more important than the earning of desperately required foreign exchange as a whole.

Some procedural changes, such as an annual licensing period and simplification of procedure, are necessary on their own account. But whether this is possible or not, India's export industries must now operate with a flexibility and an assurance equal to that displayed by our main competitors abroad. This cannot be done when uncertainty prevails, as, for example, in the cotton textile industry where the great shortage of cotton is causing serious concern. Immediate action is called for by the Government on the raw cotton front. This can well be treated as a touchstone of the anxiety which the Government of India professes in respect of the long delays of procedure and debate before a major crisis descends upon the industry. If this could be solved within the month, it would be more powerful in carrying conviction on the new look in policy than many pages of recommendations on the Ramaswami Mudaliar Committee report.

Burma Under Military Rule

GENERAL Ne Win is back again in the saddle with the reins of power firmly seized. The coup came as a bolt from the blue not only to the world outside but to the entire Burmese nation. The thoroughness with which secrecy was maintained by the military junta is an index of its determination to retain control over the governmental machinery until it is fully satisfied that civilian rule could be restored with safety and that may mean much longer than General Ne Win's first tenure of a year and a half. Between October 1958 and March 1962 is a wide gulf. There was no seizure of authority then, but the General was installed in power by Prime Minister U Nu and his colleagues as there was no alternative means to put an end to the rot. How far the invitation to take over the government was voluntarily extended by the Cabinet and how far it was arranged has remained an object of speculation. The correct position seems to be that it was a combination of both. The justification offered for the interim army rule in 1958 was "grave disturbance" and it was acknowledged to be true. After eighteen months the parliamentary form of government was restored. General Ne Win earned a reputation as a sensible and moderate army leader without lust for power. That is a saving grace and a positive source of hope for the Burmese people.

What was the impelling motive behind the present coup? The suddenness with which military rule was clamped without the accompaniment of drastic army measures (save the arrest and removal of U Nu and other ministers to an undisclosed destination) and the calm which has prevailed without a sense of terror have left most observers wondering why the army leaders took this action. General Ne Win's announcement over the radio on the fateful day makes a cryptic mention of "vastly deteriorating situation" and the threat of "disintegration". These are two distinct sources of trouble and the attention of those who have a genuine curiosity about the raison d'etre of the coup has been focused more on disintegration than on the deterioration in the situation. There have been two major developments which corroborate both the reasons. In the immediate context and on a superficial view, the threat of likely disintegration may appear to be more serious, but in the longer and keener perspective the creeping deterioration was a greater potential menace to the future of Burma.

The widespread commotion which was caused by the U Nu Government's decision to nationalise the import trade was a symptom of economic instability, which opened up an excuse for the penetration of Communist influence in the administration. There was no doubt an illicit traffic going on in import licences, which were sold at a high premium and they, in turn, caused severe price inflation, giving a boost to the black market in a tight situation of physical shortages. The Government decided to nationalise import licensing through the agency of the State-owned Joint Venture Corporation in which participation was made obligatory for the individual licence-seekers of Burmese nationality on the ground that it was they who sold the licences to foreign traders operating inside the country. About 3,000 importers stood the risk of being seriously affected. But the vital aspect of this drastic and unpopular remedy was that the people were left unconvinced how inflation could be curbed by mere nationalisation, when the supply of goods was totally out of alignment with the demand. The three-day strike, staged in Rangoon against the move on the eve of its enforcement on March 1, created a mood of strong resentment against the Government's leftist import policy which was believed to be barren.

Thakin Tin, Minister for Finance and Planning, with profound pro-Chinese leanings, was the author of this policy and one who seems to have influenced U Nu in applying it. Was this the thin end of the wedge? U Nu had reaffirmed his intention to retire in about two years more. Thakin Tin seems to have been gathering the strings of power in his hands with the help of the hard core of a pro-Communist group inside the Cabinet. The army officers read the signs and the younger elements are believed to have exerted pressure on General Ne Win to wait no longer.

Disintegration was the more tangible and the more immediate of the two threats to Burma's security. This threat came from the border hill tribal States which renewed intermittently their demand for full internal autonomy and the autonomy of their conception was equated with virtual independence. The Chin State on the Indian border and the Karen State contiguous with Thailand were not such potential threats to territorial integrity as the Kachin State and specifically the Shan State on the Chinese border. Their persistent demand for concessions led U Nu to refer the investigation to the Advisory Committee under Dr. Ba U, a former President of the Union, and their report was under study. Meantime, the Shan leaders had gathered in the capital city for a high-powered conference at the time of the coup. They attempted to bully the Government under threat of secession and insisted on a federal form in substitution of the unitary form of government. General Ne Win is reported to have asserted after the assumption of power that federalism was impossible since it would lead to the destruction of the Union.

The army officers' diagnosis of the potential dangers to the security of the State seems plausible. But the remedies they will have to devise and apply successfully raise real difficulties for General Ne Win and his lieutenants in the Revolutionary Council. The Regional Councils for the border hill States have been dissolved, but the identity of the States is preserved and local councils with a narrow base are being set up under amy commanders at the head. In the economic sphere priority in development is to be given to agriculture which is the mainstay of the domestic and export economies. But the fight against inflation demands a multi-pronged attack. The General has re-affirmed the policy of non-alignment and friendship with all, but the giant neighbour in the North-East will have his own view of the changed set-up in Burma. Parliament has been dissolved, but the constitution has not been abrogated so far. General Ne Win is speaking of the need to reform it.

The Assam Oil Royalty Dispute

THE breeze that has been blowing of late over the oil royalty issue in Assam appears to be gathering itself into a storm. The State Government has not only refused to issue a prospecting licence to Oil India Limited in respect of Second Supplementary Agreement signed by the latter with the Central Government in July last, but has also threatened to attach the company's property if royalty on the crude extracted in Nahorkatyia, Hoogrijan and Moran oilfields is not deposited with the State Treasury on the old basis, i.e. at the rate of approximately Rs. 7 per metric ton. The company has paid royalty at the rate of Rs. 4.8 per metric ton, consequent upon the reduction in the wellhead price of crude in terms of the new pricing formula evolved by the Central Government. The reduced royalty, the State Government contends, will adversely affect its finances. But this view is not shared by the Central Government which is of the opinion that the loss to the State would be more than made up by the increased production of oil.

It is indeed intriguing why the Assam Government raked up the issue just before the elections, having not opened its lips for nearly a year when the new pricing formula, which while keeping the rate of royalty at 10 per cent of the wellhead price of crude, reduced the wellhead price by Rs. 22 (the cost of transporting crude from the oilfields to the Nunmati Refinery) to Rs. 48 per metric ton, was evolved. But that apart, the dispute threatens to upset the development of this vital industry and, unless it is resolved expeditiously, it can do incalculable damage to the economy of the country. Oil India's exploration programme in the new concession area, which was to start in November last, has already been delayed by full one year; monsoons in the State will set in shortly. There is fear that should the State Government carry out its threat of seizure of the company's property, operations in the Nahorkatyia-Moran area, where work has not yet been adversely affected, may also come to a standstill. Further, if the State Government applies the same rules to the public sector ONGC operations, as it should, the oil prospecting programme in the Sibsagar area would also be put out of gear.

The State Government may be justified to some extent in its attitude on the matter, for the Central Government effected the change in the crude pricing policy without taking it into confidence. It has a right to protest. But if the protest goes so far as to jeopardise the development of the industry, it can hardly be endorsed by any right thinking person. The Central Government has, thus, done well in advising the State Government not to take any precipitate step without its permission. It is to be seen whether the State Government would heed this advice in the larger interests of the country's economy.

On the basis of the facts available, the intransigent attitude of the Assam Government is not easily understandable since the revised crude pricing formula had to be evolved to make the working of the Nunmati Refinery, which was set up under great political pressure from the State, economic. On the old basis of royalty calculation, this refinery would have to pay about Rs. 92 per ton of crude supplied to it. This obviously is too high a price. Moreover, the State Government levies sales tax on the petroleum products produced in the State. That should compensate it for any loss on royalty account. Assam Government cannot have it both ways. It will be injuring its own interests by persisting with its demand for restoration of the *status quo ante* in regard to oil royalty.

Undoubtedly, the storm cannot last very long. Regulation and development of oilfields and mineral oil resources under the Constitution is the task of the Central Government, although the States are entitled to royalty from these resources. Strangulation of the development of oilfields by the States only on the score of royalty payment can hardly be justified in terms of the provisions of the Constitution. But this dispute, along with the recent West Bengal's controversy with the Central Government over the leasing out of coal-bearing areas, raises an important issue which has to be faced squarely. The issue is whether for fostering the development of the mineral resources of the country, the decisions taken by the Central Government should be binding on the States or not. In the interests of accelerting the tempo of economic development and to avoid unnecessary disputes between the States and the Union Governments, especially in the event of different political parties being at the helm of affairs in the States and at the Centre, it is imperative that Parliament should define Central ascendancy in such cases.

A DELHI DIARY

THE MIGHTY BALLOT

NOW that the elections are over, I think we can all pay a handsome tribute to the mighty ballot which has accomplished so many things which neither parties nor personalities could ever achieve on their own. Quite apart from the dismissal of the Chief Minister of Madhya Pradesh and 34 other Ministers, there is the lavish indication of displeasure in ways which it is difficult here for me to analyse quickly. I will, however, produce shortly some new statistics to show how difficult it is to assess or digest the millions of votes which have been cast. The famous Rule of Three by which one might be tempted to conclude that one gets as many seats as one can get votes has fallen even more terribly than any other electoral assumption. Whether this makes a case for Proportional Representation or not I dare not say. When I was young—a quarter of a century ago!—the Liberals in the United Kingdom had a massive campaign for proportional representation, the leading apostle for which was Professor Ramsay Muir. As a young man it looked to me as an extraordinarily fair way of reflecting the electorate. Alas, there were weightier arguments in practice against it. One of the weightiest against it now would be that the Congress Party would not have a majority either at the Centre or in any except five States. This is too drastic a measure of equity for the appetite of a party which is strongly favoured by our non-proportionate electoral system!

While I am not in favour of proportional representation (P.R. for short) as this would hurt my favourite (?) party, I think there is something to be said for the West German method of election by which there is a pool of votes after the election so that defeated candidates might get in on a basis of a second round preference. The theory is that that portion of the popular vote which does not get reflected in the seats needs some consolation. I suggest that a beginning be made at once to consider how parties like the P.S.P., which have suffered heavily can receive some representation. The West German method would, I think, bring back Mr. Asoka Mehta quite easily. I do not know whether Mr. Dange and Prof. Ranga can be made equal beneficiaries. I would be willing to encourage them all to come in and say their pieces with even more vehemence than before. So far as Acharya Kripalani is concerned I think the House will miss him more than anyone else. In addition to this constitutional amendment which has the precedent of West Germany before it, I suggest an extra-constitutional institution of booby prizes. Anyone securing less than 3,000 votes in a Lok Sabha election and 1,000 votes in an Assembly seat should be eligible for a booby prize. Suggestions are invited as to what form this should take. My own view is that it should be a book on 'The Perils of Politics.'

Before I proceed to discuss some new statistics, may I pay the greatest and warmest of all tributes to the Election Commissioner, Mr. K. V. K. Sundaram, and his wonderfully able organisation. The status of the Election Commission, always high, has been raised to a new pedestal and I believe that it can do nothing to raise itself further. One of the great disadvantages of a summit, it seems, is that on arrival one can only decline. Or can one stay on the summit for ever? The best that I can wish the Election Commission is a period of complete stationariness at its present elevated peak!

A NEW STATISTIC

The political arithmeticians are busily at work on an analysis of the structure of voting, seats, votes polled, votes polled for each party, percentages and so on and so forth. I am told all the calculating machines in Delhi have been kept enormously busy for the last week. I have, however, managed to discover a statistic —this is a new American word which, I believe, is as new as it is disturbing. This relates to (coming) crisis in Uttar Pradesh. The Congress Party has won 60 seats with less than 40 per cent of the votes polled in that State. The Jan Sangh with a little less than half the Congress votes in Uttar Pradesh has managed to obtain only 7 seats. If the Jan Sangh had concentrated in Uttar Pradesh on half the seats, as the D.M.K. did in Madras, some dreadful things might have happened.

The new statistic I produce is to the effect that D.M.K. in Madras, with 142 candidates, secured as many as 50 seats, with D.M.K. candidates polling as many a 24,000 votes against 28,000 votes polled by the Congress. If the D.M.K. can snatch 10 per cent of the Congress popular vote, this would mean that the D.M.K. vote would rise to 26,400 votes per candidate and the Congress Party decline to 25,300 votes per candidate. In other words, the D.M.K. might have greater strength than the Congress in the seats contested. People tell me—some fearfully and some gleefully—this is exactly what is going to happen in Madras and that the D.M.K. will win 100 seats in the next election as against 50 this time. I view this particular statistic with considerable alarm, but if it should happen also in Uttar Pradesh with the Jan Sangh in place of the D.M.K., the result might be calamitous. Consider, for example, what would happen if the Congress vote dropped 10 per cent in Uttar Pradesh, that is to about 35 per cent and the Jan Sangh vote rose 10 per cent, thus rising to 27 per cent. If following the D.M.K. this were delivered at half the seats contested, the Congress might lose 30 seats in the next election with just a loss of 4 percentage points in its popular vote. In other words, it is conceivable that the Congress Party might lose between 35 and 40 seats and in addition a most critical position of instability would arise in both the States.

I submit that while everyone is talking about Madhya Pradesh and Rajasthan as the States to watch for balance, we might have to look upon Uttar Pradesh and Madras as requiring more drastic treatment. The show of success that Mr. Kamaraj Nadar presents has to be intensely qualified. But what is to happen to Mr. C. B. Gupta?

THE PROPHETS: A BOUQUET

Having concluded my political arithmetic, I think I should take time off, having failed miserably myself in North Bombay, to pay a tribute to the Indian Institute of Public Opinion whose pre-poll prediction for the popular vote in the Lok Sabha published in the Monthly Public Opinion Surveys as well as in the 'Statesman' of January 12, accords as follows with the final position:

Party	Percentage (Actuals)	Gallup Prediction
Congress	45.06	45.00
Communist	10.00	12.30
P.S.P.	6.88	9.5
Jan Sangh	6.38	2.9
Swatantra	6.45	6.0
Others	25.21	24.3 (undecided and others)

This looks almost too good to be true. Can there be a snag somewhere? Or has the sampling error suddenly disappeared from statistical assemblies-made out of ballot boxes? I call upon the eminent statisticians to tell me how much luck there is in this sampling game. And is there any money to be found from hitting the jackpot? I am anxiously in search of profitable (non-journalistic) occupation!

ARGUS

THE WEEK'S NOTES

The Test Talks

SUBDUED OPTIMISM

MR. KHRUSHCHEV'S communications to Mr. Kennedy and Mr. Macmillan on March 5 are rightly hailed as making a welcome change in the Russian attitude on the negotiations for a treaty to ban nuclear tests. His first proposal to hold the talks straightaway at the summit was wrongly conceived, especially when the failure of the earlier attempt on identical lines had not only failed but given a thorough reorientation to the idea of "summitry". America and Britain could not but be firm in declining to accept the invitation to climb the summit without prior preparation at the base. Negotiations at the level of foreign ministers was the correct and most practical course, which holds the possibility of exploring the maximum common ground after a frank discussion of all the questions relating to the treaty and that alone can provide the basis for the final talks to forge an agreement with precise terms for the ban. Mr. Khrushchev's acceptance of the proposal breaks the deadlock. He is deputing his Foreign Minister, Mr. Gromyko, to Geneva, where he will start the round of discussions with his opposite numbers from America and Britain before the 18-nation disarmament conference starts on March 14.

Mr. Khrushchev could have added grace to his welcome response if he had refrained from denouncing Mr. Kennedy's announcement to resume atmospheric tests in the second half of April unless the former consented to sign a treaty for the ban. The truth of the matter is that in the same announcement Mr. Kennedy unequivocally undertook to send his representative to Geneva for talks with the Russian spokesman before March 14. No motive could be imputed to him and his Administration, in the face of this offer, to wreck the disarmament talks. In the event of this offer not having been accepted, the disarmament conference could have proceeded but obviously America could not hold up resumption indefinitely. The reasons were plain and they are to be found in Russia's unilateral breach of the moratorium and conduct of a chain of something like 40 nuclear tests. In his announcement Mr. Kennedy had disclosed that the American tests would be below this mark and he further gave the assurance that the effects of radiation would be kept within the limits of safety. The course charted was based on a modest strategy of self-defence. There will be gratification that the right approach is now accepted by Mr. Khrushchev to make the summit meeting feasible. But as on all previous occasions of disarmament or nuclear test ban negotiations, optimism on this fresh occasion will be subdued.

Pakistan

THE NEW CONSTITUTION

PAKISTAN'S NEW constitution, promulgated on March 1, reaffirms the continuance of the presidential system, in preference to the party system of parliamentary government, as provided by the original constitution. But it is a presidential system with a significant accretion of powers and authority to the Head of State. Under the American prototype the power of the purse is vested in the legislature, but Pakistan's latest constitution withdraws some of the major powers of the control of the budget from the National Assembly. The safeguard of the impeachment of the President has been retained, but its enforcement has been made difficult by the provision that the sponsors of the motion would forfeit their membership of the National Assembly, if they fail to get the requisite majority. The theocratic prefix, "Islamic", has been removed from the style and description of the Republic of Pakistan. But the original provision entitling only a Muslim to be the president has been preserved. It is possible to argue that in practice the same result would have been obtained, except, perhaps, in rare cases. The rights of the minorities are to be safeguarded and this is what really matters. The effectiveness of these safeguards, like that of any other safeguards, will depend upon the degree of coincidence between the letter of the statute and the spirit in which it is observed; but the constitution has done the best it could. An Islamic Advisory Board, consisting of a complex of experts, is to be set up for consultation by the legislature to ensure that its enactments do not offend Islamic principles.

One of the major challenges to Pakistan's constitution-makers is to hold the balance reasonably between the Eastern and Western Wings. Urdu and Bengali are to be the parallel national languages (English will have a tenure of ten years) and parity in all spheres of the federal government is to be maintained between the two wings as far as practicable. Dacca is to be the venue of the National Assembly which is to meet twice a year. These provisions aim at satisfying the main aspirations of East Pakistan, but the available summary of the constitution does not throw light on the specific provisions, if any, for redressing the economic imbalance between the two halves and this is a fundamental point. The federation will have a unicameral legislature—the National Assembly—and the two provinces will have Provincial Assemblies. The powers of the National Assembly have been enumerated, there are no concurrent powers for the two sets of Assemblies and all residuary powers will vest in the Provincial Assemblies. Matters requiring co-ordination are included in the National Assembly's jurisdiction, but their execution will be in the hands of the provincial governments.

Some of the inherent powers that belong to the judiciary in a democratic set-up have been taken away. Thus the judiciary is not competent to declare legislation passed by the Assembly ultra vires. The fundamental rights (it is irrelevant how they are technically described) have been enumerated, but the central flaw is that they are not made justiciable. The ban on the political parties remains, but the power has been reserved for the National Assembly to enact legislation for the amendment of the constitution (a complicated and difficult procedure) to lift this ban. Elections to the Assemblies are to be indirect by means of the vote of the members of the electoral college, who in turn are to be elected by the basic democracies governed by adult franchise. All in all, the constitution is a cautious step forward towards the restoration of full democracy.

Mr. Phizo's Latest

"SAFE CONDUCT"

THE INDIAN HIGH COMMISSION'S statement of March 2 from London makes it abundantly clear that Mr. A. Z. Phizo rates his own skill in the game of diplo-

matic manoeuvring too high. He has made a request to the High Commission for a "safe conduct", under the Government of India's responsibility, to Nagaland to attend a meeting reported to be likely to be held in Nagaland between the Naga Government Party and the hostiles who have been staging rebellious activity against the Government of India for independence and secession.

Mr. Phizo is obviously in a fix, making a desperate move to riggle out of a situation entirely of his own making. He has been granted British citizenship on his application after he made his way to London, leaving his associates to fend for themselves in their subversive activity. On what considerations the British Government granted him citizenhip is obscure. Ordinarily India would be uninterested in this question, provided the recipient was a person having no involvement against her territorial sovereignty. It has been Mr. Phizo's contention that Nagaland is not and never was a part of India and it does not recognise India's sovereignty. He could not conceivably have applied for British citizenship on the ground of his citizenship of India—a sister Commonwealth country. The grounds of the grant of British citizenship is a matter within the British Government's discretion. This issue apart, as a British citizen, how is it open to him to claim the leadership of the Naga subversionists in case the reported talks do not bear fruit? And strangest of all, he considers the Government of India gullible enough to be duped by his seemingly innocent request to claim protection at its hands and create a profound psychological impression on the hostiles that he was specially conducted all the way from London by the Indian Government to carry on the negotiations as their accredited leader. Any rapprochement to be brought about will be between the majority party of Mr. Ao which has accepted to run the de facto government and the hostiles. The Indian Government's obligation extends to holding elections on the basis of adult franchise in Nagaland after law and order are securely established and to entrust the Government of this new federal unit to the party which wins the electorate's mandate.

China

OPEN RIFT?

THE RIFT between China and Russia on the ideological issues raised over Albania's segregation at the twenty-second Soviet Party Congress held in Moscow in October last has set a spate of speculation about the depth of the differences and the possibility of their emergence above the surface. Mr. Chou En-lai's famous walk-out immediately on Mr. Khrushchev's ruthless denunciation of Albania for the position she took on Stalinism was then interpreted as a protest against the implied criticism of China's stand on the same issue. This speculation has not been set at rest, but on the contrary it has gained a fresh momentum. On February 26 there was a clash of arms over the radio—the most powerful and far-reaching propaganda medium in any Communist country—when the Peking radio gave expression to the ideological rift in Russian and there could be no doubt about the motive behind the choice of the language. Within a few hours the same day the Moscow radio hit back by a broadcast in the Chinese language, the subject being a bitter and vehement attack on the leaders of the Albanian Communist Party—and by implication on China which extended overt support to it.

Is this clash in the air to be carried forward at the cost of a declared deeper breach within the Communist bloc? There are fresh straws in the wind coming from both the sides. The Polish official organ "Polityka" has published the text of the speech of Signor Longo at the World Conference of Communist Parties convened in November 1960 in Moscow in which one significant point was made that is of direct relevance to China's bid for ideological leadership—Signor Longo's demand that a ban should be put on the attempts and activities of the party from any country to make direct factional approaches to the members of other parties ignoring their organizational hierarchy, a demand, as the context clearly showed, was aimed against China. The publication of these developments of over a year ago at this time cannot be accidental. Meantime, the National People's Congress, China's Parliament, which was to meet after a long interval of two years in Peking on Monday this week, has been postponed for about three weeks. This Congress, to be attended by about 1,800 delegates, is to receive the agenda and the line of policy from the Central Committee of the Communist Party of China. But Chairman Mao Tse-tung and the Central Committee's high-powered members, a little less than 200 strong, are closeted together for crucial discussions at an undisclosed place. Will a lead be given to launch an offensive against Mr. Khrushchev's "revisionism" in the form of his advocacy of co-existence with the capitalist bloc? The rift may be brought into the open to force the issue. But it is unsafe to attempt to decipher in precise and positive terms the inscrutable Communist techniques.

The Press

NO PRESSURES, PLEASE

THE CHIEF MINISTER of Orissa, Mr. Bijoyanand Patnaik, has lapsed into a grave blunder in identifying himself with the undemocratic force to exert pressure on the Press to restrain its freedom of expression, ostensibly because it is inconvenient. The tone of his letter to Dr. Harekrushna Mahatab, who is the Chairman of the Board of Trustees of "The Eastern Times" and the "Prajatantra", an Oriyya daily, is threatening and the threat is intended to silence the criticism of Mr. Patnaik's government made in the two papers. In his anger he has taken the hasty step to stop the publication of government advertisements in the two papers which is a thoroughly indefensible attitude to take. Not content with this action, he has attempted to silence the criticism by advancing a curious logic attributing liability to Dr. Mahatab which is unsustainable. How can the views expressed in the papers be held up as likely to be interpreted as the views of the Congress High Command, simply because Dr. Mahatab happens to be one of its members, as Mr. Patnaik maintains? Dr. Mahatab has brought home to the Chief Minister the elementary lesson that as Chairman of the Board of Trustees he was not in the "inherent" position either of dictating the views or the publication of news of any particular type. Mr. Patnaik's threat of "counter-action" by the State Government or the Congress organisation betrays intolerance of criticism. If the articles and the news (characterised by the Chief Minister as "tendentious") are objectionable in law, the proper course is to take legal action and let the law courts decide the issue. But exerting extra-legal pressure is a violation of a basic democratic principle.

Mr. Patnaik would do well to digest Mr. Nehru's dictum contained in a candid expression of his views on a very recent occasion: "Our opinion is that even if we sometimes are not in agreement with certain articles written in newspapers, they should have complete freedom of expression. We are not in favour of having official newspapers. We do not want that newspapers should refrain from writing anything out of fear of the Government."



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The World Abroad

GERMANY'S SOCIAL SECURITY SYSTEM

By ODYSSEUS

WHAT DO YOU DO when you come up against a fact which (a) is indisputable, (b) too vast to be overlooked, and (c) wrecks the thesis that you want to put forward? Do you discard your thesis as untenable? If so, you are an honest man, but what the average polemicist does with a fact that he cannot explain away is to denigrate the achievement that it represents.

Take the fact, indisputable and vast, that Germany's gross national product rose from £8,678 millions in 1950 to £22,226 millions (at constant prices) in 1960. This spectacular rise was achieved in an unplanned free market economy, so the only escape for a Socialist critic is denigration. The party line is to say that the "miracle" was achieved at the expense of the workers; to urge that income distribution is such that the rich have become richer, the poor poorer; that a free market economy is a free for all for the strong, who can shrug off the burden of the weak; and that Germany's old age pensioners are the forgotten people of the miracle.

To comment upon these charges I call two witnesses. The first is the German Social Democratic party (SPD). By its repeated prophecies that the initiation of the free market in 1948 was making the rich richer and the poor poorer, SPD politicians did more than anyone else to dramatise the "miracle" and to create for themselves a situation from which the only way out was to stop talking about nationalisation (which the "miracle" had made a dirty word to the masses), and to insert whole new paragraph in its election programme proclaiming the importance to a free society of consumers' choice and free competition.

My second witness is a newly published report, "The Cost of Social Security: 1949-1959", which is as fascinating as it is exhaustive. Nor can its scholarly authors be suspected of disguised reactionary propaganda, because it is published (Price Rs. 13) by the International Labour Office of Geneva, whose object is to promote social justice impartially in all countries. The Report is not, of course, concerned with arguments and refutations; it is a bald compilation of statistics, which it leaves to speak for themselves. From its 237 pages, I extract the following:

Total social security expenditure (excluding housing and education) in Germany rose from $1,043 millions in 1949 to £3,110 millions in 1957, while UK expenditure rose from £1,246 millions to £2,137 millions.

INCENTIVES HIGH: TAXES REASONABLE

Although Germany's national income was only £5,633 millions in 1949, even then 18.5 percent of it was being spent on social security, compared with a national income of £11,099 millions in the UK, of which only 11.2 per cent went to social security in 1949. By 1957, Germany was spending on social security 20.8 per cent of a national income of £14,937 millions, and the UK 12.1 per cent of £17,604 millions. Expenditure on social security benefits as a percentage of total consumption expenditure rose in Germany from 16.8 per cent in 1949 to 21 per cent in 1957, compared with 10.7 to 11.2 per cent in the UK. That the UK's percentage was below that of every country in the European Economic Community is not surprising, because you can only cut bigger slices for distribution out of a cake that is growing bigger: the index of the gross national product of the EEC countries rose from 100 in 1950 to 170 (at constant prices), while the UK's rose only to 125. With Germany's maximum income tax at 55 per cent, the upper income groups have been able to save much. Incentive has not been dulled by high rates of tax, and the masses have benefitted, not lost, by this, because it has ensured a rapid growth of (1) real wages, which rose 38 per cent in 1953-1960 (compared with only 22 per cent in the UK), and (2) the gross national product, which, as previously mentioned, has enabled social security expenditure to re-distribute 20.8 per cent of a big cake, compared with only 11.2 per cent of the small UK cake.

Let us take a quick glance round Germany's social security system. It covers sickness, unemployment, industrial accidents and diseases, family allowances, and pensions. Whereas in the UK contributions are flat rates, in Germany all benefits and contributions are related to wages and salaries. Broadly, the average maximum deducted from the worker equals 13 per cent of his earnings; and the employer's maximum average is 15.5 per cent of each worker's earnings. The Federal Ministry of Labour has supervisory responsibilities, but the individual insurance schemes are run by over 2,000 independent friendly societies, self-administered by the elected representatives of contributors (workers and employers). Contributions to, and benefits from, sickness funds are not fixed by law but by the individual societies. This means that although insurance is compulsory for all wage earners, irrespective of their total wages, and for all white collar workers with a salary of less than £60 a month (with the option of remaining in if their salary rises higher) insurable persons can shop around for the society whose combination of benefits seems to them to offer best value for contributions paid. Competition between friendly societies is as keen as between insurance companies in the UK. This ensures a wide variety of flourishing societies with differentiated services which prevent the emergence of the dead level of routine that characterises nationalised health services. Sickness insurance is self-supporting and needs no aid from government funds. Expenditure by the sickness funds totalled £735,537,000 in 1959, which was spent thus:

		£ millions	Cost averaged among all fund subscribers £
1.	Medical and dental care	182,190	69
2.	Medicines prescribed and dentures	118,930	45
3.	Hospital in-patients care	114,340	43
4.	Sickness cash benefit	194,210	92
5.	Confinement allowance	31,310	1.19
6.	Death grant	13,200	.5
7.	Administrative expenditure	39,800	1.5
8.	Other expenditure and reserves	41,390	1.57
		735,537	

Doctors are not paid direct. Each friendly society pays a negotiated sum to the federation of doctors, which distributes it among its members according to a formula. The competition between friendly societies to give specialised services leads to different structures of membership, and the doctors take full advantage of this competition to push up the negotiated agreements. But whereas the limit to what doctors can earn in the UK is set by what the government thinks that the taxpayer will stand for in heavier taxes and/or inflation, in Germany the limit is set by the realities of the financial positions of the friendly societies. In 1954, 34,900 doctors were receiving an average of £3,060 a

year from the friendly societies. By 1959, 36,500 doctors were receiving an average of £4,969 each, i.e., higher fees had attracted no less than 1,600 additional doctors into the service of the societies. In 1955, the average earnings of an NHS general practitioner were £2,058. Today they are £2,425.

White collar workers are compulsorily insured up to a salary of £1,340 a year (thereafter they may opt out or in); all manual workers are compulsorily insured, irrespective of their earnings. Contributions are 14 per cent, shared equally by employers and workers, on the first £76 a month. Earnings above £76 are not subject to deductions for insurance.

TAKING PENSIONS OUT OF POLITICS

The criticism of the pension schemes used to be that the amount earned did not enable a pensioner to maintain the standard of living that he had acquired while working, and that as the national standard of living rose with the growth of the economy, a man on a fixed pension increasingly lost status. So, in 1957, an Act was passed whereby (unlike other social security benefits) the amount of a pension is no longer determined by the contributions that originally constituted it but is calculated by an independent Advisory Commission, who apply a formula which takes into account rises in earnings achieved by men still at work in the pensioner's former trade or profession, a corresponding percentage of which is added to his pension. This meant in 1960 that receipts of pension funds from contributions amounted to £1,030 millions, to which taxpapers were called upon to add £508 millions in order to enable the new "dynamic" pensions to be met.

The machinery of the Advisory Commission set up by the 1957 Act has some parallel with the proposed British National Economic Development (although its function is limited to pensions). The Commission is a fact finding body, which publishes a report with its recommendations to the government. Its existence has removed pensions from the political arena. Government and opposition alike are in a strong position to discount popular demands that would increase pensions above the statistically justifiable level, because they can shelter behind the Commission's recommendations. On the other hand, the government would give the opposition a tremendous lever if it took leave of its political senses and tried to reduce pension increases below those recommended. The "dynamic" pensions formula cannot itself cause inflation, but it can add to inflation in so far as it may already exist in the data on which the Commission bases its calculations.

Since contributions to social insurance now average 30 per cent of all insurable amounts of earnings, many friendly society officials consider that saturation point has been reached, but, since the demand for medical care is infinitely elastic, they believe that sickness expenditure could be kept within common sense bounds by making patients pay cash contributions towards expenses incurred, on the lines of the British United Provident Association. They fear, however, that electoral considerations will induce the state to impose increased benefits paid out of general taxation. They point out that wherever this happens social security ceases to be social insurance and becomes a free-for-all for political bribery and economic nonsense. All experience shows that the greater the area of state action, the wider the spread of social discontent as the voters are told by politicians that they are not being given a square deal. In contrast, the German system promotes individual thrift, initiative, and responsibility, and makes for social harmony.

(In a final article next week, Odysseus will discuss (a) what led Germany to adopt a competitive economy in 1948, when the climate of opinion throughout Europe favoured Socialism, and (b) what change to expect if the German Socialists were to form a government. ED.).

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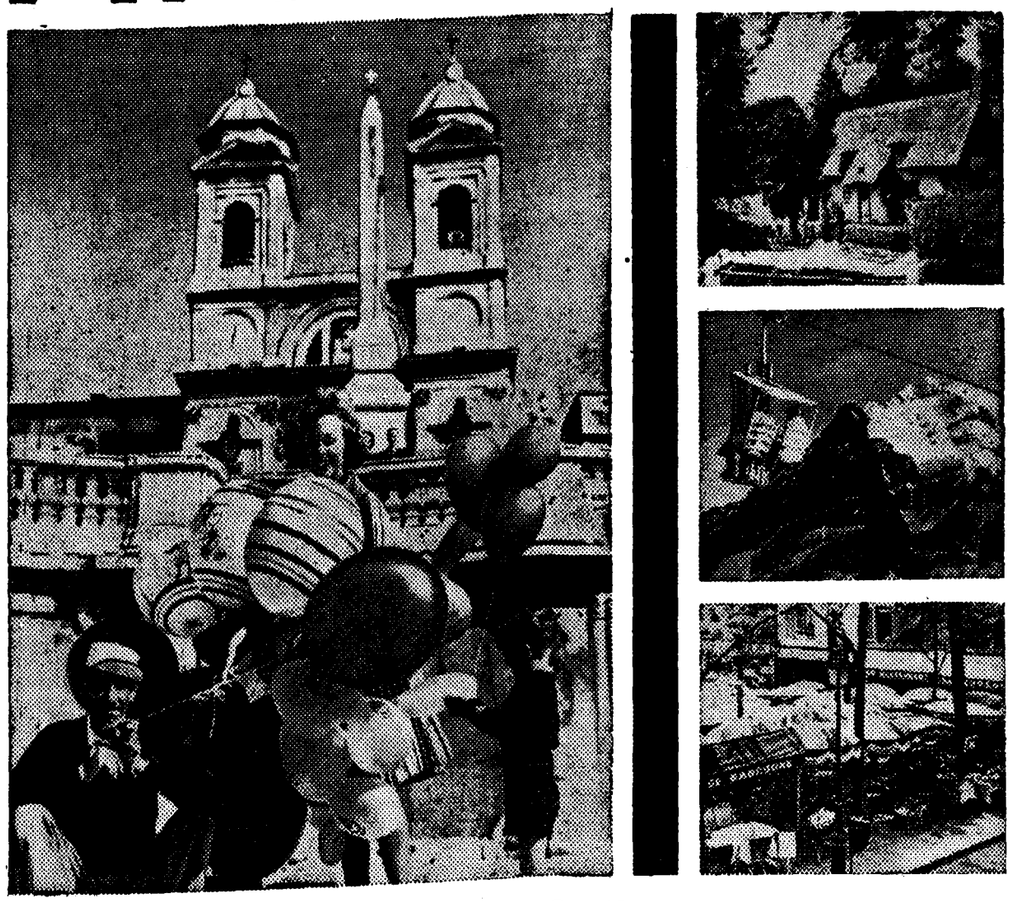
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The European Scene

FRANCE AFTER THE 23-YEAR WAR

From Our Special West European Correspondent

PARIS, March 3

HAVING ventured some forecasts last week about the economic prospects of the independent Algeria that will emerge from the imminent North African peace, one might do the same now for the independent France that will re-appear this summer—independent at last from her imperial ball-and-chain and freed from 23 years of almost uninterrupted warfare. (France went to war in 1939 and has been there since, in Europe, then Indo-China, then all of North Africa from Suez to Morocco). Release from these burdens, it would seem, must have an excellent effect on an economy that is already one of the world's healthiest. Yet the anti-war party, which for years has been tallying up the economic cost of the Algerian struggle and arriving at unverifiable figures of the order of one million pounds sterling per day, has suddenly muted its promises of the profits of peace. No one is willing to say that France will find herself notably the richer when fighting ceases some time this month. In part, no doubt, this is because the anti-war party grossly overestimated the net economic loss caused by a war carried on outside the homeland, and thus entailing no destruction of the nation's productive equipment, and now that peace is approaching this exaggeration is liable to be exposed. The point is that a long, minor war, if it is conducted properly, i.e. by an economy that is placed on a war footing, can be conducted without any great loss that can be reckoned up in monetary terms. Provided the nation consents to forego several consumer satisfactions (and in a democracy there are plenty of sacrifices of non-essentials that can be made without much pain), a sound economy can easily afford an endless, stupid war.

In condemning a war of that sort with economic arguments, the liberals make the usual mistake of people with only a little economic knowledge: they think they can make moral arguments more effective by putting a figure on them. (Similarly, in India there are democrats who thought they could condemn Prohibition as entailing a net loss of wealth, when in reality, given suitable economic policy, it entailed only redirection of resources). If you are opposed to colonial war (or Prohibition), you must stick to the moral arguments against it and hope that people will find them conclusive. Any attempted demonstration of the economic loss involved can be set at nought by a Government ready to undertake the required diversion of resources. And this is what happened in France in 1958. Up to then, the Socialists had tried to carry on the war while maintaining subsidies and price-controls at home, seeking to shield consumers from the inevitable consequences of the war and letting producers expand investments behind a protective tariff. The natural result was inflation and near-bankruptcy. The Gaullist regime had the courage to make the necessary adjustments and, seeing that the majority wanted the war to be fought on to an honourable conclusion, asked them to pay for it. They consented to pay for it, on the understanding that it would not last much longer—but in fact the Algerian war has been conducted longer by the Gaullist regime than by the preceding party regime. In that time, nevertheless, the French economy has prospered as never before in its history, showing that the cost of the war was a hypothetical gain-foregone (what French accountants call manque-a-gagner) rather than a real loss, and was in any case easily borne by the nation once it pulled in its belt in the right places. The two leaks where even the best-conducted war is liable to cause trouble are in the foreign-trade balance and in the budget, because the nation, though prosperous, might need to expensive war material, and the Government might need to hide the diversion of resources to war-fare by means of inflation generated by budget deficits. Yet France since 1958 has scored persistent and notable payments surpluses, wiping out most of her foreign debt and accumulating reserves which last month exceeded for the first time $3,000 million; as for the budget, it has been in balance and the Government has not even floated a loan for three years!

Accordingly, the cost of the war was hard to prove, and the gains of peace are similarly hard to show. People who don't get their morals mixed up with their economics will rejoice because peace is a good thing and colonial butchery a foul one, but will not expect to see any sudden appearance of surplus resources in private or public hands. As with the war, the peace will entail a redirection of resources, this time to morally preferable uses, but without any short-term gain in the national product expressed in money terms. Indeed, there will be evident monetary losses in various sectors; not only the gun-makers (i.e. the steel industry) but the shipping and textile industries will have to contract, thus offering less employment and paying less taxes.

There are other reasons for not expecting any spectacular improvement in the French economy with the end of the war. Firstly, the commotion will not end abruptly for it is obvious that Algeria's future is not settled when Paris and the FLN sign a piece of paper. The minority community is apparently determined to oppose the cease-fire and in any event a country given over for seven years to terrorism and anarchy will require a substantial reserve of armed force to be kept on the spot for some time the peace treaty foresees the stationing of a large French force in Algeria for three years. So the size of the Army and the length of military service cannot be reduced quickly. Besides, it is known that every franc that France saves from the reduction of her colonial army, President de Gaulle proposes to spend on its modernisation and conversion into a nuclear force; his main objection to the Algerian imbroglio he inherited has always been that it obstructed his plans to increase France's military might. The absolute size of the arms budget is more likely to rise than to fall in the years ahead. Not that it will, for all that, be as uneconomic an investment as the maintenance of a 19th-century style colonial force. The modern army that de Gaulle has in mind is a technicians' army: few soldiers, and thus little diversion of manpower from production; many technicians, and thus general stimulation of technological education from which not only the Army benefits; and much outlay on modern equipment (notably electronics) which is made by industries working for the most strongly felt of consumer needs. At equal cost, an army of that sort fits into the modern industrial economy, whereas the colonial force is an economic anachronism.

Secondly, the Algerian problem is that of arranging the cohabitation of two enemy communities of unequal size in a land they both claim as theirs, and the security of the minority has to be bought by France at the price of lavish economic assistance for the young republic. The scale of this aid will be far beyond that received by any other backward country in the world to date. The peace settlement binds France to maintain the size of the current Constantine Plan, but it is probable that costs will mount quickly if visible results

are to be attained, for Algeria has far too many inhabitants for its resources and the familiar demographic explosion is under way. Thus the cost of the war will be replaced by the cost of development, and the budgetary burden on France will not decrease. Naturally, development outlays are, in the long run, much more profitable for French industry than military expenditures, and as peace is restored Algerian demand will be a powerful stimulant to the capital-goods producers —even if the ultimate source of that demand is French taxes, as is the case with many American so-called "exports" which are paid for by US economic aid. Algeria was, until the minority lately began to fear for its future, France's principal client; she will not be long in reclaiming that first place from West Germany, and many traditional industries will receive a fillip. Incidentally, a point to be noted is that the Algerian settlement will enable France to make her peace with the Arab world in general (at the cost perhaps of being a less ostentatious ally of Israel), and she could gradually reclaim her position as Islam's main trading partner and educator.

Against these long-term gains that will accrue from a maintained Algerian and military budget, there are possible short-term costs. Having made no secret of my scepticism about the possibility of two communities co-existing in Algeria, I expect that many members of the minority will seek to migrate to France. (This is sometimes incorrectly called "repatriation"; most of them have never seen France and are treated as virtual foreigners here, with the nickname "Blackfeet"). Paris is committed to bearing the full cost of this migration, and of the installation of the migrants; since most of them will return with a grudge, feeling that Paris "gave away" their homeland, they will agitate for generous treatment, no doubt using the methods of agitation they learned in war-torn Algeria. One could thus see the anomaly of France lavishly supporting Algerian development in order to secure the rights of the minority, while the minority drifts back to France at Government expense; the French taxpayer would thus get the worst of both worlds. This will certainly be true at first. An initial wave of migration has already begun, because there are thousands of families of colonial die-hards who will not consider living on in a free Algeria, no matter what the guarantees. Their accommodation will have to be paid for immediately, while the cost of the military establishment in Algeria will not have fallen and while outlays on the Constantine Plan will pick up at once, because many projects have been held up by disorder. For a time at least the budgetary burden will rise sharply, and the taxpayer, after cursing for years the cost of the war, will find himself faced with a bill to pay for the cost of the peace.

The most important effect on the economy generally will be the reaction in the labour market. On the one hand, the main limit to expansion is the manpower shortage, which lies behind part of the recent rise in prices (part only; the rest is higher farm support prices) and the shortening of military service will steadily increase the supply of labour. Further expansion will thus be possible without wage-price inflation. On the other hand, it is said that labour has restrained its pressure for wage increases in order not to jeopardise the Government's chances of ending the war; once peace is declared it might put in a bill (swollen by loose talk about the cost of the war) for higher wages made possible by the supposed gains of peace. Which of these guesses proves correct, the next few months will show. In sum, bright promises about the impact of peace after 23 years on the French economy seem hazardous. One can simply conclude that, for the rest of the decade that may be one of Europe's most progressive, France will have ceased to be "the sick man of the West".

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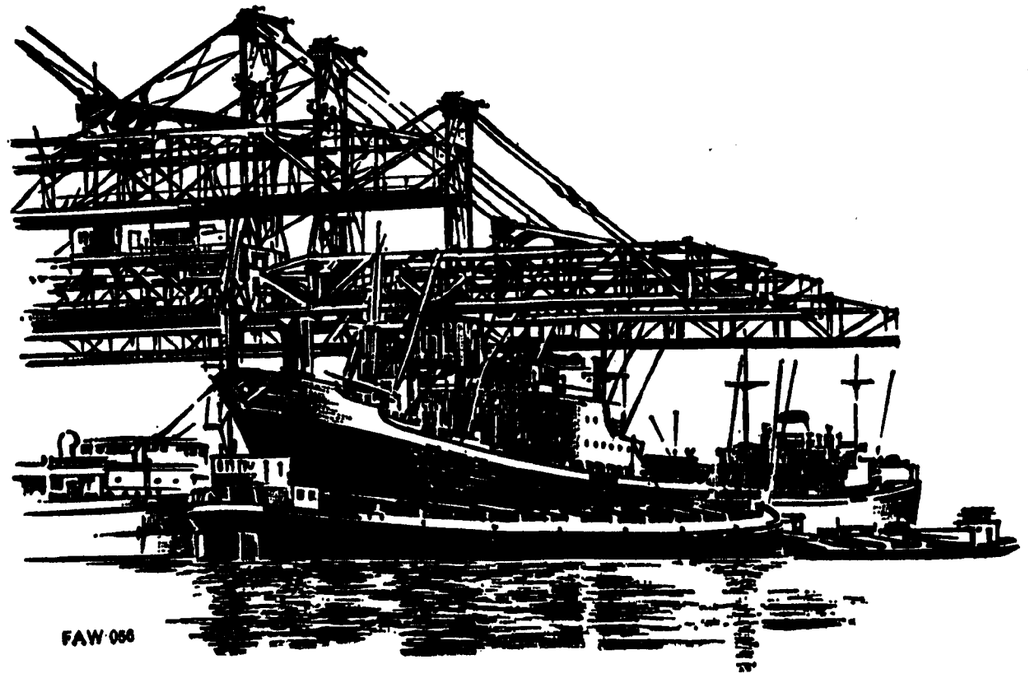
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Our West German Letter

THE FATAL FEBRUARY—TWO MAJOR DISASTERS

From Our West German Correspondent

BONN, February 24

THE world has not perished at the beginning of this month in spite of the astrologers' predictions. Nevertheless, West Germany has been overtaken by two major catastrophes, the mine-disaster in the Saarland with 299 miners killed, and the high tide calamity raised by a storm with a velocity of sometimes more than 200 kilometres per hour blowing along the northern coast of the German Ocean. While writing these lines the exact number of the dead is not yet known, but in Hamburg alone, a city of nearly 2 million people more than 265 persons died in the floods, some even in their sleep. Hamburg is not situated on the sea shore, in fact, far away by about 120 kilometeres. But it were the broken dikes of the Elbe river flowing into the German Ocean which brought the disaster to the city. The question now being discussed is whether the damaged dikes will stand the coming storms during spring time. Repairing actions have immediately started.

The mine disaster and the flood catastrophe have shown in the highly industrialised Federal Republic where prosperity prevails as never before (where the charwoman arrives in a Mercedes-car — no joke please) that there are higher powers before which man has to bow. Here in the Rhineland the carnival had been in full swing but now all the festivities have been cancelled including the traditional parades on the last Monday before lent. It should also be mentioned that 25,000 men of the German Army and Air Force, assisted by NATO units of USA, U.K. and Holland were at work from the very beginning of the disaster in Germany's North by rescuing stranded people and bringing food and drinking-water to them as well as by mending the dikes. After the Red Cross had asked for donations, within 24 hours more than one million German mark had been collected. It goes without saying that the Central Government and the governments of the Federal States have also sanctioned large amounts, especially for about 17,000 persons whose homes have been destroyed. To close this very sad subject, the reaction has to be mentioned it had on their side of the wall the Communists have built in Berlin. The official party newspaper "Das Neue Deutschland" (The New Germany) pointed out that showing on the West German television screen the salvage and rescue work of the soldiers was only done to make propaganda for the army. There is no need to comment on such wicked methods.

FORCIBLE COLLECTIVISATION IN EAST GERMANY

Let us remain for a while on this other side of the wall. Now, with the border to West Berlin and to the whole Federal Republic closed "watertight," the Communist rulers are quickly going ahead with another of their schemes, i.e. the forcible collectivisation of agriculture in East Germany is about to reach its final stage. The so-called "Seventh Farmers Congress" which will start in Magdeburg on 9th March is expected to be the stage where the Communist officials will announce the removal of the last remnants of independent farming and new drastic measures to increase the collectives' production.

The collectivisation of agriculture in 1960 has emerged as a major error of judgment of the East German authorities. The farmers who only three years ago were working all out to fulfil their stacked up quotas in order to stay independent, have resigned themselves. The result is an almost total apathy of the agricultural population and a corresponding languishing of the farm production. The inevitable consequence has been that East Germany has been tumbling from one food supply crisis to another. A constant series of shortages of potatoes, vegetables, dairy products and meat was reported. Frequently the state of emergency was declared by several districts, and groups of people were rounded up and put to work in the fields because of the non-fulfilment of collective farm plans. This in turn was the result of the fact that a large number of farmers—forced members of collective farms—had concentrated on cultivating the small plots they have so far been allowed to retain as personal property.

The reaction of the Communist authorities to the passive resistance of the farmers is already visible. A substantial cutting-down of the "inflated independent farming" (as they call it) will be announced at the Magdeburg Congress. A few figures will show the alleged "superiority" of the Communist system of collective farms. In 1960 the average yield per hectare was 3.6 tons of wheat in West Germany and 3.5 tons in East Germany. The corresponding figures for rye were 2.9 against 2.2 tons, those for potatoes were 23.6 against 19.2 tons and those for sugar beet 43.0 against 28.8 tons. As one can see from these comparative figures there is no superiority at all of the collective system and from 1961 onwards, as said before, the yields have tumbled considerably.

In 1950 still 617,900 independent farms were counted in East Germany. Their number declined steadily to about 340,000 in 1959. Only 30,200 privately-owned farms existed at the end of 1960 but all of them limited in size to not more than 0.5 hectare each. The number of collective farms, in turn, has now reached the approximate figure of 18,300.

THE SOVIETS LAY A TRAP

Meanwhile, all efforts have been and are being made to maintain independent farming in West Germany. New tasks are ahead in this respect as a result of the introduction of a harmonised farm policy within the European Common Market. Farmers in the Federal Republic will be caused by this move to revise their working and cultivation methods. But the Goverment has already announced that they will be given extensive support to maintain their competence and independence.

The German Ambassador Kroll has now delivered in Moscow's Foreign Office West Germany's reply to the aide-memoire he had received from the Soviet Government towards the end of last December. It seems to be worth while to look a bit closer into the contents of this Russian 22-page document. The Soviets have tended a bait to German business. This memorandum addressed, of course, to the Federal Government tried to appeal to the West German industry by offering an "ocean-like market" for all kind of goods and, in exchange, all the raw materials which German industry and agriculture may need. A closer look at the Soviet offer reveals the following principal reasons behind it: (i) It is the Soviet

Union's desire to expand foreign trade in order to offset failures in her own economy; (ii) Moscow needs increased reserves to help East Germany and Communist China to overcome their serious economic losses; (iii) The Soviet Union wants to make inroads in the world market in order to give economic support to her political actions; (iv) It is one of the lines of Soviet policy to point out that economic cooperation is an adequate means to ease political tensions.

West German trade figures and trade experience with the Soviet Union show that the new economic offer is not very substantial. The share of West Germany's trade with all Communist countries still amounts to only 4.7 p.c. of the total foreign trade of the Federal Republic. The Soviet Union provides herself an excellent example why this percentage is so low. Moscow strictly adheres to the bilateral character of commerce and subjects its foreign business to rigid quota restrictions. It sheds some light on the "ocean-like" Soviet market for German goods. The West German negotiators had to go through great efforts only to have the Russians agree to the inclusion of a few German export quotas for consumer goods into the latest German-Soviet trade agreement (8.5 million DM worth of woollen and cotton fabrics, 9 million DM worth of leather goods and the same amount worth of leather shoes, annually). Still, the Soviets bought nothing under these quotas between 1958 and 1960. In 1961 they purchased 4.3 million DM worth of leather shoes, a meagre 15,000 DM worth of textile fabrics and no leather at all.

NO CUT-THROAT COMPETITION

There is another important fact which the authors of the Soviet aide-memoire have neglected. They cling to the Communist thesis that economic competition in the Western world will lead to self-destruction. But instead of leading to the alleged "cut-throat competition," the new economic groupings of free democratic states within the Western alliance—primarily the establishment of the six-nation European Common Market—had had a definitely stimulating impact on the economies and living standards of the participating countries. Free competition in the Western World has not hampered economic growth but, on the contrary, has been and still is the main reason why the economic achievements of the free world are far ahead of those in the East Bloc.

The Soviet policy has often operated with economic baits in the past. The memorandum to the Federal Government is another example of this policy. Its primary aim is to sow distrust between West Germany and her friends within the free world.

Let us close by quoting from a radio interview with Prof. Erhard, Vice Chancellor and Minister of Economic Affairs, who had just celebrated his 65th birthday: "European economic integration takes its real meaning from the political integration that it is to bring about. A politically united Europe will be a very stable factor of the free world in the great controversy with Communism." He reiterated his opinion that closer links between the European Economic Community with the United States would really be a very good thing.

THE INDIA SUGARS & REFINERIES LIMITED

(Registered Office : Hospet — Bellary District)

Notice of Annual General Meeting

NOTICE is hereby given that the Twentyeighth Annual General Meeting of the Company will be held at the Registered Office of the Company at Hospet (Bellary Dist.) on Saturday, the 31st March, 1962, at 4 P.M. to transact the following business:

1. **To receive and adopt the Directors' Report and audited accounts for the year ended 30th September, 1961;**
2. **To declare a Dividend on Preference Shares;**
3. **To declare a Dividend on Ordinary Shares;**
4. **To elect a Director in place of Sri O. V. Alagesan, who retires by rotation and is eligible for re-election;**
5. **To elect a Director in place of Sri Rajeshwara Patel, M.P., who retires by rotation and is eligible for re-election;**
6. **To appoint Auditors for the year 1961-62 and fix their remuneration.**

The Register of Members of the Company will be closed from March 16, 1962, to March 31, 1962, both days inclusive.

(By Order of the Board),
Per Pro THE INDIA SUGAR AGENCIES PRIVATE LTD.,

C. D. CHOUDHARY
MANAGING AGENTS.

BOMBAY,
March 2, 1962.

Notes: 1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the Meeting.

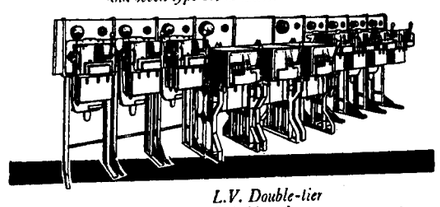
2. The Dividends, when declared, will be payable on or after April 16, 1962, to those shareholders whose names are on the Register of Members on March 31, 1962, or to their mandatees.

3. Shareholders are requested to notify the Company of any change in address.

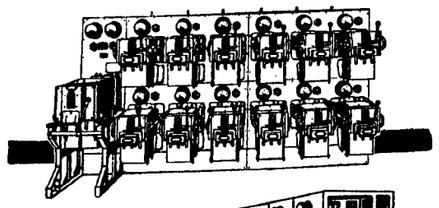
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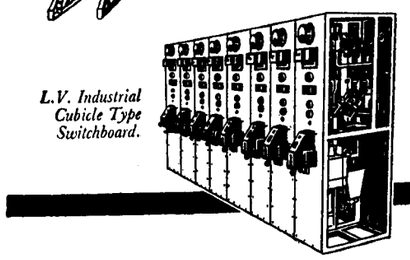
L.V. Unit Type Switchboard comprising three type HN3 units and seven type HN2 units.



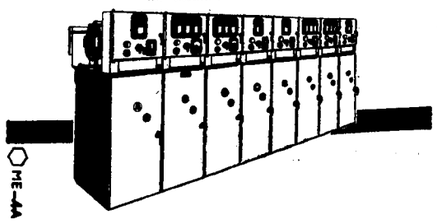
L.V. Double-tier Switchboard.



L.V. Industrial Cubicle Type Switchboard.



H.V. Metalclad Switchboard with air-insulated Busbars.

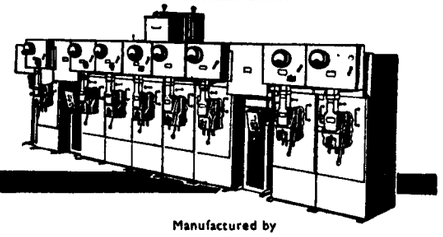


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JWT-BB 2003

Economic Report from the U.S.

EXTERNAL AID

By GUY SIMS FITCH

Washington, Feb. 27

IT has been the policy of the United States Government to help other nations modernize their societies and maintain their national integrity. In the process, Americans and other peoples have learned valuable lessons about social and economic development which are being applied with increasing effectiveness wherever free men have the will and the capacity to improve their conditions of life. These lessons have been spelled out in cogent form by a man whose background as a scholar and a diplomat lends important weight to his words. He is Dr. Walt Whitman Rostow, internationally respected economist and political scientist, who has been an adviser to President Kennedy and now occupies the post of Counsellor and Chief of the Policy Planning Council of the U.S. Department of State. In essence, as Dr. Rostow points out, development is a national undertaking. Each nation must bring to the effort its own resources—human and material. To the extent that this is done, outside assistance will be most effective. The effectiveness of this external aid is enhanced, moreover, as it is geared to national programmes on a long-term basis. This can enable developing lands to pursue their plans realistically, with reasonable assurance that they will have the external aid as well as the internal resources needed to complete important parts of their development programmes. U.S. foreign aid legislation now takes this long range requirement into account.

Effective national planning also is important because in many areas of socio-economic activity governments can help lay a solid foundation for modern growth. They can do this through educational systems geared to national needs; through social overhead projects in such fields as electric power, transport and land reform, upon which balanced industrial and agricultural development depend; through taxation and other elements of financial management which contribute to the stability of national and international accounts. Even in the United States, where the achievements and rewards of private enterprise are well demonstrated and appreciated, the Government has not hesitated to perform many functions essential to constructive development, leaving to the private sectors a wide and expanding range of fruitful activity. How wide that range should be is something each nation must decide for itself in the light of its own problems and its own potential. Thus, Dr. Rostow sees both Government and private enterprise capable of playing important roles in economic and social advancement, roles that are supplementary and mutually reinforcing. Finally, there is the recognition that free men have much to learn from one another, and that in the final analysis their methods are bound to prove more effective and more rewarding than those of totalitarian regimes. If there is one thing history makes profoundly clear, it is that a system of powerful State control, even apart from its inherent inhumanities, is an inadequate substitute for the commitment of free individuals to a common cause. And development, as Dr. Rostow observes, is a process that requires responsible action by millions of human beings operating individually and through organized groups. Long a student of both communist and free world developments, Dr. Rostow is well qualified in addressing himself to the essential differences between the two. Communist planning, he notes is a device for maximum political control over the individual; it thereby burdens the State with functions it cannot efficiently carry and destroys the individual incentives needed for a vital economy. Nowhere is this better seen, perhaps, than in the gigantic agricultural failures of communist planning, both in Europe and Asia. Free world planning, on the other hand, is a device for assuring balance in the growth process and for creating a framework within which individual freedom and initiative can flourish and can contribute effectively to the national purpose. The inescapable conclusion, in the words of Dr. Rostow, is that the United States and other free nations "are on the right track technically as well as morally." These words may border on the self-evident, but they have needed saying nonetheless.

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AB—21

M. J. Maclaren
GENERAL MANAGER.

Special Article

CAPITAL FORMATION IN INDIA: 1948-49 TO 1960-61

"CAPITAL formation," according to Professor Simon Kuznets* of Harvard University, "is essential to economic productivity and economic growth." This sounds like a platitude but it is in fact a controversial statement in view of Colin Clark's thesis in "Growthmanship" . This is also the central doctrine of Indian planning. The thesis has been specifically accepted in the Third Five-Year Plan wherein net investment as a proportion of national income is anticipated to rise from about 11 per cent at the end of the Second Plan to 14-15 per cent at the end of the Third Plan. Precise estimates of the rate of capital formation were not available for a long time as the Central Statistical Organisation did not extend its old series beyond 1953-54. Happily, the gap has now been filled by the National Income Unit in the Central Statistical Organisation which has brought out two papers, one dealing with the estimates of gross capital formation for the 12-year period 1948-49 to 1960-61 and the other dealing with the financing of the gross capital formation. The following two tables give the central findings of the Central Statistical Organisation regarding the rate of capital formation in the Indian Union since independence. The most important conclusion which emerges from a study of the tables given below is that gross capital formation in the last three years of the Second Plan, namely, 1958-59 to 1960-61 was almost static around 19 per cent of the gross national product. This is a little disheartening because the promises made by the Government to the masses in regard to a steady rise in the level of living cannot be fulfilled if the rate of capital formation remains stay put, while the population continues to rise without any substantial control.

The gross capital formation has been defined as the sum total of fixed capital formation and changes in

TABLE I.

SHARE OF GROSS (AND NET) CAPITAL FORMATION IN GROSS (AND NET) NATIONAL PRODUCT

Year	% Share of gross capital formation in gross national product	% Share of net capital formation in net national product
	(At 1958-59 prices)	(At current prices)
1950-51	13.2	7.7*
1955-56	16.2	10.7
1956-57	20.9	15.5
1957-58	17.4	11.7
1958-59	19.3	13.8
1959-60	19.0	13.3
1960-61	19.4	14.0

*Estimated

TABLE II.

GROSS CAPITAL FORMATION: 1948-49 TO 1960-61

(At Current Prices)

(Rs. Crores)

Year	Gross Fixed Capital Formation: Construction	Gross Fixed Capital Formation: Machinery & other equipment	Gross Fixed Capital Formation: Total (1+2)	Changes in stocks	Gross Capital Formation (3+4)	Depreciation	Net Capital Formation (5—6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1948-49 ..	628	297	925	155	1,080	611	469
1949-50 ..	697	338	1,035	72	1,107	626	481
1950-51 ..	729	299	1,028	94	1,122	642	480
1948-51 ..	2,054	934	2,988	321	3,309	1,879	1,430
1951-52 ..	782	376	1,158	291	1,449	658	791
1952-53 ..	818	342	1,160	—41	1,119	676	443
1953-54 ..	866	333	1,199	256	1,455	694	761
1954-55 ..	995	374	1,369	123	1,492	713	779
1955-56 ..	1,153	509	1,662	59	1,721	735	986
Total 1951-56	4,614	1,934	6,548	688	7,236	3,476	3,760
1956-57 ..	1,357	626	1,983	410	2,393	731	1,662
1957-58 ..	1,487	704	2,191	—145	2,046	779	1,267
1958-59 ..	1,521	632	2,153	357	2,510	830	1,680
1959-60 ..	1,565	711	2,276	258	2,534	871	1,663
1960-61 ..	1,759	862	2,621	250	2,871	912	1,959
Total 1956-61	7,689	3,535	11,224	1,130	12,354	4,123	8,231
Grand Total 1951-61 ..	12,303	5,469	17,772	1,818	19,590	7,599	11,991

*Capital in the American Economy, Its Formation and Financing"—A Study by the National Bureau of Economic Research.

inventories. It covers the investments in all types of new capital goods such as buildings, plant and machinery and other equipment, and variations in inventories. Financial accumulations such as bank deposits, insurance funds etc., however, are excluded from this computation. Table II demonstrates that gross capital formation (at current prices) increased from Rs 1,080 crores in 1948-49 to Rs. 1,122 crores in 1950-51 and to Rs 1,721 crores in 1955-56, indicating that at the end of the First Plan the gross capital formation had risen by 53.4 per cent over 1950-51. During the Second Five-Year Plan the increase in capital formation was much larger. In percentage terms it was higher at 66.8 per cent of the level operating at the commencement of the Second Plan. This table also clearly shows that the major contribution to gross capital formation was through acquisition of capital goods. The inventories played only a minor role though the volume of inventories had been steadily rising with the expansion in the volume of gross national product. Before 1953-54 when the Indian Union faced food scarcity, widespread controls were applied and the stocks of foodgrains were very near the zero level. The good harvests from 1953-54 onwards coupled with rising imports of foodgrains swelled the inventories and in turn inflated the gross capital formation. However, the inventories have had no systematic and planned growth. Their behaviour has been highly erratic. At the present time inventories account for nearly 10 per cent of the gross capital formation.

An attempt was made earlier by the Reserve Bank of India and the National Council of Applied Economic Research to assess the rate of growth in net capital formation. The findings of these organisations are set out in Table III along with the estimates of the Central Statistical Organisation. It will be seen that whereas the Central Statistical Organisation has carried its series to 1960-61, the National Council of Applied Economic Research has stopped short at 1957-58 and the Reserve Bank series does not extend beyond 1958-59. The estimates of the National Council are higher than those of the Central Statistical Organisation, and the Reserve Bank for the First Five-Year Plan period. This, however, does not apply to 1956-57 and 1957-58. The deviation is particularly marked in these two years. From a study of the Central Statistical Organisation's analysis it appears that differences arise because of differences in the concepts and coverage. The National Council has restricted its coverage of inventories to sole proprietors and partnership firms (as obtained from the Census of Manufactures reports) and the balance sheets for corporate sector while the Central Statistical Organisation has covered inventories in all the sectors, including the largest sector i.e. agriculture. The Central Statistical Organisation has, however, indicated the inadequacy of the data in respect of "rural construction, trade and transport margins, production of capital goods in the small enterprises sector, stocks held in the private non-corporate sector and prices of machinery and building materials".

The level of net capital formation as shown in Table I according to the Central Statistical Organisation was around 14 per cent as against the estimate of 11 per cent assumed by the Planning Commission in the formulation of its Third Plan. It is highly probable that at the time of the finalisation of the Third Plan, estimates available were those of the Reserve Bank only which indicated a rate of domestic saving around 8-9 per cent. From this the Planning Commission obviously inferred that the total rate of savings after taking into consideration the net inflow of foreign capital, could not be beyond 11 per cent. In the light of the findings of the Central Statistical Organisation, it may be necessary to revise the estimates of the Planning Commission. In any case, there is a strong case for the experts of the three organisations to compare their estimates and evolve a uniform approach. The differences need to be ironed out by mutual consultation. They are currently a source of much confusion.

TABLE III.

A COMPARISON OF THE ESTIMATES OF NET CAPITAL FORMATION

(At Current Prices)

(Rs. Crores)

Year	Central Statistical Organisation	National Council of Applied Economic Research	Reserve Bank of India
(1)	(2)	(3)	(4)
1948-49 ..	469	576	N.A.
1949-50 ..	481	650	N.A.
1950-51 ..	480	601	607
Total 1948-49 to 1950-51	1,430	1,827	N.A.
1951-52 ..	791	713	693
1952-53 ..	443	664	550
1953-54 ..	761	684	583
1954-55 ..	779	861	714
1955-56 ..	986	1,141	951
Total 1951-52 to 1955-56 (First Plan)	3,760	4,063	3,491
1956-57 ..	1,662	1,366	1,349
1957-58 ..	1,267	1,638	1,273
1958-59 ..	1,680	N.A.	1,347
1959-60 ..	1,663	N.A.	N.A.
1960-61 ..	1,959	N.A.	N.A.
Total 1956-57 to 1960-61 (Second Plan)	8,231	N.A.	N.A.
Total First & Second Plans	11,991	N.A.	N.A.

THE BUSINESS WORLD

A Great Industrialist

By CROESUS

THE unveiling of the bust of a great industrialist—the late Walchand Hirachand—by an equally great industrialist, Mr G. D. Birla, and that on the birthday of yet another great industrialist—the late Jamshedji Tata, whose lineal descendant (Mr. J. R. D. Tata) was also present, incidentally—was undoubtedly a great occasion. Occasional occasions such as these serve to remind one, in particular the younger generation, of the services of the stalwarts of private enterprise of this country which otherwise—and in the prevailing atmosphere where anything big is tending to become a taboo—might become a sealed book.

Great as was the occasion, it was also celebrated appropriately. The decision to instal the bust in the entrance hall of "Construction House" was, of course, as it should be, but the truly appropriate feature was the selection of the right person for the solemn duty of unveiling the bust. Who else could have filled this role more fittingly than one that "thought together, worked together, and struggled together for the cause of industry," with Walchand—Mr. G. D. Birla whom Mr Gulabchand Hirachand, Chairman of the Premier Construction Co. Ltd., described as "one of the greatest industrialists and patriots of our country." As Mr. M. R. Varadarajan, General Manager of the Company, who proposed the vote of thanks also pertinently observed, "it is in the fitness of things that the bust of Seth Walchand should be unveiled by Seth G. D. Birla whose contribution to the economic resurgence of this country is no less and whose part in the industrial development of this land is as great."

The time—notwithstanding the apology of those concerned for having had to postpone this function till last Saturday—too was appropriate. I have the authority of no less a person than Sir V. T. Krishnamachari, former Vice-Chairman of the Planning Commission, for averring so. Sir V. T. has said, in a message he sent on the occasion: "It is appropriate that, at a time when many of his ideas have been accepted by the country, all of us should recall the services rendered by Seth Walchand Hirachand to the cause of industrialisation in India and to his vigour and dynamism."

How did Walchand become a leader of industry? Only those who have been as successful as Walchand or those who know him intimately could provide the answer. Fulfilling both these roles, Mr. Birla did unfold the secret, when he recalled the vision, vigour, and dynamism of Walchand. Giving an intimate picture of his friend, he praised Walchand as a great pioneer in the industrial line whose craze for action was unbounded. He spoke of his ceaseless energy and added that Walchand was using his energy all the time. This characteristic of Walchand must have impressed Mr. Birla very much, for he felt impelled to relate an exhortation that the senior Kaiser is believed to have given to his son, Mr. Henry Kaiser once: "Man has got a vast reservoir of concentrated energy and if he decides to use it all there is nothing that he will not accomplish".

Mr. Birla almost caused a split-second stir when he referred to Walchand as a "crazy old man". That was how, he told later, he used to address Walchand whenever they met informally. Yes, Walchand was crazy if his craze for action could be described that way, Mr. Birla went on to say. In that sense, he said, he too could be deemed crazy. Walchand's craze for action was beautifully brought out by Mr. Birla's allusion to Walchand's criterion of greatness. If anybody was described as great, Mr. Birla revealed, Walchand would ask: "What has he created?"

Mr. Birla paid an unqualified tribute to Walchand for his uncanny knack of selecting good and able men and retaining their services—some of his selections are still serving the House of Doshis. The secret of this, according to him, was that, once Walchand selected a man, he trusted him, delegated powers to him, and worked with him, not as a superior but as a friend and colleague. The same has also been said in these words by Sir V.T.: "He was an ideal employer. He attracted to his service highly qualified technical men in various fields of activity—and also competent managers, paid them liberally, gave them full scope for initiative and resource and was generous in his appreciation of all they did."

In the course of his speech, Mr. Birla also recapitulated some of Walchand's outstanding traits. To him, Walchand was a man who did not fear anyone, who struggled hard, and who took bold decisions. Walchand hated undue delay in anything. Mr. Birla instanced the impatience of Walchand when, even after two years after Independence—that is in 1949—nothing much had happened to Indian shipping, and wondered what he (Walchand) would have said today when "nothing moves, not even a blade of grass grows, unless the Government decides." When dwelling on this point, Mr. Birla could not refarin from criticising the inaction and delay in Delhi, today. "There is," he said, "no sense of urgency in Delhi. There is no action. And, unless they buck up, the Third Plan cannot be implemented successfully. Already there is difficulty as regards power, coal, and transport, and administration is yet to be attuned to the changing times. Let us hope things will improve when the new Government takes over".

To Mr. Birla, apparently, the bust was but a feeble tribute. A bust may be all right, he said, but there are bigger monuments all round. Walchand has left plenty of living monuments—the construction companies, the sugar factories and farms at Walchandnagar and Ravalgaon, the engineering companies at Satara and elsewhere, the Scindia Steam Navigation Co., the Premier Automobiles, the Hindustan Aircraft and the Hindustan Shipbuilding Yard.

Maharashtra has special reasons to cherish the name and memory of Walchand. According to Mr. H. V. Pataskar, Governor of Madhya Pradesh, "it was he (Walchand) who first undertook the industrial development of Maharashtra. For many years, it was he who guided and developed the Maharashtra Chamber of Commerce" I feel, therefore, it was a fine gesture that the Governor of Maharashtra, Shri Sri Prakasa, showed by being present on the occasion.

Despite all the tall talk of socialism, India has a place for, and needs many more Walchands, from whose philosophy of action or penance ('tapasya') Indians need to draw inspiration. "His immortal spirit can guide the weak and the diffident. His memories can revive courage. In Walchand, we have lost what was dear to us. In his memory lives the entire enterprise, not in a pining mood, but with a vigorous spirit. If we lose any of his dynamism, we would betray his spirit." So runs a passage in the brochure that was distributed on the occasion. This, I am sure, applies a much to the entire business community as to the members of the Walchand family.

Business Notes

I.C.I.C.I.

ROLE IN DEVELOPMENT

THE PATTERN of industrial development perhaps taking place in this country for some years past is the same as what was witnessed in the industrially developed countries several decades ago. A large number of people engaged in trading and other occupations before are being drawn into the industrial sphere. The import cuts and the re-direction of channels of trade have closed traditional avenues of vocation for many business men; fortuitously sheltered market has made manufacturing activity definitely more lucrative. As Mr. G. L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India, Ltd., (I.C.I.C.I.) put it, this change is "based on import substitution, where demand is assured".

In this year's statement to the shareholders Mr. Mehta has pointed out that at this crucial time, the functions of development banks, like the I.C.I.C.I., have become manifold. If quicker and more effective financing has become difficult, he says, it is because of certain shortcomings on the part of the promotors themselves. Many promoters who base their calculations on the prevalent shortages, Mr. Mehta has pointed out, should also take into account the likely growth in demand, the scope for further import restrictions and other relevant factors. The success of any new project, according to him, depends much on the correct assessment of the cost and the total financing arrangements of the project in advance. However, the I.C.I.C.I. Chief has appreciated the growing awareness to these porblems in the concerned quarters. Says Mr. Mehta: "This emphasis on the need to have a full and detailed appraisal of each project and on the desirability of having closer understanding at all stages among the different financing institutions participating in a project has been increasingly appreciated by the various agencies concerned." This is a healthy development in the sphere of industrial finance which should pave the way for financing large-sized projects which can only be carried out with the joint efforts of a number of financing institutions, including the Life Insurance Corporation, commercial banks and investment trusts as well as development banks.

As the activities of the I.C.I.C.I. have been on the increase, the corporation's profits too have increased considerably. Thus, before tax, the profits for last year have increased from Rs. 62.61 lakhs to Rs. 74.27 lakhs, enabling the directors to recommend a higher dividend at the rate of 6½ per cent, as against 5.75 per cent last year. Of the gross assistance of Rs. 13.76 crores sanctioned by the I.C.I.C.I. in 1961, Rs. 11.94 crores were in respect of new projects, the total cost of which is estimated at Rs. 65.49 crores, to be incurred over the next two or three years. When the units reach full production, the turn-over of these projects would be about Rs. 54 crores. The companies concerned are expected to finance the cost of the projects by raising ordinary share capital of Rs. 16.72 crores, preference share capital of Rs. 0.81 crores, loans of Rs. 23.07 crores, and bank borrowings and cash accruals of Rs. 24.89 crores. Of the foreign exchange cost of Rs. 10.53 crores for these projects, the I.C.I.C.I. has agreed to provide as much as Rs. 7.40 crores. All these, Mr. Mehta has reiterated, go to establish that the role of the I.C.I.C.I. is that of a catalyst. It was such a catalyst that industries in the private sector were sadly missing all these years. But for all the foreign exchange the I.C.I.C.I. has been managing to secure for our industries, it is doubtful if the tempo of industrialisation in the private sector could have been as sustained as it has been.

Pakistan

EXPORT POLICY

WITH A view to accelerating the industrial development of the country and to step up exports, the Government of Pakistan has started issuing advance import licences for raw materials to certain selected indusrties whose goods are to be exported. This policy of "earn and develop" having already shown encouraging results, is proposed to be pursued with renewed vigour now. Exporting industries, under this scheme, would receive foreign exchange for raw material imports not only on the basis of their past performance, but also on the basis of their future earnings and potential. The grant of licences is subject to the condition that the entire quantity of goods imported against them shall be used in the manufacture of goods for exports and that no part thereof shall be used within the country. The value of the licences shall not exceed 40 per cent of the f.o.b. value of the manufactured goods undertaken to be exported. The licences under this scheme are issued in addition to the normal licences admissible under the general import policy in force. The recipients of the 'advance licences' have to complete their export performance and bring in foreign exchange earned from their exports within nine months of the dates of the issue of licences for raw materials in their favour. After the exports have been effected, the recipients of the licences are entitled to receive bonus as admissible under the Export Bonus Scheme on the f.o.b. value of finished goods exported. The scheme does not, however, cover 38 industries which get their full allocations for the import of raw materials under the normal import policy.

With such concerted efforts being made by our neighbour to step up its exports, it is no wonder that Pakistan is emerging as a major competitor to some of our manufactured goods, particularly cotton textiles. This new threat from Pakistan obviously needs to be closely watched and effectively encountered if our export performance is to be commensurate with the needs of earning foreign exchange for the fulfilment of the Third Plan targets.

Engineering

A NEW FORGE AND FOUNDRY COMPANY

A NEW engineering company, called Wyman-Gorden India Limited, has been formed in Bombay as a consequence to an agreement having been reached between Almag Forge and Foundry, of Thana, and the Wyman Gorden Company, of Worcester, Mass., U.S.A., to undertake the manufacture of parts for the automative and aircraft industries and also to produce forgings for agricultural equipment, for diesel locomotive manufactures,

for machine tools industry and for other industrial consumers. The new company is setting up a most modern forge and foundry on a 30-acre site at Majwade, Thana.

The foreign firm owns plants at Worcester, Mass., and Harvey, Illinois, in the United States, and operates the U.S. Air Force Plant at North Grafton, Mass. It produces forging components for every major missile, rocket and space programme in the US in addition to aircraft, automative, farm equipment and other industrial forgings. It operates the world's largest closed-die forging press of 50,000 ton capacity, and was a pioneer in the forging of rail, automotive and aircraft components.

The machinery to be purchased by the Indian company from the United States includes hammers ranging from 2,500 lbs. to 12,000 lbs., 2-inch and 5-inch upsetters and other related components. The U.S. firm has undertaken to make arrangements for the supply of this machinery and equipment. It will also train the Indian personnel of the new company, whose management ultimately will be entirely in Indian hands.

In the initial stages, the company will be able to help in saving foreign exchange to the tune of Rs. 3.5 crores per annum. In course of time, it expects to exports a substantial portion of its products.

HANDY ANGLE PERFORATED SHEETS

HANDY Angle, a subsidiary of Wagon Repairers Limited, of Birmingham, is reported to have entered into a 10-year agreement with Harshavadan J. Shah, of Bombay, to undertake the manufacture of Handy Angle perforated sheets in India. The new company, called Handy Angle (India), is being formed for the purpose. The Indian group will be having a controlling interest in this venture.

The factory is planned to be put up in a 10,000 sq. ft. plot of land in Bombay during the current year itself. Within a period of three years, the capacity of the factory is envisaged to be doubled.

A spokesman of the Birmingham firm is reported to have disclosed in London recently that plans are already in hand for exporting slotted angle sheets to be manufactured at the Bombay factory, to Pakistan, Burma, Nepal and Thailand.

Sanitarywares

MORE MANUFACTURING UNITS IN THE OFFING

The Government of India, it is understood, is considering 10 schemes to license a further capacity to manufacture nearly 26,000 tons of sanitarywares per annum and six schemes to license an additional capacity of about 18,500 tons of glazed tiles a year. These additional capacities are likely to be licensed in view of the fact that out of the 43,473 tons per annum sanitarywares capacity licensed in 1960, nearly 21,000 tons capacity is not expected to materialise as no progress has been made towards its creation. In the case of glazed tiles, out of a capacity of 27,000 tons sanctioned in 1960, a capacity of slightly over 18,500 tons is not expected to materialise.

The sanitarywares manufacture schemes that are under the consideration of the Government are:

(1) Orissa Industries' plan to manufacture 3,720 tons of sanitarywares per annum and 480 tons of glazed tiles. The existing annual capacity of this company is 1,080 tons of sanitarywares per annum. The foreign exchange component of this expansion scheme is put at Rs. 9.5 lakhs.

(2) Neyveli Ceramics' proposal to expand its existing capacity of 1,200 tons of sanitarywares per annum to 1,800 tons in technical and financial collaboration with a West German firm. This expansion programme will cost Rs. 27.5 lakhs.

(3) The scheme of MacNeil and Barry, Calcutta, to set up a new plant to manufacture 5,400 tons of sanitarywares, 600 sets of toilet fittings, 324 tons of other fittings and 240 tons of insulators per annum. Fifty per cent of this output is envisaged to be exported every year.

(4) Laxman Engineering Company's proposal to set up a plant in Bombay to manufacture 2,500 tons of sanitarywares per annum in collaboration with a reputed foreign firm.

(5) Kiran Engineering Corporation's proposal to set up a plant at Bijapur to manufacture 900 tons of sanitarywares a year. Kiran Corporation is a Gujarat firm.

(6) The proposal of Herman Mohatta, another Gujarat firm, to manufacture 3,600 tons of sanitarywares per annum.

(7) The proposal of Mr. T. S. K. Iyer, of Bihar, to set up a plant to manufacture 2,400 tons of sanitarywares per annum.

(8) The proposal of Mr. R. D. Bansal to set up a plant at Calcutta to manufacture 1,596 tons of sanitarywares per annum.

(9) J. & K. Iron and Steel Company's scheme to set up a plant at Kanpur to manufacture 1,500 tons of sanitarywares per annum.

(10) The proposal of Mr. M. N. Ramakrishnan, of Kerala, to set up a plant in that State to manufacture 3,600 tons of sanitaryware per annum.

The six applicants whose proposals for manufacture of glazed tiles are under consideration of the Government are:

(1) Mr. Arvind Narottam who has sought Government's approval to set up a plant at Ahmedabad to manufacture 4,400 tons of glazed tiles per annum. The foreign exchange component of this scheme is estimated at Rs. 16 lakhs.

(2) Mr. G. U. Patil, who also wants to set up a plant at Ahmedabad, to manufacture 4,380 tons of glazed tiles per annum. The foreign exchange component of this scheme is about Rs. 7 lakhs.

(3) Mr. R. G. Patel who has applied for an industrial licence to set up a plant at either Baroda or Ahmedabad to manufacture 5,000 tons of glazed tiles per annum. The foreign exchange component of this venture will be about Rs. 12.5 lakhs.

(4) Mr. R. J. Chiani, of Bombay, who proposes to set up a plant at Thana, in the Kalyan district of Maharashtra, to manufacture annually 3,000 tons of glazed tiles. The foreign exchange component of this scheme is put at about Rs. 15 lakhs. The plant and equipment under this scheme is to be procured from rupee payment area.

(5) The Mahen Mercantile Corporation which has sought Government's permission to set up a plant at Bombay to manufacture 1,200 tons of glazed tiles per annum. Machinery worth Rs. 60 lakhs for this venture is also proposed to be imported from the rupee payment area.

(6) Orissa Industries whose proposal has been referred to above under sanitarywares.

Bombay Oxygen

PROMISE AND PERFORMANCE

FROM THE speech of Mr. Madanmohan R. Ruia, Chairman of Bombay Oxygen Corporation Ltd. delivered at the first annual general meeting of the company, it is clear that the performance of the company has been quite steady and satisfactory. Whatever difficulties there were have been successfully met and now the company is in a clear position to go ahead with its schemes. All the four Oxygen plants have been received from Ger-



many and it is expected that they would be moved to the site within a month. Supply of electric power has been secured and the fabrication of the steel gas holder has been entrusted to the requisite firm. It is expected, that circumstances being normal, the building will be ready by the end of August 1962. Erection of the plants is likely to be finished by the end of October 1962. Land near Mulund Railway Station measuring 21 acres is in the process of acquisition and acetylene plant on the advice of foreign technicians is likely to be set up at a distance from the Oxygen Plants. The acetylene plant with its accessories is ready for shipment and is likely to be received very shortly.

It needs to be made clear, Mr. Ruia emphasised, that new companies which are entering the field for producing oxygen and acetylene will not have any constrictive influence on the company's prospects. All said and done, it can be safely assumed that with streamlined production company's future prospects are quite good.

National-Grindlays

SATISFACTORY PROGRESS

FROM THE Statement of Mr. J. K. Michie, Chairman, National and Grindlays Bank Ltd. it is crystal clear that the bank is making satisfactory progress. The total of bank's consolidated balance-sheet at the close of 1961 was £251,284,590 or approximately £70 million more than at 31st December, 1960. Of this increase about £50 million is attributable to the additions of Lloyds branches leaving £20 million for growth. Although on account of the merger, figures of deposits and advances are not readily comparable, yet as a consequence of the continued pressure for financial accommodation bank's liquidity ratio has fallen slightly.

The expanded business in its wake has brought higher profits, the figure being £644,272 against £479,276 for 1960. This increase has enabled the bank after providing for a dividend of 14 per cent on the increased capital to place 150,000 to Premises Account and allot £100,000 to Reserve Fund. With a view to bringing the bank's reserve fund more into line with bank's increased capital, it has been decided to transfer a sum of £850,000 from bank's inner reserves.

The prospects for the bank are quite bright and at the extraordinary general meeting which will follow the annual general meeting, shareholders are likely to be asked to sanction an increase in the authorised capital of the bank from £5,702,925 to £9 million. In case this is agreed upon, there is every likelihood that a rights issue in the proportion of one share for every four held on 14th March, 1962 at a price of £1. 5s. per share may be made. The heartiest news is that the bank expects to maintain a dividend of 14 per cent on the increased capital.

In addition to presenting a sound picture of the bank, Mr. Michie also made a customary review of the the conditions prevailing in India, Pakistan, Ceylon, Burma, Eden, Somali Republic and East Africa. Conditions no doubt vary in all these countries but on the whole there is nothing very much alarming that would affect the direct working of the bank and its prospects. In India although external reserves have fallen by some Rs. 20 crores, yet this cannot be taken as an extraordinary sign of alarm. The Aid-India Club meeting which is likely to be held in May is expected to consider the country's needs. There is every likelihood that an additional aid of requisite amount might be forthcoming.

Tobacco

EXPORTS LOOK UP : NEW AREAS SOUGHT FOR

AT ITS annual meeting held in Bombay last week, the Indian Central Tobacco Committee decided to set up a Sub-Committee for studying the possibilities of growing tobacco in new areas and to organise co-operative marketing in the areas where tobacco had been recently introduced. The Committee noted that large-scale trials with the newly introduced cigarette tobacco 'Delcrest' have shown an increased return of Rs. 380 per hectare to the grower.

The production of tobacco, the Committee observed, totalled 229 million kg. during 1960-61 from an area of 3.9 lakh hectares, as compared to 286 million kg. from an area of 3.7 lakh hectares. There was, thus, an increase of 5.9 per cent in the acreage and 4.5 per cent in production during 1959-60. The exports moved up in 1960-61 to 47.5 million kg., valued at Rs. 15.7 crores, from 41.1 million kg., valued at Rs. 14.5 crores in the preceding year. The principal markets for Indian tobacco during 1960-61 were the U.K., the U.S.S.R., Aden, Belgium, Netherlands, French West Africa, Ceylon, Egypt and Singapore. A special Sub-Committee has also been constituted to consider the question of India's joining the International Standards Organisation in so far as tobacco standards were concerned.

Plastics

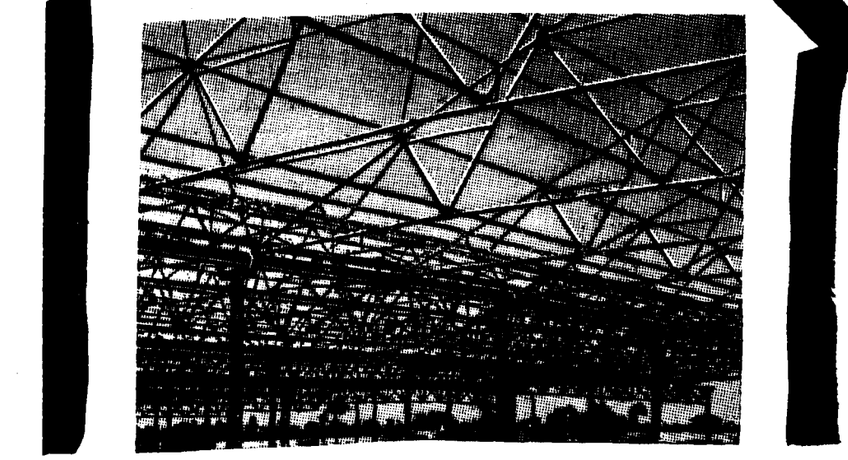
LIBERAL IMPORT POLICY URGED

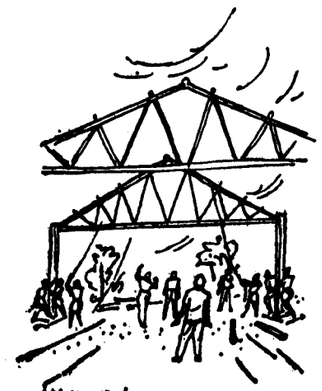
OF THE many suggestions made by the All-India Plastics Manufacturers' Association, the fundamental one relates to the adoption of a fairly liberal policy in licensing plastic machinery and equipment during the April-September licensing period. The contention of the association is that if the local industry is to keep abreast of the developments in the foreign countries, then the import policy for raw materials not produced in the country must be liberalised. These raw materials are polyprophylene, poly-carbonate, polyurethane, polyester, cellulose propionate, ABS polymer, nylon, acrylic castors, ethyl cellulose, hydroxy ethyl cellulose.

The other suggestions of the association are that the system of the grant of licenses for raw materials on an annual basis should be revived. This will not only enable manufacturers to plan their production on a long-term basis but would also help to import more raw materials for the same value on the volume basis. The association considers that the question of granting block licences to small-scale units, which require more than one raw material, should be favourably considered as this will place the small-scale units on the same level with those firms registered with the Development Wing. The association has also recommended that import licences granted to small-scale units on the basis of essentiality certificates from the State Director of Industries should have the value as the limiting factor. At present actual users' licences are granted for the above items against S.N. 122(i) and 122(xxv) of Part V of the I.T.C. Schedule on an ad hoc basis in consultation with the Development Wings. Many of the industrial licences have been granted, and it seems reasonable to say that if the projects are not completed within the prescribed period, such licences should be withdrawn and granted next to those in the waiting list.

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vided to the plastic manufacturers. The second Plan target of 11,500 tons for the production of plastics raw material has been achieved and keeping this progress in view a target of 74,000 tons by 1966 has been envisaged in the Third Plan.

Coffee

OUTPUT AND EXPORTS

IT WAS estimated that coffee production in the 1960-61 season would be around 66,030 tons. Actually 67,587 tons—28,968 tons of Plantation, 10,278 tons of Arabica Cherry and 28,341 tons of Robusta—had been received into the Coffee Pool upto the end of November, 1961. Out of an export allocation of 34,250 tons, 29,658 tons —17,921 tons of plantation, 3,737 tons of Arabica cherry and 8,000 tons of Robusta—had been released for export upto the end of November, 1961. The Marketing Committee of the Coffee Board, at its meeting sometime back had placed the estimated production of the 1961-62 coffee crop at 49,000 tons. Out of this, 20,000 tons—17,000 tons of Arabica (plantation and Arabica cherry) and 8,000 tons of Robusta — were proposed to be allocated for export. The Committee had further proposed that in view of the lean crop of Robusta expected during 1961-62—only about 17,000 tons as against 28,000 tons during 1960-61 season—the remaining 3,000 tons of Robusta out of the export allocation from 1960-61 crop might be ploughed back to internal market during 1961-62 season Thus a fair balance was proposed to be maintained. It was further indicated that from this year onwards, Coffee Board would be switching over to open auctions for the sale of Coffee for export. This would replace the existing method of sales through sealed tenders.

Coir

LESSER EXPORTS

THE COIR BOARD had proposed certain targets of exports for the year, 1961-62. These were:

	Quantity ('000 Quintals)	Value (Rs. lakhs)
Coir fibre	14.6	12.65
Coir Yarn	566.8	557.85
Mats, Mattings, Rugs and Carpets	180.0	276.71
Coir Rope	30.5	29.98

The actual exports of coir and coir products during the first six months (April-September) of 1961-62 were:

	Quantity ('000 Quintals)	Value (Rs. lakhs)
Coir fibre	6.0	7.01
Coir yarn	248.4	323.97
Mats, Mattings, Rugs and Carpets	77.0	141.28
Coir cordage and rope	10.2	11.37

It appeared that it would be difficult to achieve the targets proposed, if the present trend in exports continued. The reasons for decline in exports were varied. It was gathered that many European countries, particularly Holland and Germany, imported coir yarn from India in considerable quantities and manufactured mattings from that imported coir yarn. These countries had an advantage of employing modernised methods of production. In regard to coir mattings, India has lost markets not only in Holland and Germany but also in other countries chiefly because the demand of the consumers in these countries was for floor coverings of more sophisticated finish. It was a timely reminder for the producers in India that *quality* output was an essential element in the successful sale promotion abroad.

Wool

INTERNAL CONSUMPTION AND EXPORTS

INDIA'S WOOL output for the year 1961-62 was estimated at about 68 million lbs. This indigenously produced wool was mainly consumed by three sectors: Carpet Section, Organised Mill Sector and Cottage and Handloom sector. As a result of several export promotion measures, exports of Carpets requiring larger quantities of wool during the recent years has been increasing. Due to the shortage of foreign exchange as well as the rising demand for woollen cloth and fabrics in the country, the organised mill sector was also utilising more of indigenous wool. The consumption of Indian wool in this sector was naturally, therefore, expected to increase further because experiments made recently to utilise Indian wool for spinning worsted yarn had given good results.

Taking the overall requirements of these three sectors into consideration, it was estimated that India would have only about 30 million lbs. of wool available for export during the current year. A quantity to the extent of 15 million lbs. (or 68 lakh kgs.) had been released for export during October 1961-March 1962 licensing period. Out of this quantity, 13.2 million lbs. or 60 lakh kgs. had been reserved for export on contract basis and 1.8 million lbs. or 8 lakh kgs. for export on consignment basis. Exports were being licensed on the 'first-come-first served' basis. Individual exports on consignment basis had, however, been restricted to 100 bales, as in the past.

With the increasing consumption of Indian wool by the indigenous industry, the country would have a smaller quantity to spare for export in the coming year unless production of wool in the country increased substantially.

Arecanut

PRODUCTION TARGET FOR STATES

AT ITS 13th Annual General Meeting held in Bombay recently, Indian Central Arecanut Committee approved of the production target for each State during the Third Plan. The Committee also endorsed the existing policy of progressive reduction in the import of arecanuts into the country.

Reviewing the achievements under the Second Plan, the Committee decided that the Union Government might be moved to revive the central supervisory body for arecanut for scrutinising the annual State plans and examining the achievements of targets every year. The Committee also approved of a scheme for the investigation of a new 'yellow' leaf disease of areca palm in Mysore State at a cost of Rs. 61,757 during the Third Plan period.

FROM THE CAPITAL'S CORRIDORS

BOOSTING EXPORTS

In his concluding address to the Joint Import and Export Advisory Councils' meeting here on Tuesday, the Union Minister for Commerce and Industry, Mr. K. C. Reddy, disclosed that the Government decision on the Mudaliar Committee's recommendations would be taken before the end of the current month. He indicated that he entirely agreed with the recommendation of this Committee that income-tax relief on export earnings was one of the important ways by which India could push up her exports. Various other countries, he observed, had given this relief to promote their exports. Mr. Reddy, however, said that the incentive of income-tax relief on export earnings would have to be used with discrimination and expressed the hope that the loss accruing to the Central Exchequer because of this relief would be compensated by additional foreign exchange earnings.

Another important point made by Mr. Reddy in his speech was that the Government would endeavour to return to the issue of annual import licences as early as possible.

About the demand for reduction in or abolition of the export duty on tea, the Minister said that if the Government was assured that as a result of such a step the exports of tea would go up appreciably, it might consider the matter. Regarding validity of licences for import of capital goods, Mr. Reddy disclosed that despite difficulties, the Government would make these licences effective for two years.

The Commerce and Industry Minister expressed his appreciation of the work done by the State Trading Corporation in helping to increase the foreign exchange earnings of the country.

Earlier, the Secretary of the Commerce and Industry Ministry, Mr. S. Ranganathan, indicated that the Government might allot some more newsprint to new newspapers coming out from big cities.

It was also indicated by the official representatives that efforts would be made to streamline the import and export administration (to break the bottlenecks and avoid delays experienced at present in the issue of licences) and towards liberalisation of some of the incentives given to the industry to step up exports.

Informed circles opine that the Mudaliar Committee in its report has not favoured compulsory exports.

FOREIGN ASSISTANCE

The meeting of the Consortium of aid-giving countries to be held in May is not expected to be a money-raising meeting, according to indications available here. This meeting would be largely engaged in discussing the report of the World Bank's Economic Mission which is arriving here next week and those of the representatives of the member-countries to their principals. Another meeting of the Consortium is likely to be convened later in the year to determine the aid which the members of the Consortium would be extending for the remaining period of the Third Plan; firm commitments by these countries have, as yet, been made only for the first year of the Plan and partly for the second.

Meanwhile, Sweden has indicated its intention to finance the setting up of a technical training centre for paper-making industry. The Government of India, according to present indications, favours the location of the centre at Allahabad. But in certain circles, it is suggested that a more suitable site for this centre will be Saharanpur where there is already in existence a paper mill using wood as raw material.

U.S. AID FOR MAINTENANCE IMPORTS

It has been officially stated here that a sum of $100 million would be available out of the credits to be provided by the U.S. Government under the Aid-India Club commitments, for maintenance imports ordered after April 25, 1962. The Commodities the import of which would be financed by this sum include synthetic rubber, tyre cord yarn, carbon black, wood pulp and spare parts, besides steel, non-ferrous metals, fertilizers, lubricants and chemicals. Within the broad categories, the Government will determine through the import licensing system what precisely will be purchased under this loan allocation and in what quantities. The loan agreement is expected to be signed shortly; negotiations have been completed.

This loan of $100 million, it is learnt, will be repayable not in rupees as before but in dollars, over a period of 40 years, including a grace period of 10 years. The usual interest charges on this loan will be replaced by a "credit fee".

Two other U.S. aid allocations have also been announced this week—one for a credit of $33.6 million for financing the foreign exchange cost of the Cambay Thermal Power Project and the other for a credit of $3 million to the Premier Automobiles, of Bombay. The Cambay loan will be repayable in 40 years (including a 10-year period of grace) and will carry a credit fee of ¾ per cent per annum. The loan to the Premier Automobiles is to be repaid by the Company to the Government of India in a period of 15 years, with a service charge of 5¾ per cent. Under a special arrangement, it will be reimbursed to the U.S. Government over a period of 40 years, with a credit fee equivalent to ¾ of one per cent.

THIRD PLAN POWER SCHEMES

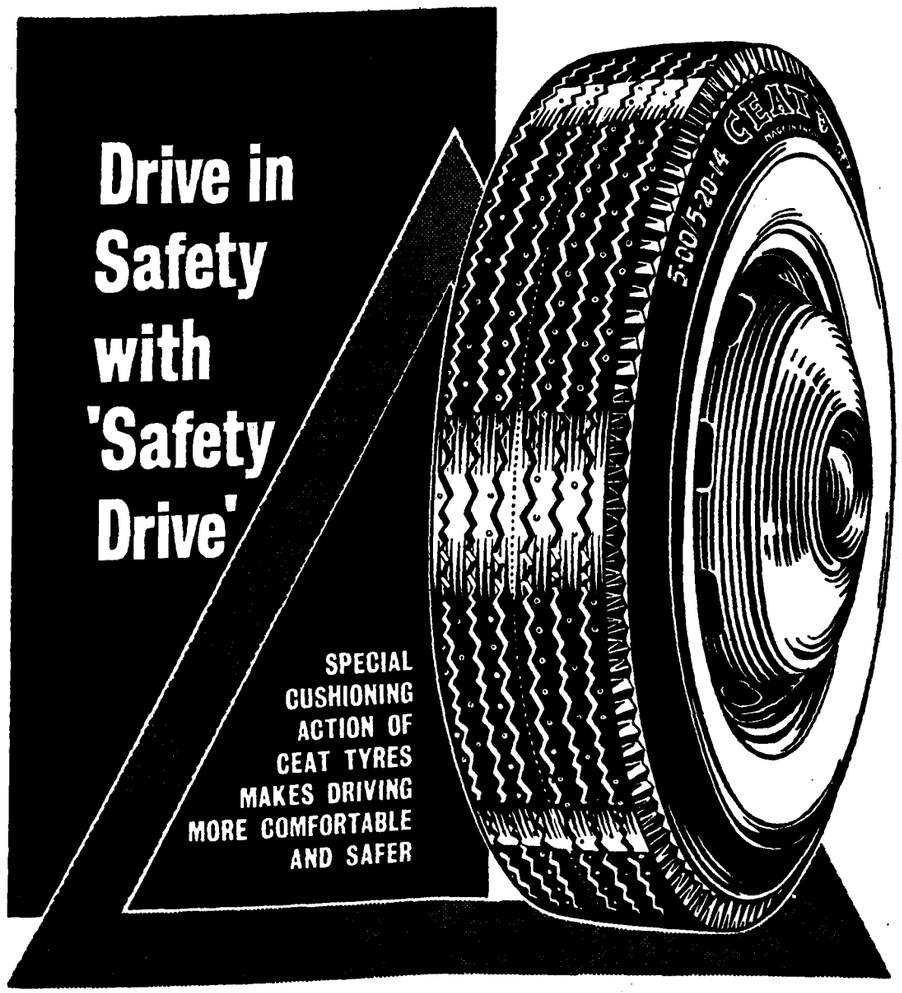
The three-member Team of high Government officials, consisting of Mr. P. P. Agarwal, Joint Secretary, Union Ministry of Irrigation and Power, Mr. K. P. S. Nair, Member (Hydro-electric), Central Water and Power Commission, and Mr. Balwant Singh Negi, Adviser (Irrigation), Planning Commission, has assessed that about 7.38 million kW of additional electric power—about 390,000 kW more than the Third Plan target—would be available by 1965-66, from the power schemes included in the Third Plan.

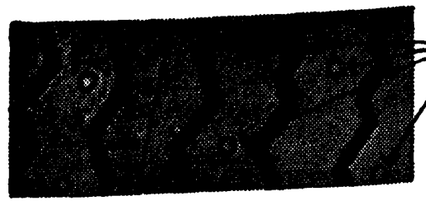
The Team was formed in August, 1961, to collect detailed information regarding the power projects and to suggest ways and means to break the bottlenecks that might be encountered in the fulfilment of the Third Plan targets.

The Team's appraisal of the benefits from power schemes during the Third Plan on an annual basis, along with the Third Plan targets (in million kW) is as follows :

Year	As in Third Plan Report	Appraisal by Team
1961-62	0.60	0.678
1962-63	0.73	0.711
1963-64	1.05	0.887
1964-65	2.07	1.989
1965-66	2.54	3.116

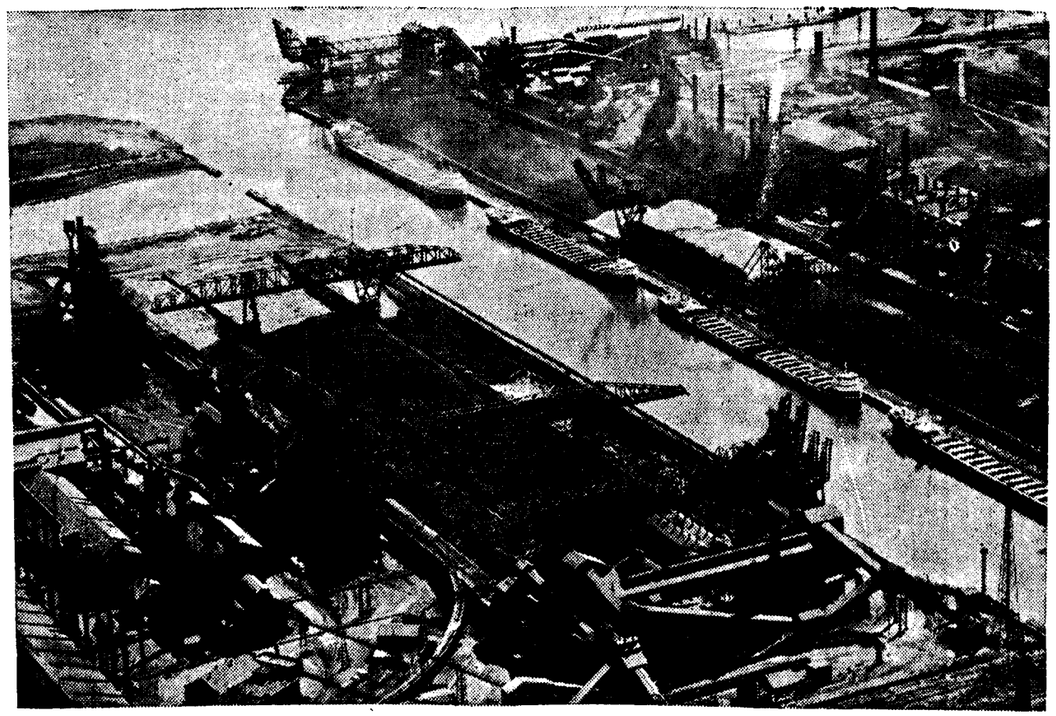
The Team has suggested that realistic schedules of all types of works for power projects included in the Third Plan should be drawn up by the States. Further, the States should undertake a periodical review of their progress, with a view to discovering and removing the





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bottlenecks in implementing them. The States have also been requested to complete, as early as possible, detailed investigations of projects—hydro-electric and thermal—to be taken up in the Fourth Plan.

In view of the size of the power plan to be implemented and having regard to the dependence of project authorities on the Centre for co-ordination regarding supply of steel, cement, coal, foreign exchange and import licences, as well as for assistance and timely procurement of equipment from indigenous resources, it is proposed to undertake periodical reviews in future also.

The Team in its report has mentioned some of the important causes delaying the programme of power development, and has suggested how these could be removed. The details in this respect are not immediately available.

ISSUE OF INDUSTRIAL LICENCES

The Union Minister of Commerce and Industry, Mr K. C. Reddy, has issued a directive that every licence approved by the licensing committee should be submitted to him for his sanction before it is issued to the licencee. The terms of foreign collaboration and the decisions of the Capital Goods Committee are also to be made subject to his personal approval.

This directive probably has been issued as a consequences to the granting of industrial licences involving an expenditure in foreign exchange to the tune of about Rs. 400 crores during the first nine months of the Third Plan ending December, 1961, as against the total allocation of Rs. 450 crores for the whole of the Plan period. Licences involving Rs. 190 crores had been cleared by this time by the Capital Goods Committee. Of this sum, Rs. 50 to 60 crores were directly negotiated out of foreign credits such as DLF, Swiss credit etc. There has been some over-licencing in the case of such industries as chemicals including adhydride, forgings and castings and man-made fibres.

STRUCTURAL INDUSTRY

Structural Industry during the Third Five-Year Plan is likely to reach a target of 9 lakh tons. The present installed capacity is 4 lakh tons with an actual output of 1.5 lakh tons. Structural steelwork is broadly classified into three groups, namely, light, medium and heavy.

Light structural steelwork consists of tea garden factories, tank stagings, roof trusses, single beam columns, building steelworks. The material is usually manually handled. The factory building is light and the machinery items are few. The designs and fabrications are simple. This category of steelwork covers approximately 50 per cent of the total demand.

Medium structurals constitute factory buildings, rail and road bridges up to 100 ft. span, overhead travelling cranes, wharf cranes, sluice gates, transmission towers. The works are well equipped with overhead travelling cranes. Good design and fabrication is necessary. This category of steel work covers approximated 35 per cent of the total demand.

Heavy structurals are made up of large factory buildings, smelting and bessemer shops of steel plants large span road and rail bridges, large capacity cranes for workshops and cranes for steelworks. Works are well equipped with everhead travelling cranes and some special machinery. First class design and fabrication is necessary. This category of steelwork covers approximately 15 per cent of the total demand.

At present there are 154 firms licensed to fabricate steel structurals: Light steelwork 104, Medium steelwork 30 and Heavy steelwork 20. In addition to this, 72 more firms have been licensed but these have not yet gone into production. There is, therefore, licensed capacity available for the manufacture of Medium and Heavy Structurals, and to meet the target requirement of 9 lakh tons per annum (namely, Rs. 100 crores in terms of value approximately at the rate of Rs. 1,200/- per ton). The requirements of capital goods for the balance capacity of 5.00 lakh tons is to be installed during the Third Plan period. It will be at the rate of Rs. 40.00 lakhs for every 12,000 tons capacity: (1) Major machinery required during 5-year period to the extent of Rs. 16.00 crores. (2) Replacement/maintenance requirements of existing firms at the rate of Rs. 0.6 crores per annum to the extent of Rs. 3.00 crores.

There is, however, urgent need for the setting up of additional capacity for the fabrication of heavy steel work required for the extensions to the three Steel Plants at Rourkela, Bhillai and Durgapur, Foundry Forge at Ranchi, Railway Bridges etc., as the capacity of the existing firms that undertake such work is now fully booked for the next 18 to 20 months. The major problem in setting up new structural fabricated capacity will be the shortage of skilled workmen and technicians.

Cranes: At present there are 7 firms manufacturing workshop duty cranes, Goliath Cranes and dock-side cranes, in addition to the fabrication of structural steelwork. The total annual production of these firms is approximately 3,000 tons, valued at Rs. 1.5 crores at the rate of Rs. 5,000 per ton. The indigenous components in these cranes is approximately 70 to 90 per cent. Steelworks duty cranes of a capacity greater than 50 tons are not yet manufactured in the country, and hence there is plenty of scope for the manufacture of various types of cranes required for the steelworks.

Though the installed capacity is 12,000 tons per annum, the production is hardly 3,000 tons due to non-availability of requisite steel sections and imported components. The Third Plan target is 60,000 tons per annum, valued at Rs. 30 crores. The need for new units for manufacturing cranes coming into production at an early date is very great, as the demand greatly exceeds the capacity of the existing manufacturers.

Rolling Stock: This industry consists of Railway Coaches and Wagons, namely 4-wheeler and 8-wheeler. The manufacture of these could be in one of the 3 gauges, namely, (i) Broad Gauge, (ii) Meter Gauge and (iii) Narrow Gauge. Elaborate design, manufacturing and testing facilities are necessary for complete manufacture of all components required for Railway coaches and wagons in the private as well as public sectors. Enough capacity has already been licensed and no additional units are required for Rolling Stock manufacture. At present, the imported materials required for manufacture of Rolling Stock are (i) Ball or Roller Bearings; (ii) Wheel and Axles sets; (ii) Tool and Alloy steel; and (iv) Electrical equipment for Electric multiple unit coaches. Import of Rolling stock has been banned for the last few years.

The total installed capacity at present is 33,000 nos. per annum in terms of 4-wheelers, which comes to approximately 2.64 lakh tons per annum, and this is also the target capacity by 1965-66. The actual production is, however, low due to shortage of steel plates and sections. Annual maintenance machinery requirement of this industry is approximately Rs. 2.5 crores during the Third Plan period.

Coal Washeries: Most of the work for these coal washeries can be undertaken by the structural firms and hence separate capacity for this manufacture has not been indicated. The existing and projected structural manufactures within the overall capacity of 9.00 lakh tons per annum, will, it is expected, be able to meet the requirements for coal washeries in the country. The main items of coal washeries consist of different types and sizes of Conveyors, Bins and Bunkers, Classifying screens, Breakers and Crushers, Washing Jigs, Gravity Separation Apparatus, Filters, Pumps and Piping, Compressors and Vacuum Pumps, Electrical or other Power Units, Control Devices, Car Haul, Retarders and Tipplers.

At present, there are two firms which are licensed for the manufacture of coal washeries in collaboration with foreign manufacturers. There is therefore further scope for other structural manufacturers to come into the manufacture of this item, provided individual design is made available. To be able to achieve proper classification of coal, accurate analysis of the coal to be dealt with would be as much a necessity as a careful lay-out design to include the equipment for coal washeries mentioned in the preceding paragraph. Obviously, the lay-out design would require proper investigation and experience and if these were made available, the large number of mechanical and structural fabricators in the country could undertake to produce various standardised items of the equipment. Very considerable skill and capacity for the manufacture of varied types of industrial equipment are fortunately existent in the country and it would be to the benefit of the country and the coal mining industry if a suitable organisation be developed to design plant lay-out for coal washeries which may be considered suitable for coal mined from different areas. A central design organisation for Coal Washeries manufacture is suggested to be established under the National Coal Development Corporation, Ranchi and Fuel Research Institute, Dhanbad, along with leading Structural manufactures, in order to undertake the design and manufacturing work. Detailed drawings will of course be done by the leading structural manufacturers.

WORLD BANK LOAN FOR ICICI

The Industrial Investment and Credit Corporation of India has secured another loan of $20 million from the World Bank. This is the fourth loan to the ICICI from the World Bank. It brings the total assistance made available by the World Bank to the ICICI to $60 million. The ICICI last year started repaying the first World Bank loan.

The Industrial Credit and Investment Corporation has been acting as a catalytic agent by providing foreign exchange to Indian companies. It has financed uptil now 25 projects in collboration with the Industrial Finance Corporation of India and four projects in collaboration with the State Finance Corporations.

The ICICI is also planning to seek capital from the International Finance Corporation.

COLLABORATION WITH MONTICATINI

A three-man team from the industrial group Monticatini is arriving here next week to discuss the terms of collaboration with Indian firms for the manufacture of explosives, Polypropylene, and Polystyrene, and for the development of titanium industry in Travancore.

Sometime ago a well-known American firm Dupont had shown some interest in starting production of explosives and man-made fibres in this country. But nothing has as yet come out of this proposal.

WASTAGE OF WAGON CAPACITY

It is alleged that all the wagons supplied to collieries under the management of the National Coal Development Corporation were not properly utilised which resulted in the waste of public money. It is gathered from a reliable source that since its inception in 1956, over 48,000 wagons had been either detained, kept behind for loading etc. at the corporation's collieries for which it had to pay about Rs. 10 lakhs to the Railways in the shape of penalty detention charges etc. Although the Railways could not spare empties according to indents made by the corporation's seven collieries, yet they failed fully to utilise the allotted wagons for actual loading. In the month of June the indents were for 678 wagons against which the Railways could supply 579 wagons, but collieries were able to load only 483. The average comes to about 63 wagons detailed daily over the specified period. In July the position had not improved. Figures available up to July 26 show that 80 wagons on a daily average were not loaded in time and detained. It shows that indents were for 542 wagons against which 460 wagons were allotted but were not fully utilized. The source reveals that during the month of June alone Saunda Colliery detained 536 wagons, Giddi 448, Kathara 281, Saya 272, Bhurkunda 190, Bachhra 162 and Argada 5 wagons.

COTTON GOODS EXPORTS

The exports of millmade cotton piecegoods during the period January to September 1961, as compared with the corresponding period of 1960, have registered a steep fall. In million yards, the quantity exported was 423.07 and 518.70 respectively. Export of millmade cloth for the entire year 1961 from the Bombay Port amounted to 522.61 million yards. On this basis exports of millmade cotton piecegoods from all ports in India during the year 1961 may not exceed 574.87 million yards as against 694.83 million yards in 1960.

Export of cotton yarn also declined and was 10.52 m. lbs during January-September 1960 and 9.95 m. lbs during January-September 1961. Exports of Indian cotton yarn by value during the period January-November, 1961, aggregated to Rs. 28.78 million as compared to Rs. 33.71 million for the corresponding period 1960.

INDIAN TEXTILES FOR AUSTRIA

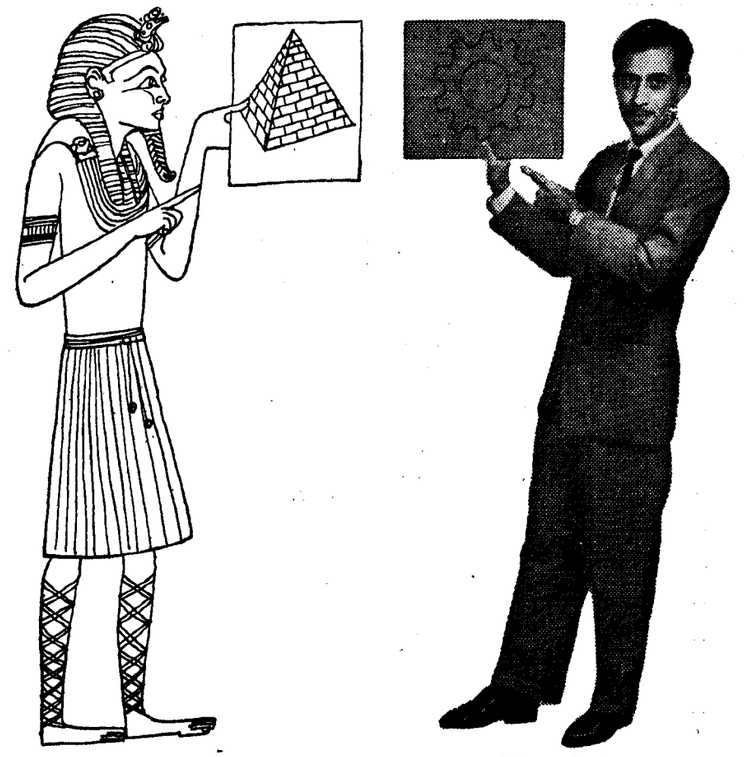
Austria has agreed to grant special quotas for the import of some Indian textiles, it is learnt here. The quotas are to be utilised before the current year is out. The varieties for which quotas have been established are: cotton fabrics (mill-made), cotton fabrics (handloom), silk handloom fabrics, miscellaneous hand-made woollen and silk textile articles, shawls, scarves, sarees, embroidered shoes, hand-made woollen carpets and hand-made Kashmir rugs (chain-stitched).

The agreement stipulates that the Indian handloom textiles imported into Austria must be confirmed as hand-woven by an authority designated by the Government of India. The Government has designated the General Inspecting Officer of the Cotton Textile Fund Committee, Bombay, as the authority for issuing quality marking certificates for handloom cotton textiles and the directors of the regional offices of the Textile Commissioner for handloom and silk fabrics. The procedure already laid down for the export of millmade cotton fabrics to the Continent is to be applied to the export of these fabrics to Austria.

EXPORTS OF VEGETABLE OILS

Exports of vegetable oils indicated a downward trend in the year 1961 as compared to the previous years. The value of exports in the 10 months January-October, 1961, amounted to Rs. 5.01 crores as compared to Rs. 10.69 crores in the corresponding period of 1960. Exports declined mainly on account of fall in exports of castor oil and linseed oil. No exports of groundnut oil were allowed by the trade in 1961, on account of wide disparity between the internal and international prices of groundnut oil. A small quantity of 329 tons of groundnut oil, valued at Rs. 8 lakhs, was exported in 1961 against tenders for 350 tons of groundnut oil accepted in November, 1961. Export of castor oil is not controlled. Its export in the 10 months January-October, 1961, was 22,473 tons valued at Rs. 3.7 crores. U.K. and U.S.A. are the principal buyers of castor oil from India, but the U.S.A. did not buy castor oil in 1961. India has to face severe competition from Brazilean castor oil in the U.S. and U.K. markets. Exports of linseed oil have also fallen because of the high internal prices and severe competition from Argentina. So long as the prices of linseed oil do not decline to a considerable extent, there is no possibility of increasing its exports. Exports of oilcakes also declined for January-October, 1961 as compared to the exports for the last year mainly on account of fall in the exports of groundnut expeller cake, linseed oilcake and coconut oilcake.

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The internal prices of linseed oilcake are out of parity with the world prices of linseed oilcakes as a result of which Indian exports have been poorer. In the oilseeds group H.P.S. groundnut is the main item of exports. Exports of H.P.S. groundnut improved in 1961 under the scheme of licensing by all shippers against registration of contracts backed by bank guarantees. 50,000 tons of H.P.S. groundnuts were released for export in 1961 and the entire quantity was taken up. A fresh quota of 20,000 tons of H.P.S. groundnut has been released early this year for shipment up to December, 1962. Export of nigarseeds, kardiseed, seasamseed is allowed freely, but exports have not materialised on account of very high internal prices.

HIGHER OUTPUT OF TEA IN 1961

The year 1961 saw the output of tea reaching an all time peak. Provisional estimates put the figure at 348.75 m.kgs. in 1961 against 320.40 m.kgs. in 1960 and 325.96 m.kgs. in 1959. Official figures of exports are available for the period of eleven months ending November 1961. They show, both in terms of quantum and value, a rise in exports, which increased from 168.08 m.kgs. valued at 104.40 crores in 1960 to 180.85 m.kgs. valued at Rs. 110.32 crores—an increase of 12.77 m.kgs. in volume and Rs. 5.92 crores in value—in 1961. The direction of trade was:

	1960	1961 (m.kgs.)
U.K.	103.56	108.19
Irish Republic ..	5.34	5.47
Netherlands	1.36	1.44
U.S.S.R.	9.02	10.68
Afghanistan	2.89	3.08
Iraq	1.98	1.99
Iran ..	3.13	3.60
Turkey	1.92	3.37
Egypt	12.79	13.04
Sudan	3.63	5.84
U.S.A.	7.66	9.27

Decline in exports has taken place in the case of Canada from 6.45 m.kgs. to 5.88 m.kgs., West Germany from 1.54 m.kgs. to 1.42 m.kgs., Australia from 2.28 m.kgs. to 1.50 m.kgs., and New Zealand from 0.56 m.kgs. to 0.49 m.kgs. According to British sources, import of tea during the calendar year of 1961 declined by £1,101,000 over 1960 imports. Exports during December 1961 are provisionally estimated at 22.68 m.kgs. valued at Rs. 13.30 crores. Thus, the final figure of tea exports during 1961 is likely to show an increase of 8.42 m.kgs., earning Rs. 2.5 crores more foreign exchange for the country.

With the increase in the volume of production in India and other tea producing countries, prices of tea at auctions in India and London registered some decline during the period under review. This has been reflected in the unit value of tea exports during the eleven months ending November 1961 which has declined from Rs. 6.21 per kg. in 1960 to Rs. 6.10 per kg. The unit value of exports during the months of October and November, 1961, were Rs. 5.95 and Rs. 5.86 per kg. respectively.

The Indian Tea Board launched in Edinburgh on March 1, a £100,000 campaign to promote the drinking of tea in Britain, with Scotland and the South of England as the main target areas. One of the biggest sales promotion programmes of its kind ever conducted by a Commonwealth country, it has been planned on behalf of the whole of the Indian tea industry.

BOC CHIEF IN DELHI

Mr. R. P. Smith, Managing Director of the Burmah Oil Company Limited, London, who is on a tour of the Group's offices and installations in the East, arrived in New Delhi on March 5 on a three-day visit. He called on the Union Finance Minister, Mr. Morarji Desai, the Union Minister for Steel, Mines and Fuel, Sardar Swaran Singh, and the Union Minister for Oil, Mr. K. D. Malaviya. Besides, he met Mr. S. Boothalingam, Secretary to the Ministry of Steel, Mines and Fuel, and Mr. S. S. Khera, Secretary to the Ministry of Oil. Mr. Smith had also talks with Mr. Khandubhai Desai, Chairman of the Oil India Ltd., a partnership concern of the Government of India and Burmah Oil Company.

Apart from the calls on the Ministers being courtesy ones, Mr. Smith is understood to have discussed with them the development of the oil industry in this country and the role that the Burmah Oil Company can play in fostering its development further. The Burmah Oil Company's partnership with the Government of India in Oil India Limited has proved quite succes ful. In view of this and the efficient operations of the venture, both in terms of time and cost of drilling, expansion of its activities inside as well as outside Assam is not ruled out. The success of Oil India Limited has also given rise to an opinion in knowledgeable circles that in future all oil prospecting in the Brahamputra valley will be brought under one agency, viz. Oil India Limited, leaving the ONGC to concentrate in the Gujarat area.

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ALKALI AND CHEMICAL CORPORATION

From the sale proceeds of the Alkali and Chemical Corporation Ltd. for the year to September 30, 1961 it appears that the company made significant progress. The year's sales were higher by nearly 25 per cent—from Rs. 5.40 crores during 1959-60 to Rs. 6.63 crores during the year under review. Naturally the net profit increased to 141.28 lakhs, nearly 10 per cent higher than the previous year's figure of Rs. 129.32 lakhs. The profit could have been still higher. The limiting factor was mainly the reduction in the selling prices for Polythene granules and the increased Excise Duty payable on a number of company's products. After providing for taxation, a sum of Rs. 2.5 lakhs was transferred to development rebate reserve. The allocation of Rs. 14 lakhs to the general reserve brings this reserve to Rs. 60 lakhs. A sum of Rs. 26.5 lakhs has been allocated to dividend acquisition reserve. The Board has recommended the payment of a dividend of Rs. 1.50 per share, subject to the deduction of tax, on both classes of ordinary shares of Rs. 10 each. This will absorb Rs. 46.5 lakhs.

The directors have reported that during the year the polythene unit operated substantially above the designed capacity. Turnover in the paints plant was maintained at a high level though it was hampered to some extent by the shortage of raw materials. Chlorine and caustic soda units also worked at optimum capacity but the profit margin continued to be restricted as a result of the price ceiling fixed by the Government.

The construction work for rubber chemicals was progressing. The company has also received a licence to increase production of polythene from 3,500 tons per annum to 8,500 tons per annum by the setting up of a new intermediate density polythene plant. A proposal for the expansion of the paints plant and the installation of a new resin plant has been submitted by the company to the Government. The company has also applied for the extension of the hydrochloric acid plant.

GLOBE MOTORS

The sale proceeds of Globe Motors Ltd. for the year to July 31, 1961 amounted to Rs. 2.03 crores—nearly double the last year's figure. The increased sales were expected to continue further and the directors indicated that increased manufacture of Leyland vehicles by Messrs. Ashok Leyland Ltd. provided increased orders to the company for the supply of chassis. The profit for the year at Rs. 5.55 lakhs also was nearly double the previous year's figure of 2.82 lakhs. The directors have suggested the payment of dividend at the rate of 15 per cent on equity shares.

The directors have reported that the company's scheme for the establishment of a factory for the manufacture of alloy steel was progressing. The company had an industrial licence to produce 6000 tons of silico manganese spring steel per annum. They are also setting up a project for the production of 1200 tons of malleable castings. Plant and equipment from the United Kingdom and West Germany had arrived and the factory was likely to go into production towards the middle of 1962. With this the turnover was likely to improve considerably.

NEW ISSUES

Caltex (India) Ltd. has secured the Union Government's recognition to the additional issue of a capital of $6 million, allotted to the holding company, California Texas Corporation, New York. The formal recognition of the issue, which had so far been treated as a loan from the parent company, would now enable Caltex (India) to repatriate the dividend declared in full. Caltex (India) already has an issued capital of $ 4 million and is engaged in the distribution of petroleum products in India. With the additional issue its, total capital held wholly by California Texas Corporation amounts to $10 million.

SLM Maneklal Industries Ltd., Ahmedabad, will issue Rs. 80 lakhs in equity shares of Rs. 100 each, to be issued for cash at par. Of this, shares of the value of Rs. 10 lakhs will be issued to Swiss Locomotive and Machine Works, Switzerland. The amount will be used in meeting the foreign exchange cost of the machinery. The balance of the capital will be issued to Indian nationals. The proceeds will be used for financing the manufacture of Diesel engines of higher horse power and roots blowers and water ring pumps.

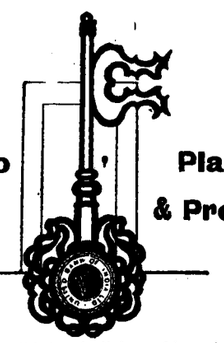
Orient Abrasives Ltd., Calcutta, a new company proposed to be incorporated, will issue capital of Rs. 25 lakhs divided into 2 lakhs equity share of Rs. 10 each and 5,000 preference shares of Rs. 100 each. The company will establish a factory in Maharashtra for the manufacture of alumina (used) abrasives.

The Shipping Corporation of India Ltd., Bombay, is raising fresh capital of Rs. 45 lakhs divided into 45,000 equity shares of Rs. 100 each for cash at par. The proceeds would be utilised for financing acquisition of additional tonnage. The paid-up capital of the corporation is Rs. 23 crores.

The Jehlum Spinning and Weaving Mills Ltd., proposed to be registered in Jammu and Kashmir, has been accorded consent to issue capital of Rs. 35 lakhs divided into 2,50,000 equity shares of Rs. 10 each and 10,000 cumulative redeemable preference shares of Rs. 100 each with interest at the rate of 9.3 per cent, taxable, for cash at par. The capital is intended to finance the setting up at Kathua, Jammu and Kashmir State, of a spinning unit with 12,000 spindles.

The Moraghat Tea Co Ltd., Calcutta, is issuing 88,000 bonus shares of Rs. 10 each on capitalisation of reserves to the extent of Rs. 8,80,000. The existing paid-up capital of the company is Rs. 11 lakhs.

The Parur Central Bank Ltd., Parur has been granted consent to the issue of capital of Rs. 50,000 divided into 5,000 shares of Rs. 10 each for cash at par. The paid-up capital of the bank is Rs. 1,50,000. **The Moolankuzhi Union Bank Ltd., Cochin,** has been granted consent to the issue of capital of Rs. 67,100 divided into 1,342 'B' class equity shares of Rs. 50 each, to be fully paid-up for cash at par. The paid-up capital of the bank is Rs. 71,299.



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 Limited

HEAD OFFICE: 4, CLIVE GHAT STREET, CALCUTTA-1

with branches all over India and East Pakistan, and correspondents in all important trade centres the world over.

offers complete banking service

Company Meeting

NATIONAL AND GRINDLAYS BANK LTD.

PROPOSED RIGHTS ISSUE

Mr. J. K. Michie's Statement

The Annual General Meeting of National and Grindlays Bank, Ltd., will be held on April 3 at 26, Bishopsgate, London, E.C.

The following is the statement by the Chairman, Mr. J. K. Michie, which has been circulated with the report and accounts:

The Balance Sheet and Accounts of the Bank now before you reflect in figures 'inter alia' the outward results of the acquisition on 1st January, 1961, of the Eastern business and branches of Lloyds Bank Ltd. and these I am sure you will concur are encouraging. But what cannot be seen is the effort and co-operation by the staff throughout the combined business which has made the merger the success it undoubtedly is. The integration of staff, methods and systems which have grown up separately and independently is a task requiring patience, goodwill and broad-mindedness, and if in one year we have not achieved "optimum" results, we are well on the way to that desideratum.

The total of our consolidated balance sheet as at the close of 1961 was £251,284,590, or approximately £70 millions more than at 31st December, 1960. Of this increase about £50 million is attributable to the addition of Lloyds branches, leaving £20 millions for "growth." Because of the merger, figures of deposits and advances are not readily comparable, but as a consequence of the continued pressure for financial accommodation our liquidity ratio again fell slightly.

Naturally our expanded business brought higher profits, the figure being £644,273 against £479,276 for 1960. This increase has enabled us after providing for a dividend of 14 per cent on the increased capital to place £150,000 to Premises Account and allot £100,000 to Reserve Fund. Taxation I regret to say took an even higher percentage of our gross profits in 1961, otherwise our showing would have been somewhat better.

To bring our Reserve Fund more into line with our increased capital we decided to transfer a sum of £850,000 from our inner reserves, thereby bringing our published reserves to the round figure of £4 millions.

An expanding banking business carries with it the obligation to have its liabilities backed by a sufficiency of capital and reserves. At the Extraordinary General Meeting which will follow the Annual General Meeting shareholders will be asked to sanction an increase in the authorised capital of the Bank from £5,702,925 to £9,000,000. If this is agreed to it is then the intention to make a rights issue, in the proportion of one share for every four held on 14th March, 1962, at the price of £1.5s. 0d. per share.

Your board expects to maintain a dividend at the rate of 14 per cent on the increased capital.

NATIONAL & GRINDLAYS FINANCE AND DEVELOPMENT CORPORATION

The net profit for the year was £16,302. A dividend of £15,000 was declared and is included in our Consolidated Profit and Loss Account.

Old loans made at low rates of interest are gradually being reduced or revised and, if the Corporation can borrow at somewhat finer rates, results should steadily improve.

EXPORTERS' REFINANCE CORPORATION

During the year the Bank joined with the Hongkong and Shanghai Banking Corporation and S. Japhet and Company Limited in forming the Exporters' Refinance Corporation Limited for the purpose of providing credit finance for exporters on a short and medium-term basis. The authorised capital of the new Company which recently commenced operations is £1,000,000. The three participants have equally taken up shares of a nominal value of £750,000 of which £150,000 has been subscribed. Lord Aldington is Chairman of the Company and Mr. Owen and Mr. Cayley, Deputy General Manager of the Bank, are also on the Board.

INDIA

The results of the General Election, now being held and which has been rightly described as a massive exercise in democracy, will be known before this is in your hands.

The Reserve Bank rate remained unchanged at 4 per cent although throughout 1961 call-money often cost considerably more and at the end of the year 5½ per cent was being paid. This is a reflection of the continued steady pressure for Bank accommodation, principally by new and growing industries to which I drew your attention a year ago and there is no sign of a cessation. An illustration of this pressure is that during the eight months April 1st to November 30th, 1961, consent was given to the formation of 258 companies including 53 of foreign origin with a total authorised capital of Rs. 160.81 crores. Inevitably this puts the banking system under continued strain, a strain which, with the encouragement of the Reserve Bank, has been met very successfully.

The process of merging weaker with stronger banking units has continued, public confidence has revived and there has been an increase in deposits over the whole field of scheduled banking.

A scheme for compulsory insurance of small deposits came into effect on January 1st, 1962, and although the cost will fall largely on Banks whose depositors do not require this protection it is hoped that they too will gain from the confidence which the measure will engender in the minds of the small depositor.

The Reserve Bank has strongly advised indigenous Banks to increase their inner reserves; at the same time it has shown every disposition to assist banking through its Bill Market Scheme and by the encouragement it continues to give to the spread of the banking habit.

During the year we have been given licences to open 14 new branches of which 4 are already in operation. Arrangements for the others are in train.

In spite of very considerable foreign aid India's external reserves have fallen by some Rs. 20 crores and this cannot but cause some anxiety. Until India's economy becomes self-propelling the buttress for her balance of payments deficiency must come from outside and the consortium of western nations responsible for providing the bulk of the external wherewithal for India's latest five year plan known as the "Aid India Club" will be considering her needs. The total so far promised for the first two years is $2,225 millions but another meeting is to be held in May of this year to review the situation.

Agriculture must be regarded as the life blood of India and it is encouraging to see that the Planning Commission expect to see an increase in production of 24 million tons to a total of 100 million tons over the next five years. Sometimes it has been thought that agriculture ranked too low in the plans of a country much of whose population is so near the breadline but this would be a great step towards eliminating food shortages.

The jute industry had a much better year in 1961 as a result of increased export demand the number of looms sealed was reduced to 7 per cent in January of this year, the lowest for many years. Due to the competition of lower cost goods principally from Japan and Hong Kong, India's exports of cotton piece-goods were considerably reduced, particularly to Australia and East Africa.

Tea also had a difficult year and prices particularly for common teas fell to low and in some cases barely remunerative levels, a situation which still persists.

PAKISTAN

In October last the fine new headquarters of the State Bank were officially opened in Karachi and your Bank was represented by your Deputy Chairman.

The State Bank rate remained unchanged at 4 per cent, throughout 1961 and money continued to be tight.

The movement in the country's external assets during 1961 was an adverse one and strenuous efforts are being made to increase exports. However, during the year 1960-61 industrial production rose by 12.4 per cent which is a distinctly encouraging pointer and one which many older countries will envy. Agricultural production too was considerably increased.

Pakistan has been somewhat apprehensive about obtaining adequate aid for her current five-year plan but a recent decision made in Washington by the western consortium steps up their contributions covering the second and third years of the plan by $625,000,000. The Indus Basin Projects are now getting under way and a number of major contracts have recently been placed.

CEYLON,

I regret, has again had a troubled year. Balance of payment difficulties, illegal strikes and a very recent abortive attempt to overthrow the Government have all contributed to an unhappy situation which one feels in a country so well endowed with natural resources could somehow be avoided. The recent rise in rubber prices should help considerably. Apart from an unofficial strike by all Bank employees we along with other foreign banks are now under recently imposed disabilities which must have a restrictive effect on our business. Indeed that is the declared intention.

The most recent figures available show Ceylon's external resources as Rs. 476.4 millions in November, 1961, against Rs. 481.2 millions in December, 1960. The Central Bank rate has remained at 4 per cent since 1960.

BURMA

1961 was not a good year for exports, for due to an unusually short rainfall the rice crop which is Burma's economic backbone produced an exportable surplus of only 1,600,000 tons, a fall of 400,000 tons from the 1960 figure, representing a loss of over £12 million in foreign exchange. As this is under 50 per cent of the average pre-war exports obviously much remains to be done to encourage the cultivator and to give him a sense of security.

Early last year we decided that two offices in Rangoon were unnecessary and during the year we gradually transferred the business of Lloyds Branch to our main office. This operation has now been successfully completed and our surplus office has been sold.

ADEN

Business in Aden was well maintained in 1961 including her entrepot trade which had been showing some signs of declining. A minor building boom still persists but the prosperity of Aden depends rather too greatly on the refinery and her oil bunkering business, plus the considerable expenditure in connection with the British Forces in the area. The extension of cotton cultivation in Abyan and Lahej is therefore a welcome development.

We have recently extended our branch system in the area by opening sub-branches at Jaar, Lahej and Zingibar in the West Aden Protectorate, and in due course we shall open at Al-Ittihad.

SOMALI REPUBLIC

Rains were good and export business was active last year to the benefit of our branches. However, as a result of the union of the two territories we have ceased to be bankers to the Government and this cannot but reduce our business though we hope temporarily only.

EAST AFRICA

It is a most unfortunate concatenation of circumstances that a year of political destiny should also have had to bear visitations of nature which have struck grave blows at the economy of the whole area, first the severe drought followed at the end of the year by rains and floods unprecedented in this century. This combination has had disastrous effects on crops almost without exception—the Uganda cotton crop is now estimated at less than half of the first expectation—and has further lowered the morale of farmers and cultivators.

Schemes have been canvassed whereby there could be a willing transfer of land on reasonable terms from European to African ownership but the equivocal 'obiter dicta' of certain party politicians have not contributed to the task of achieving an early and reasonable settlement of this fundamental problem.

Meantime values of Government Securities, of commercial and industrial shares, and of land and properties have fallen steeply, and without a new spirit of accommodation this will have grave long-term effects on the economy of the country, and on the level of employment of the growing African urban population.

GENERAL

As you will have seen, we are by no means without our problems, but our overall chart shows we continue to grow. This also applies to our London business and I make no apology for drawing the attention of our shareholders and our overseas constituents to the various services which are available not only at Head Office but also at Parliament Street and St. James's Square.

As I have already indicated, I am highly satisfied with the calibre and 'esprit de corps' of our staff and I wish to thank them for another most excellent year's work.

The economy of this country continues to be balanced much too finely. The causes and problems involved have been fully commented on by other bankers whose institutions are affected more closely than is our own; but what does concern us are the possibilities of an economically unstable Britain and the repercussions on the countries in which we operate and on our own operations there. It is becoming increasingly evident that the countries more recently emerging into self-government tend to emphasise their independence not by stressing their association with Great Britain but rather by making other contacts, some regional, others geographically more widely spread. This is a natural and understandable phenomenon and how it affects Great Britain as a country and us as a Bank will depend largely on how much or how little we as a nation can give these countries in financial and other kinds of assistance to enable them to gain their economic and political feet. The question of our entry into the Common Market is a part of this issue, for many Commonwealth countries are a little apprehensive about not merely the economic but also the political consequences of our doing so. For that amongst other reasons it is important that we should know as soon as possible what are the terms on which it is open to Great Britain to join the European Common Market and so be able—I hope—to reassure doubting Commonwealth countries about their own future relations with us.

THIS IS 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 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 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 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.

A copy of this prospectus, having attached to it the documents required by Section 60 of the Companies Act 1956, has been delivered for registration to the Registrar of Companies, Delhi.

Application will be made to the Stock Exchange at Bombay for permission to deal in and for an official quotation of the Equity Shares of the Company.

Application in the Company's Printed Form should be made for a minimum of 5 shares or multiples thereof on the basis of the Prospectus copies of which along with the application forms are available from the Brokers and the Bankers to this Issue.

The subscription list will open at the commencement of Banking hours on the 12th March, 1962, and will close at the discretion of the Directors but not earlier than the close of the Banking hours on the 14th March, 1962.

THE BARIUM CHEMICALS LIMITED

(Incorporated on 28th July, 1961, under the Companies Act, 1956)

SHARE CAPITAL

AUTHORIZED :

1,00,000 Shares of Rs. 100/- each.	Rs. 1,00,00,000

ISSUED :

50,000 Equity Shares of Rs. 100/- each	Rs. 50,00,000
Total :	Rs. 1,50,00,000

OUT OF THIS ISSUE :

The Promoters, Directors and their friends have subscribed for in cash, at par, and have been allotted:

7,532 Equity Shares of Rs. 100/- each	Rs. 7,53,200

Further, the Promoters, Directors and their friends have agreed to subscribe for in cash, at par:

2,468 Equity Shares of Rs. 100/- each	Rs. 2,46,800
Total:	Rs. 10,00,000

(No underwriting commission or brokerage is payable to the above 10,000 Equity Shares).

NOW OFFERED FOR PUBLIC SUBSCRIPTION :

The balance of 40,000 Equity Shares of Rs. 100/- each, at par, for cash in terms of this prospectus.	Rs. 40,00,000
Total:	Rs. 50,00,000

The entire issue now offered to the public is underwritten.

No Shares are issued or agreed to be issued for consideration other than cash.

TERMS OF PAYMENT :

The amount payable in respect of the present issue of Equity Shares to the public is as follows:

	Per Share
On application	Rs. 25/-
On allotment	Rs. 25/-
Balance	Rs. 50/-
	Rs. 100/-

The balance of Rs. 50/- per share, on call or calls to be made not earlier than three months after allotment.

Failure to pay any amount due on the shares allotted when due, will render previous payments and the shares liable to forfeiture.

DEBENTURES :

The Company has not issued any debentures or debenture stocks.

DIRECTORS :

Sri V. P. MENON, C.S.I., C.I.E., Chairman, Board of Directors, "Shelter," Cooke - Town, Bangalore - 5. Former Governor of Orissa & former Secretary to the Ministry of States, Government of India. Chairman of Southern Structurals Ltd. Director of The Cochin Malabar Estates Ltd. The Peria Karamalai Tea & Produce Co. Ltd. The Kumargode Estate Ltd. The Ouchterlony Valley Estates (1938) Ltd. Spencer & Co. Ltd., etc. Trustee of The Palace Trusts, Mysore. H.E.H. the Nizam's Charitable Trust. Bharatpur Princesses Trust, etc.

PADMA BHUSHAN Sri V. NARAHARI RAO, C.S.I., C.I.E., Director, 177, III Block, Jayanagar, Bangalore. Retired Comptroller and Auditor General of India. Former Executive Director of the World Bank, Washington. Chairman of The Chamundi Chemicals & Fertilizers Ltd., Mysore. Director of Hindustan Machine Tools Ltd., Bangalore. The Mandya National Paper Mills Ltd., etc.

PADMA BHUSHAN Sri P.S. RAU, C.I.E., I.C.S. (Retd.) Director, "Koh-i-noor," Jubilee Hill, Hyderabad-4. Formerly Governor of Kerala and Adviser to the Travancore Cochin and PEPSU Governments. Chairman of Praga Tools Corporation Ltd. Director of India Refrigeration Industries Ltd. The Central Potteries Ltd. Shri Akamamba Textiles Ltd. The Chittoor Co-operative Sugars Ltd. Shama Engine Valves Ltd., etc.

Sri V. K. B. PILLAI, I.C.S. (Retd.), Director, Cotton Mills, Trivandrum-10. Formerly Secretary, Ministry of Health, Government of India, New Delhi.

DHARMAPRAKASA Sri M. V. VEERAPPA, Director, 6.1.68/6 Ravi Villa, Saifabad, Hyderabad-4. Director of The Mysore State Finance Corpn. The Bangalore Printing & Publishing Co. Ltd. The Hindustan Ideal Insurance Co. Ltd. The Mandya National Paper Mills Ltd. The Mysore Coffee Estates Ltd. The Mysore Fruit Products Ltd. The Mysore Chemicals Ltd., etc.

Sri S. SABHANATHAN, Director, 3, Karudapillai Street, Sirkali, Tanjore Dist. Director of Gannon, Dunkerley & Co. (Madras) Private Ltd. Associated Industrial & Engg. Co. Ltd. The Bhavani Mills Ltd. The Ellore Electric Supply Corp. Ltd. The Spheroidal Castings Pvt. Ltd. The Madras Eastern Ore Corporation Private Ltd. etc. Partner of Eastern Ore Corporation. Eastern Trading Corporation, etc.

Sri S. B. BILIMORIA, Director, Union Bank Buildings, Dalal St., Bombay-1. Partner of Batlivala & Karani, Stock & Share Brokers, Bombay-1. Director of Shama Engine Valves Ltd. Universal Electric Ltd., etc.

Sri M. S. MEHTA, Director, 22-D, Residency Road, Bangalore-1. Director of Barton Son & Co. Private Ltd. Partner of Bapalal & Co., Madras. Industrial Diamond Tools Co. Brooklands Estates (Coffee), Yercaud. Woodlands Estate (Coffee), Yercaud, etc.

Sri P. N. BALASUBRAMANIAN, Managing Director, 186, Golf Links, New Delhi-3. Proprietor of Transworld Trades, Madras and Delhi. Chairman of The Madras Eastern Ore Corporation Private Ltd. Director of Cudeba Ltd., London, etc.

It is proposed to appoint Khan Bahadur C. B. TARAPOREVALA, Financial Adviser to His Exalted Highness The Nizam of Hyderabad, Somajguda, Hyderabad-4, and Sri R. N. BANERJI, I.C.S. (Retd.), 17, Friends Colony, Madhura Road, New Delhi, also as Directors of the Company, as they have attained the age of 65, necessary resolutions as required by law are included in the agenda for the extraordinary general meeting convened on the 2nd March, 1962.

FOREIGN TECHNICAL COLLABORATORS :

L. A. MITCHELL LIMITED, Manchester, England.

BANKERS TO THE ISSUE :

THE CENTRAL BANK OF INDIA LTD., Ahmedabad, Amritsar, Bangalore, Bombay, Calcutta, New Delhi.

THE BANK OF BARODA LIMITED, Bangalore, Bombay, Calcutta, New Delhi, Hyderabad, Kanpur, Madras, Vijayawada.

THE ANDHRA BANK LIMITED, Bombay, Madras, Vijayawada, Bangalore, Hyderabad.

UNDERWRITERS :

The entire issue offered to the public is underwritten.

The following institutions and firms have agreed to underwrite the shares offered for public subscription and the face value of Shares so underwritten is set out against their names:

Underwriters	Equity Shares Rs.
Andhra Pradesh Industrial Development Corporation Ltd., B-1-174, Fateh Maidan Road, Hyderabad-4.	10,00,000
Batlivala & Karani, Union Bank Building, Dalal Street, Bombay-1.	15,00,000
A. B. Pandit & Co., 32, Apollo Street, Bombay-1	3,00,000
Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Bombay-1	3,00,000
Chimanlal J. Dalal & Co., Stock Exchange New Building, Dalal Street, Bombay-1	3,00,000
G. M. Pyne, Allahabad Bank Building, 14, India Exchange Place, Calcutta-1.	2,00,000
Raj Paul Chadha & Co., Delite Cinema Building, Asaf Ali Road, New Delhi	2,00,000
Mr Nanjappaiah Jahgirdar, 181, Cavalry Road, Bangalore-1	2,00,000

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

BROKERS TO THE ISSUE :

BOMBAY: Batlivala & Karani, Union Bank Building, Dalal Street, Bombay-1. A. B. Pandit & Co., 32, Apollo Street, Bombay-1. Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Bombay-1. Chimanlal J. Dalal & Co., Stock Exchange New Building, Dalal Street, Bombay-1.

CALCUTTA: **G. M. Pyne,** Allahabad Bank Building, 14, India Exchange Place, Calcutta-1.

NEW DELHI: **Raj Paul Chadha & Co.,** Delite Cinema Building, Asaf Ali Road, New Delhi.

NEW DELHI: **Raja Ram Bhasin & Co.,** "Ashiana," Faiz Bazar, Delhi-6.

MADRAS: **Paterson & Co.,** 22, Erraballu Chetty Street, Madras.

BANGALORE: **M. Nanjappaiah Jahgirdar,** 181, Cavalry Road, Bangalore-1.

AHMEDABAD: **Chinubhai Chimanlal Dalal,** Maneckchowk, Ahmedabad.

HYDERABAD: **M. R. & Co.,** Singhee Bhuvan, Abid Road, Hyderabad, **P. B. Afzalpurkar,** 790, Sultan Bazar, Hyderabad.

LEGAL ADVISER :

Mr T. Raghavan, M.A., B.L., Advocate, 11-B, Mowbray's Road, Madras-18.

AUDITOR :

M/s. V. Sankar Aiyar & Company,
Chartered Accountants, 4, Scindia House, New Delhi-1.

REGISTERED OFFICE :

186, GOLF LINKS, NEW DELHI-3.

CONSENT :

The consents in writing of the abovenamed bankers, underwriters, brokers, auditors and legal advisers to act in their respective capacities have been obtained and filed with the Registrar of Companies, Delhi and none of the said consents has been withdrawn.

UNDERWRITING COMMISSION AND BROKERAGE:

In terms of the agreements arrived at between the Company on the one hand and the underwriters on the other the underwriters are entitled to an underwriting commission of 2-1/2% on the normal value of the capital underwritten by them.

Brokerage at the rate of Re. 1/- per Equity Share will be paid on all allotments made in respect of applications bearing the stamp of a Bank, a recognised broker, including the Brokers to the issue. Brokerage on the same basis is payable to the underwriters in addition to the underwriting commission on allotments in respect of applications made or procured by them and bearing their respective stamps.

OBJECTS OF THE COMPANY :

The Company has been formed generally for the purposes set out in the Memorandum of Association and, in particular to manufacture barium compounds and salts and the incidental by-products.

COMMENCEMENT OF BUSINESS :

The Company has obtained the Certificate dated 4-9-61 to commence business after filing a Statement in lieu of Prospectus

The Statutory Meeting of the Company is convened on the 2nd March, 1962.

IMPORT OF MACHINERY :

The Company is in possession of a Cash Sterling Import Licence of the value of £1.02,000 (Vide Import Licence No. 991626/61, dated the 27th November, 1961) for the Import of Machinery and other Capital Equipment.

Firm orders for plant and machinery required for the project have already been placed with the foreign technical collaborators and the necessary advances and letters of credit for full value both in Sterling and in Rupees, have been established in favour of the collaborators. It is expected that the complete delivery, erection and putting into operation of the plant and machinery will take place from nine to twelve months from now.

TECHNICAL COLLABORATION AGREEMENT AND PLANT & MACHINERY :

The Company has entered into a Technical Collaboration and Plant Supply Agreement with L. A. Mitchell Limited, Manchester (U.K.). Under this agreement they have inter alia:

Guaranteed capacity and performance of the plant and machinery.

Guaranteed the quality of the chemicals produced

to B.S.S. Standards.

Agreed to provide plant management and staff training for a period of 18 months.

LOCATION, SITE, POWER, WATER SUPPLY, RAW MATERIALS, AND TRANSPORT:

The factory will be located at Kothagudam (near Dornakal) in Andhra Pradesh. The Company is negotiating with the Government of Andhra Pradesh, for 50 acres of Government land selected for this purpose and the same is expected to be assigned shortly. Power and Water will be available at the site. The site has been selected having particular regard to an economic production of Barium Salts and Compounds. The essential raw materials are available at site and from nearby sources cheaply and in abundance. Kothagudam is connected by broad gauge to all points in India, and therefore suitably situated for procurement of raw materials and economic distribution of the products of the Company.

PROSPECTS

The Project is the first of its kind in India. The plant as envisaged is expected to produce 4,550 tons of Barium Salts & Compounds like Blanc Fixed (Pigment quality), Barium Chloride (Tech. quality), Barium Chloride (B.P. quality), Barium Sulphate (B.P. quality), Barium Nitrate, Barium Carbonate, Barium Hydroxide, etc. Further, for the first time in India 600 tons of superior grade Sulphur will be recovered annually as by-product. The plant has additional capacity for 1,800 tons of Barium Sulphide. Production cost of Barium Sulphide, Barium Carbonate and Sulphur is expected to be amongst the cheapest in the world. Consequently, the Company is expected to be in a position to compete in the world markets for the sale of Barium Sulphide and Barium Carbonate. These products are utilised in the manufacture of Caustic Soda, Paints, Glass & Ceramics, Pharmaceuticals, Chemical Industries and number of other industries and also in the manufacture of Ammunition and Explosives.

The production is expected to replace the present imports and the annual foreign exchange saving and earning of this project to the country will be about £3,00,000.

The Company will also enjoy the Tax benefits applicable to new industrial undertakings.

CAPITAL OUTLAY:

The capital required by the Company to reach the stage of production is estimated as follows:

	Rs.
Payment to L. A. Mitchell Limited, Manchester for supply of Plant, Equipment, Erection, Technical Know-how, Collaboration, Plant Management and Staff Training, etc., set out in the contract dated the 12th October, 1961	24,60,000
Land, Development of Land, Buildings, other Civil Engineering Works, etc., extra equipment and provision for increase in process, duty, transport, etc.	15,75,000
Pre-Incorporation and Preliminary expenses	1,50,000
EXPENSES OF THIS ISSUE:	
Underwriting Commission Rs. 1,00,000	
Brokerage Rs. 40,000	
Other expenses Rs. 35,000	1,75,000
Working Capital	10,00,000
Total	53,60,000

SOURCE OF FUNDS:

Equity Shares	50,00,000
Borrowing from Banks, other sources, etc	3,60,000
Total	53,60,000

MINIMUM SUBSCRIPTION:

The minimum subscription in respect of the present public issue on which the Directors will proceed to allot is Rs. 40,00,000. This is the total amount of the present issue offered to the public. Subscription of the amount is assured, as the entire public issue has been underwritten.

PRELIMINARY EXPENSES AND EXPENSES OF ISSUE:

The Preliminary Expenses incurred by the Promoter, Sri P. N. Balasubramanian, in respect of the procurement of the Industrial Licence, Import Licence, investigation of the project and registration of the Company, etc., amounted to Rs 1,50,000 which amount has been reimbursed to him by the Company.

The estimated amount of expenses of this issue including underwriting commission and brokerage is Rs. 1,75,000, the same are payable by the Company.

AUDITORS' REPORT:

The following is a copy of the Report of the Company's Auditors, V. Sankar Aiyar & Co., Chartered Accountants. They have given their consent to the issue of the Prospectus with the statement included in the form and in the context in which it is included. They have not withdrawn such consent before the delivery of the copy of the Prospectus for Registration.

V. SANKAR AIYAR & CO., Scindia House,
Chartered Accountants. New Delhi.

D/29th January, 1962.

The Barium Chemicals Limited,
186, Golf Links,
New Delhi-3.

Dear Sirs,

In accordance with the provisions of Clause 24 of Part II of Schedule II of the Companies Act, 1956, we report that no accounts of the Barium Chemicals Ltd., have been made up in respect of any period since the incorporation of the Company.

Yours faithfully,
Sd/-
(V. Sankar Aiyar & Co.).

MANAGING DIRECTOR:

Sri P. N. Balasubramanian has been appointed as the Managing Director of the Company under the Articles of Association. The appointment has been approved by the Central Government by its letter dated the 5th December, 1961. The Managing Director will be entitled to a remuneration of 5% of the net profits of the Company. The Central Government has stated that the proposal of paying a minimum remuneration of Rs. 50,000 per annum to him in the event of absence or inadequacy of profits, may be submitted to them after the present issue.

NATURE AND EXTENT OF DIRECTORS' INTEREST:

Sri P. N. Balasubramanian being a Promoter and Managing Director of the Company is interested in the reimbursement of preliminary expenses and remuneration and sitting fees payable to him as Managing Director.

The Directors other than the Managing Director are interested to the extent of the commission of 3% of the net profits of the Company, which will become payable to them on the special resolution being passed at the Extraordinary General Meeting and the same being approved by the Central Government. Each of the Directors is also interested to the extent of the Shares subscribed, allotted, or to be allotted to him in the Company as also in the sitting fees receivable for attending Board Meetings or Committee Meetings.

Sri S. B. Bilimoria, a Director, is a partner in the firm of Batlivala & Karani and is therefore interested in the underwriting commission and brokerage payable to them.

PAYMENT TO PROMOTERS:

No payment has been made or is proposed to be made to the promoters of the Company except reimbursement of the preliminary expenses incurred by Sri P. N. Balasubramanian. No profits or benefits have been given to any person or promoters of the Company.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	112.0
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	124.9
November 1960 ..	120.2	116.8	120.1	148.0	131.6	124.7	125.6	126.0
December " ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
January 1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
November 1961 ..	120.2	98.3	122.4	136.9	140.2	124.1	126.4	124.2
December " ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
January 1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
13-1-1962 ..	117.5	97.3	122.3	137.1	138.0	124.3	126.3	122.8
20-1-1962 ..	119.4	97.3	122.3	137.5	137.4	123.7	125.7	123.7
27-1-1962 ..	119.5	97.3	122.6	138.3	137.2	124.2	126.1	124.0
3-2-1962 ..	120.2	98.6	122.6	138.2	137.9	124.1	126.0	124.3
10-2-1962 ..	120.6	99.1	122.6	138.5	139.1	124.0	126.1	124.6

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	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	166
1960	401	420	296	158	397	476	512	165	467	167	166	171
1961 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	304	171	406	482	498	166	480	172	168	173
August	419	438	302	171	410	491	501	167	481	171	171	175
September	417	436	302	169	410	491	499	169	479	171	171	175
October	415	434	302	168	417	499	501	172	480	176	177	175
November	415	434	302	170	417	508	497	—	481	180	178	175
December	416	435	—	171	410	—	493	—	481	—	—	—
1962 January	417	436	—	170	—	—	495	—	482	—	—	—

† Base 1944 = 100. • Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	23-2-1962 High	23-2-1962 Low	23-2-1962 Average	16-2-1962 High	16-2-1962 Low	16-2-1962 Average	9-2-1962 High	9-2-1962 Low	9-2-1962 Average	2-2-1962 High	2-2-1962 Low	2-2-1962 Average
Gold (per 10 grams)	122.35	120.25	121.35	121.45	119.50	120.38	120.30	118.20	119.57	120.30	117.95	119.18
Silver (per kilogram)	213.30	212.25	212.71	212.50	211.20	212.12	213.25	211.40	212.46	213.75	211.80	212.71

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: 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	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										
Nov. 1960 ..	1,816,70	18,32	1,835,02	117,76	123,01	240,77	12.13	129,70	1,464,55	1,835,02
Dec. „ ..	1,855,90	16,59	1,872,48	117,76	127,01	244,76	13.07	127,66	1,500,06	1,872,48
Jan. 1961 ..	1,911,58	16,83	1,928,41	117,76	128,01	245,17	12.75	124,35	1,558,29	1,928,41
Nov. 1961 ..	1,918,47	16,09	1,934,57	117,76	116,86	234,62	12.13	123,60	1,576,35	1,934,57
Dec. „ ..	1,937,46	14,76	1,952,22	117,76	116,86	234,62	12.02	122,78	1,594,82	1,952,22
Jan. 1962 ..	1,981,87	17,71	1,999,58	117,76	126,86	244,62	12.23	121,17	1,633,80	1,999,58
Week-Ending										
19-1-1962 ..	1,985,59	18,89	2,004,48	117,76	126,86	244,62	12.20	121,07	1,638,80	2,004,48
26-1-1962 ..	1,980,60	24,68	2,005,28	117,76	126,86	244,62	12.18	121,87	1,638,79	2,005,28
2-2-1962 ..	1,993,68	11,09	2,004,76	117,76	126,86	244,62	12.20	120,94	1,639,20	2,004,76
9-2-1962 ..	2,034,79	17,77	2,052,56	117,76	126,86	244,62	11.92	118,74	1,689,20	2,052,56
16-2-1962 ..	2,034,31	18,46	2,052,77	117,76	126,86	244,62	11.91	118,95	1,689,20	2,052,77

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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														
Nov. 1960 ..	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
Dec. „ ..	60,25	15,71	95,20	91,78	26,295	104,08	452,03	16,69	19,53	26,35	37,78	135,04	198,94	16,70
Jan. 1961 ..	53,48	19,71	79,57	93,82	246,58	110,37	441,93	16,91	57,41	19,54	41,17	145,25	144,11	17,55
Nov. 1961 ..	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
Dec. „ ..	56,83	20,23	82,90	147,22	307,18	120,02	512,20	14,81	28,61	31,95	66,61	136,85	207,67	21,70
Jan. 1962 ..	58,92	20,79	79,27	149,78	304,76	133,74	522,90	17,76	37,10	13,23	59,90	146,60	221,91	26,41
Week-Ending														
19-1-1962 ..	52,15	39,91	82,46	154,26	312,79	138,01	535,80	18,94	34,98	11,40	52,92	147,62	243,58	26,35
26-1-1962 ..	68,67	18,83	80,02	148,60	316,12	135,83	536,95	24,74	21,79	10,97	60,80	149,03	242,97	26,65
2-2-1962 ..	68,10	17,29	75,61	149,03	310,03	136,13	531,16	11,15	20,21	11,16	60,76	158,86	241,92	27,11
9-2-1962 ..	49,94	21,52	75,53	147,53	294,13	132,73	511,86	17,82	31,66	9,59	58,18	168,64	196,68	29,30
16-2-1962 ..	59,33	15,52	76,17	146,85	297,87	138,36	521,24	18,52	43,27	10,00	59,10	162,26	197,21	30,88

* 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.

ESTIMATES OF GROSS CAPITAL FORMATION: 1948-49—1960-61
(At current prices)

(Rs. crores)

Year	Public Sector: Central & State Govts. and Local Authorities*	Govt. Companies & Statutory Corporations	Total (1+2)	% of (3) to (9)	Private Sector: Corporate‡	Household	Total (5+6)	% of (7) to (9)	Gross Capital Formation (3)+(7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1948-49 ..	186	1	187	17.3	49	844	893	82.7	1,080
1949-50 ..	194	1	195	17.6	49	863	912	82.4	1,107
1950-51 ..	207	15	222	19.8	50	850	900	80.2	1,122
First Plan									
1951-52 ..	271	17	288	19.9	155	1,006	1,161	80.1	1,449
1952-53 ..	206	30	236	21.1	52	831	883	78.9	1,119
1953-54 ..	229	49	278	19.1	64	1,113	1,177	80.9	1,455
1954-55 ..	398	31	429	28.8	125	938	1,063	71.2	1,492
1955-56 ..	439	36	475	27.6	172	1,074	1,246	72.4	1,721
Second Plan									
1956-57 ..	587	71	658	27.5	330	1,405	1,735	72.5	2,393
1957-58 ..	674	106	780	38.1	327	939	1,266	61.9	2,046
1958-59 ..	605	204	809	32.2	220	1,481	1,701	67.8	2,510
1959-60 ..	635	348	983	38.8	188	1,363	1,551	61.2	2,534
1960-61 ..	762	204	966	33.6	188	1,717	1,905	66.4	2,871
Total for I Plan	1,543	163	1,706	23.6	568	4,962	5,530	76.4	7,236
Total for II Plan	3,263	933	4,196	34.0	1,253	6,905	8,158	66.0	12,354
Total for I & II Plans	4,806	1,096	5,902	30.1	1,821	11,867	13,688	69.9	19,590

GROSS CAPITAL FORMATION IN RELATION TO GROSS NATIONAL PRODUCT
(At 1958-59 prices)

Items	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
1 Gross National Product† (Rs. crores) ..	10,009	11,740	12,265	12,106	12,986	13,162	13,944
2. Gross Capital Formation (Rs. crores) ..	1,324	1,904	2,558	2,108	2,510	2,496	2,701
3. Percentage of (2) to (1)	13.2	16.2	20.9	17.4	19.3	19.0	19.4

†Adjusted.

‡"Corporate Sector" generally comprises all the public and private limited companies, Indian scheduled and non-scheduled banks (other than State Bank of India), insurance companies (other than Life Insurance Corporation) and co-operative institutions.

*Local authorities include municipal corporations, municipalities, district and local boards, village panchayats improvement trusts and port trusts.

Source: National Income Division, C.S.O.

ESTIMATES OF GROSS CAPITAL FORMATION (CONTD.)

(At 1958 - 59 prices)

SECTOR-WISE GROWTH OF GROSS CAPITAL FORMATION

(Rs. crores)

Year	Private Sector	Public Sector	Total
1948-49 ..	1,081	224	1,305
1949-50 ..	1,083	231	1,314
1950-51 ..	1,057	267	1,324
First Plan			
1951-52 ..	1,269	330	1,599
1952-53 ..	975	273	1,248
1953-54 ..	1,298	323	1,621
1954-55 ..	1,180	493	1,673
1955-56 ..	1,367	537	1,904
Second Plan			
1956-57 ..	1,845	713	2,558
1957-58 ..	1,299	809	2,108
1958-59 ..	1,701	809	2,510
1959-60 ..	1,520	976	2,496
1960-61 ..	1,789	912	2,701
Total for I Plan	6,089	1,956	8,045
Total for II Plan	8,154	4,219	12,373
Total for I & II Plans ..	14,243	6,175	20,418

PERCENTAGE DISTRIBUTION

Year	Private Sector	Public Seetor	Total
1948-49 ..	82.8	17.2	100.0
1949-50 ..	82.4	17.6	100.0
1950-51 ..	79.8	20.2	100.0
First Plan			
1951-52 ..	79.4	20.6	100.0
1952-53 ..	78.1	21.9	100.0
1953-54 ..	80.1	19.9	100.0
1954-55 ..	70.5	29.5	100.0
1955-56 ..	71.8	28.2	100.0
Second Plan			
1956-57 ..	72.1	27.9	100.0
1957-58 ..	61.6	38.4	100.0
1958-59 ..	67.8	32.2	100.0
1959-60 ..	60.9	39.1	100.0
1960-61 ..	66.2	33.8	100.0
Total for I Plan	75.7	24.3	100.0
Total for II Plan	65.9	34.1	100.0
Total for I & II Plans ..	69.8	30.2	100.0

RELATIVE CONTRIBUTIONS OF PRIVATE AND P UBLIC SECTORS TO GROSS CAPITAL FORMATION

(At current prices)

PRIVATE SECTOR

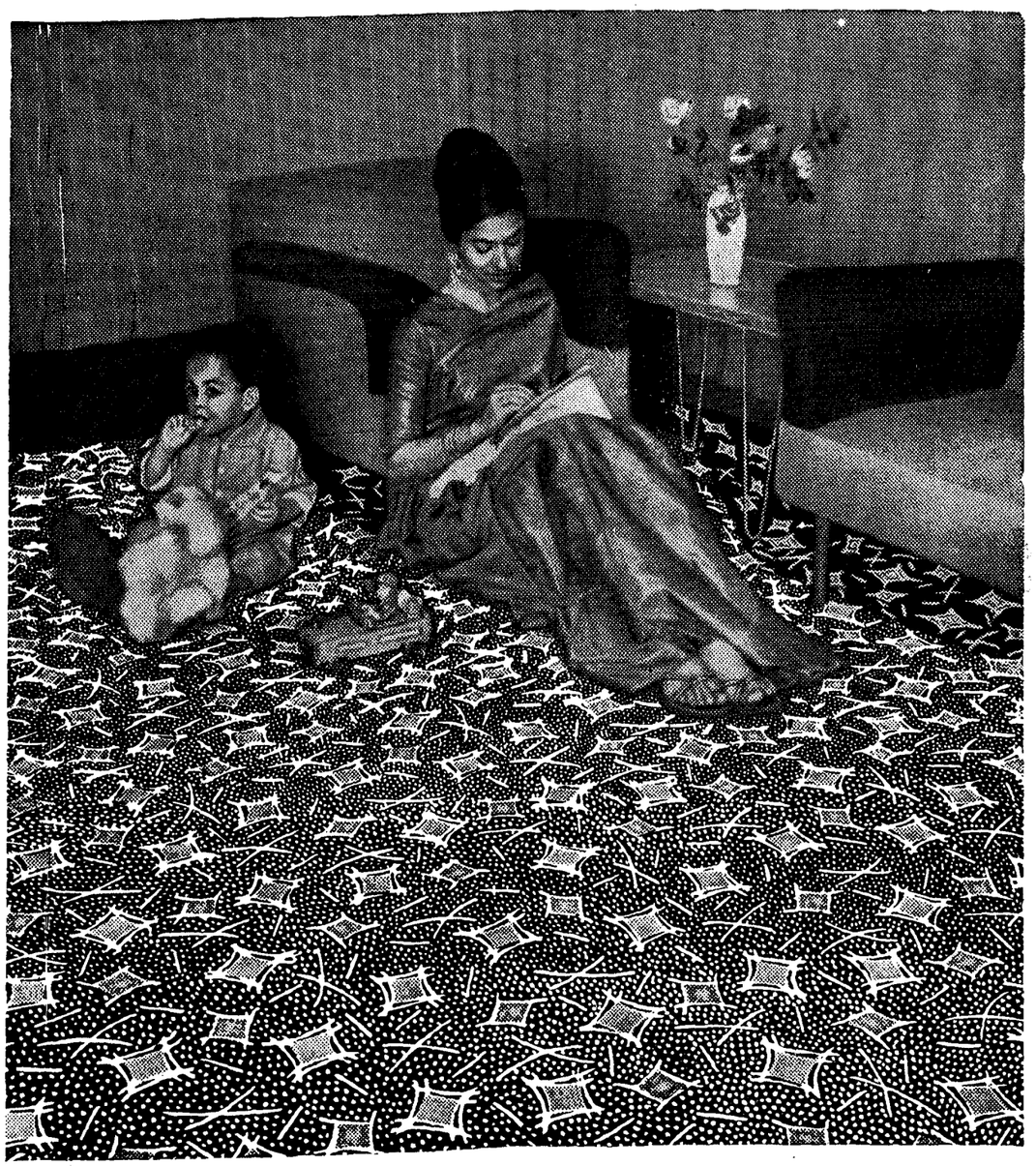
Year	Gross Capital Formation		
	Corporate	House-hold	Total
	(Percentages)		
1948-49 ..	5.5	94.5	100.0
1949-50 ..	5.4	94.6	100.0
1950-51 ..	5.6	94.4	100.0
First Plan			
1951-52 ..	13.4	86.6	100.0
1952-53 ..	5.9	94.1	100.0
1953-54 ..	5.4	94.6	100.0
1954-55 ..	11.8	88.2	100.0
1955-56 ..	13.8	86.2	100.0
Second Plan			
1956-57 ..	19.0	81.0	100.0
1957-58 ..	25.8	74.2	100.0
1958-59 ..	12.9	87.1	100.0
1959-60 ..	12.1	87.9	100.0
1960-61 ..	9.9	90.1	100.0
Total for I Plan	10.3	89.7	100.0
Total for II Plan	15.4	84.6	100.0
Total for I & II Plans	13.3	86.7	100.0

PUBLIC SECTOR

Year	Gross Capital Formation		
	Central & State Govts. & Local Authorities	Govt. Companies & Statutory Corporations	Total
		(Percentages)	
1948-49 ..	99.5	0.5	100.0
1949-50 ..	99.5	0.5	100.0
1950-51 ..	93.2	6.8	100.0
First Plan			
1951-52 ..	94.1	5.9	100.0
1952-53 ..	87.3	12.7	100.0
1953-54 ..	82.4	17.6	100.0
1954-55 ..	92.8	7.2	100.0
1955-56 ..	92.4	7.6	100.0
Second Plan			
1956-57 ..	89.2	10.8	100.0
1957-58 ..	86.4	13.6	100.0
1958-59 ..	74.8	25.2	100.0
1959-60 ..	64.6	35.4	100.0
1960-61 ..	78.9	21.1	100.0
Total for I Plan	90.4	9.6	100.0
Total for II Plan	77.8	22.2	100.0
Total for I & II Plans	81.4	18.6	100.0

Source: National Income Division, C.S.O.

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THE EASTERN ECONOMIST

MARCH 16, 1962.

The Lame Duck Budget: 1962-63

THE "Lame Duck" Budget for 1962-63 introduced in a Finance Bill by the Finance Minister, Mr. Morarji Desai, on Wednesday this week, has naturally awakened far less interest than a full-fledged Budget with taxation proposals and the vigorous full year's programme. It is now pretty clear that it is the taxation proposals that form the kernel of a Budget, and that the Indian public has failed to realise that taxation proposals represent only a marginal change in their tremendous revenue and expenditure accounts. The accounts themselves, and the Official Economic Survey which goes with them should, in fact, be more important than marginal changes. It is a sad commentary on the understanding of the economic framework of the country set out in the survey as well as in the draft estimates that the public galleries were practically empty and public interest was at a pitifully low ebb. The Finance Minister's concise and forceful speech deserved better of a country which is more than ever poised on the platform of economic growth. It should be clear at once that one of the great requisites of economic progress which is great public interest in the pattern of the nation's budgeting, is largely absent. Most Indians are still predominantly interested in merely that small area of economic change invested in the Budget which impinges on their own personal interests; uncharitably, self before the national conscience.

In more ways than one, there is cause for congratulation in the year that has ended. The revenue estimates have ended with a figure of Rs. 33.96 crores in surplus against a budget deficit of Rs. 5.57 crores. On the other hand, the overall deficit, both revenue and capital, accounted together, has increased from the original estimate of Rs. 70 crores to Rs. 121 crores, presumably the whole of this covered by deficit financing. In other words, instead of running well below the rated Plan figure of Rs. 550 crores over the five years, in the first year of the Third Plan deficit financing figure is significantly in excess of the annual average. This, notwithstanding the fact that conditions were favourable both in agriculture and industry and—as the Finance Minister said with justifiable pride—stability had been ensured in the price level. On the other hand, largely because we have increased our deficit financing in the first year of the Third Plan, it is desirable to seek for some reduction in the second year. It is almost certain that the deficit finance figure budgeted for in May will not exceed Rs. 70 crores so that to meet the overall deficit of Rs. 147 crores, at least Rs. 80 crores of additional taxation will need to be imposed by the new Parliament.

No one can look upon an increased burden of Rs. 80 crores in taxation without concern; but, equally, no one should be deceived into supposing that the Third Plan can be financed without a substantial sacrifice from all sections of the community. The idea that industrial development proceeds on the back of impoverished agriculture and, therefore, should not be given additional burdens, is too childish to be entertained. Undoubtedly, the socialist pattern of society implies that the rich will have to bear a larger burden than the poor. It is unlikely in the event, therefore, that more than Rs. 60 crores or three-fourths, will be raised by indirect taxation, which has hitherto been notoriously aggressive. If the figures recently published by the Finance Ministry are any guide, they imply that the extent of regression is even greater than anticipated in the Budget last year. One must, therefore, expect, however unhappy the prospect, that there will be a rise in the rate of corporate taxation on companies possibly from 45 per cent to 50 per cent, which would yield something between Rs. 12 and 15 crores.

It is likely that there will also be rises in wealth tax on persons, and perhaps even revised super-tax in limits which are very high. But there is no reason to assume that the volume of revenue which can thus be gained would be large; these are really token gestures to the unpraying new Goddess of the Socialist Pattern of Society. There is no need either to stress or exaggerate the hardships caused, since, in any case, they will not be significant so far as the country as a whole is concerned. But this is the more reason why moderation should be exercised in their use. The great body of middle class persons with incomes of less than Rs. 60,000 a year have a standard of living, wisely or unwisely, which can only be curtailed by significant hardship. It would be a pity if direct taxes were increased in this income range, which would affect all ranges of officials of the Government as well as Executives in industry, the men on whom the burden of economic development primarily rests.

There has been much talk of economy, but a cynic can refer to the passionate pleas made over the years and draw only one conclusion, which is that, however sincere the desire, the instruments employed are singularly ineffective for the purpose. Each year expenditure keeps on rising, partly because of the Plan, partly because of necessary administrative expenditure—as part of the welfare concept of development—and partly, to put it gently, by the operation of Parkinson's inescapable Law. In the current year, Revenue Expenditure is to rise from Rs. 1,045.15 crores to Rs. 1,179.46 crores. The increase in Defence of about a little over Rs. 38 crores is inevitable. How inevitable the remaining items are, one could well ask. But this is not, perhaps, the time to worry so much about detailed grants. By and large, the expenditure figure of Rs. 1,179.46 crores has to be accepted. As indeed is the need of additional taxation. Pleas should, however, be made that, while additional taxation is sought for to cover the deficit and in the case of the Railways, the cost of their services, one has the right to demand from both General Administration and from the Railways substantially improved efficiency in performing the services for which such heavy charges are being made. An atmosphere of deep complacency has entered into public administration; and the slow movements of files and the blocks in decision-making are now worse than they have ever been, which is saying a great deal. The Indian people have every right, when facing the exacting bills presented to them this week in the Railway and Finance Budgets, to demand that their servants in the Government should live up to higher standards than they have done in the last year.

Railway Finances: 1962-63

IN presenting the Railway Budget for 1962-63 to the Lok Sabha on Tuesday this week, Mr. Jagjivan Ram had in view the limited purpose of obtaining the vote of the House for funds sufficient to cover the expenditure for the first quarter of the budget year. If the estimates of revenue and expenditure are framed for the full year, it is merely to provide a rough basis to enable the House to grant proportionate amounts for three months. The budget, as presented, is purely provisional and assumes the rates, fares and costs at their existing levels. It will be for the new Parliament to readjust or retain these levels. And there can hardly be any doubt which way the House will make its decision. In reality there is no room for a choice. It will now be for the fourth year that the finances of the railways disclose a disconcerting imbalance, if their elementary obligation, conceived on the most modest scale, to contribute to the development outlay from their own resources, is to be honestly discharged.

Since 1958-59 a financial fiction has been created about these internal resources of the railways derived from the Development Fund. The fact of the situation is that a bulk of these so-called internal resources, however marginal they may look in the total picture of the railway development outlay, are provided by the Exchequer. Rather their marginal size and the prevalence of the imbalance on that margin for a prolonged period of three years spotlight how precariously the finances are poised. It is high time the fiction was ended and fresh blood was injected into Indian railway finances.

The fiction must be seen in its naked form, if only to appreciate why there is a compelling necessity for the Railway Minister to make a bold and forthright demand on the House for putting up freight rates and passenger fares to meet the ends of equity. The ends of equity ordain that the user of railway transport ought to be made to bear a fractional share of the outlay on development, which goes to provide him with the services for which he is making continuously increasing demands. The Development Fund of the railways exists precisely for the purpose which its name indicates. It is the source out of which the railways make their small extra contribution to the expenditure on expansion. The only source from which this fund receives accretions is the net or final surplus (revenue) of the railways. The net surplus in recent years has been rapidly shrinking to such an extent that the Revenue Reserve Fund is left high and dry. The entire net surplus is allocated to the Development Fund and, even so, it is too inadequate to enable the railways to meet their assigned obligation.

During the last three years of the Second Five-Year Plan, the Development Fund took a total loan of Rs. 29.40 crores from the General Revenues to fill the gap in the balances to its credit to meet its allocation for development. A fiction was created that these loans were purely "temporary" in character, but facts proved that they tended to become a chronic feature of the railways' "own" resources. When the present Railway Convention was introduced in the first year of the Third Plan, another fiction was created to give a semblance of discharge of these "temporary" loans by transferring a proportionate amount, partly by inflating the capital and partly by depleting the Revenue Reserve Fund. The purpose of this fiction was to enable the Development Fund to start with a clean slate in the Third Plan. The Budget Estimates for 1962-63 give an unequivocal indication that the fiction will have to be revived and a "temporary" loan of Rs. 10 crores will need to be written on the slate which has now been made clean, unless the net surplus is raised. The only way to raise it on a sustainable basis is to raise rates and fares.

The budget estimates for 1962-63 reveal that the gross traffic receipts will rise to Rs. 524.10 crores, showing an increase of Rs. 22.86 crores above the current year. But this increase will be wiped out to the extent of Rs. 18.03 crores by higher expenses and Rs. 2 crores on account of a larger allocation to the Depreciation Reserve Fund with the result that the net railway revenue will obtain an increase of a mere Rs. 2.83 crores at Rs. 95.01 crores. After payment of the dividend to the General Revenues of Rs. 65.35 crores and paying the State Governments Rs. 12.50 crores in lieu of the passenger fare tax (this represents no burden on the railway finances since the tax is merged for administrative purposes in the fares), the net and final surplus dwindles to Rs. 13.16 crores. This is to be compared with the net surplus of Rs. 16.46 crores in terms of the revised estimate for the current year when gross revenue is lower by Rs. 22.86 crores than in the budget year. It is no doubt true that higher traffic involves higher expenditure. But this is part of the explanation. Can it be denied that lower labour productivity and Parkinson's Law are defying control over expenditure?

The scheme of financial resources for the current railway development plan requires that the Development Fund should provide Rs. 115 crores or Rs. 23 crores per annum on the average. The opening balance in this fund at the beginning of the next year will be nominal—Rs. 13 lakhs. And the appropriation of the entire net surplus of Rs. 13.16 crores will still leave a gap of Rs. 10 crores. It is only just that there should be no resort to the financial fiction, but a straightforward revision of rates and fares to augment the revenues by Rs. 25 crores in the budget year. Economies in expenditure are by all means imperative. Unlike in the current year, there will be no shortfall in freight traffic below the estimated target, but an increase of 15 million originating tons. The Railway Board seems to be in error in assuming that passenger traffic, which showed an increase of 25 per cent as against the estimate of 15 per cent in the Second Plan, will not keep its upward trend in spite of rising incomes. Both the categories will give an expanding base of revenue. In the budget estimates freight earnings and passenger earnings are divided broadly in the ratios of 65 per cent and 35 per cent. The target of higher revenue of Rs. 25 crores here suggested should assume the same ratios.

A higher price for rail transport service now will provide a basis for a progressive increase in earnings along with the expanding volume of traffic during the rest of the period of the Third Plan. And there is no reason why industry should take fright at a moderate rise in the charges of services rendered by the railways. The railways, on the other hand, must acquire a new determination not to permit the inefficiency in traffic outturn which has disfigured their work this year.

Wheat Support Prices: A Welcome Step

AT long last, a beginning has been made to provide support for foodgrain prices. The Government of India has fixed a price of Rs. 13 per maund at which the State Governments will be purchasing from the farmers fair average quality white wheat, should its prices go down below this level at the next harvest which is to start around Baisakhi. *The Eastern Economist* warmly welcomes this step; it has during the past one year persistently called for this sort of measures with a view to giving a boost to agricultural output.

That the decision to support wheat prices has not come a day too soon should be evident from the fact that foodgrain prices in general and wheat prices in particular have shown a distinct downtrend since 1959. Not only the maximum prices recorded in the lean seasons have been successively lower, the prices at the harvest time have also been going down. The wholesale price index for wheat (base 1952-53=100), which rose to as high a level as 125 in January, 1959, fell to 97 in January, 1960, and further to 91 in January, 1961. The index for the whole of the lean period, January to March, during these three years declined from 121 in 1959 to 96 in 1960 and further to 91 in 1961. In the current lean months, the provisional index has been higher around 98, but the revised one is likely to be lower.

Although the decline in wheat prices at the harvest time has not been as spectacular, there has been witnessed a continuous fall in them during the past three seasons. The index went down from 100 in April, 1959, to 91 in April, 1960, and further to 88 in April last year. The average index for the harvest season as a whole (April to June) went down from 95 in 1959 to 88 in 1960 and 87 in 1961. Actual average wholesale prices recorded at the harvest time in the surplus wheat-producing areas of Punjab last year were around Rs. 13.50 nP. per maund. In 1960, they ranged around Rs. 14 per maund and in 1959 around Rs. 14.40 per maund. The prices received by the farmers must have been slightly lower.

Side by side with the fall in the all-India index number of wholesale wheat prices, the differentials in these prices as between various States have also tended to narrow down as a result of the removal of inter-State restrictions on movement of the commodity. While this has brought down the high prices that used to prevail in the deficit States, it has tended to uplift to some extent the prices obtainable in the surplus States. The downtrend in prices in surplus States, thus, has been arrested by the free movement of the commodity from there to the deficit areas. But this trend obviously can be expected to reverse in view of an all-time record crop expected this year; the new crop is anticipated to be over 11.5 million tons, as against 10.65 million tons in 1960-61 and 10.09 million tons in 1959-60. The Union Ministry of Food and Agriculture apparently has taken time by the forelock by fixing statutory minimum prices which should ensure an adequate return to the agriculturist in the surplus wheat-producing States.

It may be argued by some that this price support measure in the present context of India's wheat economy can only be a temporary expedient; there may not be any need for it in subsequent years. *The Eastern Economist*, however, does not share this view. The successive increases that have been recorded in wheat output over the past few years, especially during the last three years, have not been owing to any fortuitous circumstances like congenial weather. One of the primary factors that, in view of this journal, has helped in raising production is the massive investment that has gone into the agricultural economy under the first two Plans. With the completion of the Bhakra Dam, the whole picture on the wheat front is bound to change. Availability of water from this dam will virtually turn Punjab and Rajasthan into wheat graneries of India. To safeguard the interests of the farmers in these two States, as also elsewhere where prices should tend to fall as a consequence of increased production, support prices for wheat may become a permanent feature for some years to come. The present support price of Rs. 13 per maund may have to be slightly lowered in the light of the circumstances prevailing in future. For the next crop it appears to be quite appropriate. It is the same at which the Punjab Government has procured wheat in the last couple of years.

In the interest of raising agricultural output in general, support prices can play a very important role as has been the experience of almost all the countries of the European Continent where fostering of farm economies assumed new significance after the termination of World War II. This practice has been followed not only in the Western democracies, but also in Communist countries, not excluding the Soviet Union. The application of this lever over a wider field would, however, require detailed calculation of support prices for various agricultural products, taking into consideration such diverse and contending factors as the cost of production (including a fair return to the farmer as profit), cost of raising competitive crops, the prices that the consumer (or the industry in the case of commercial crops) should be expected to pay, and the prices of consumption goods which the farmer has to buy. Striking a balance between all these factors, no doubt, is not going to be an easy job. But the problem has to be faced. Through a process of trial and error this balance has to be struck, if the growth of the national economy is to be fostered at an accelerated pace and in a stable planned manner. Resort to this lever is as well imperative to raise the output of such commercial crops as cotton and oilseeds whose production has been lagging behind. Better specialisation in raising of various farm products amongst different States, which is a crying need of the day, can also be encouraged through use of this device.

A word may, in the end, be added on the importance of keeping a dynamic personality at the helm of affairs of the agricultural economy of the country in the office of the Union Minister for Food and Agriculture. The success achieved on the agricultural front during the past 2½ years is in no small measure due to the dynamism that Mr. S. K. Patil has brought to bear upon his onerous and exacting task. He has been able to ginger up the administrative machinery not only at the Centre, but also at the State levels, although he has not succeeded in making the State Governments feel the urgency of reclaiming culturable wastes which can play an important role in the realisation of the ambitious Third Plan targets. It is hoped he will continue to hold the present portfolio for at least some more time so that the recent gains recorded on the agricultural front are stabilised and the economy keyed up for a further leap forward. That should ensure stability in the cost of living and accelerated economic development without the agony of fluctuations operating pitilessly on the poorest in the land.

A DELHI DIARY

HEROINES ONLY

THEY used to tell us, a long time ago, that William Shakespeare had no heroes; he had only heroines. It would appear that Delhi this week has gone over completely into the Shakespearian mould. Almost all the great heroes have come under violent attack. The Prime Minister himself has been fiercely attacked by Master Tara Singh who has demanded his resignation. From far away Bombay Mr. Rajagopalachari, talking about corruption has demanded a caretaker government during the elections. The Press is angry with a particular proposal of the Prime Minister that only Opposition posters should be subject to an enquiry by the Home Ministry. How, it is asked, can the Prime Minister be so unfair? If impropriety is the subject for investigation, cannot the Congress impropriety, if not in posters, elsewhere be also a subject for investigation? And thus it would seem that we are left only with women in the field for honour this week. I give high place to Mrs. Indira Gandhi who has had the courage to resist the temptation of office as President of the Congress Party for another uncompleted term. She recognises — as I believe all sensible people do — that the daughter of the Prime Minister should not be the President of the Congress, however great her capabilities are. I do not know whether to pay a similar tribute to Smt. Vijayalakshmi whose name is still on a panel for consideration as Vice-President. It would be an excellent thing if following her niece's example, Smt. Vijayalakshmi announced that she would not stand as Vice-President of the Indian Union. The reason is simple: the Vice-President acts in the absence of the President, either abroad or during illness, and it is a totally wrong convention that the Prime Minister should submit his proposals to a President who is a close relative. I, therefore, whilst paying tribute to two women members of the Prime Minister's family, argue that their place in high offices in Delhi at this time is an error. But, of course, this observation was not really the one to which my argument was leading. It was in fact leading — as all roads in Delhi have led this week — to Mrs. Jacqueline Kennedy.

I am ashamed to say that I have not been able to see the heroine of the week face to face. I have had, however, detailed reports of numerous conversations in which she was involved, and have heard her voice over All-India Radio. The reception given to her has been enthusiastic everywhere and there is no doubt that Jackie has made a conquest of Delhi as I am told she has made of other capitals (whether Washington is one such, I cannot assert with certainty). But I have made a discovery while studying the January 1962 issue of a women's paper 'Journal' — which I recommend to my new friends — that Jackie formerly wrote a Washington newspaper column. We can, therefore, claim her as a colleague and friend of the journalistic profession. She apparently could even give an answer, seemingly cogent, to the searching question: "Can you give any reason why a contented bachelor should get married?" I am not quite clear who the contented bachelor in mind at that time was, but I suspect it was none other than the President of the United States. The argument seems to have had a happy ending but the most important reason was not in the argument but its maker. Of course no one has a real reason on marriage. The essence of a matrimonial decision is irrational or, should I say, super-rational! I look upon intuition as superior to reason. This accords well with my new conviction that the world has no heroes: only heroines!

HORSEMANSHIP — PLUS AND MINUS

I am no authority on the great issues of the feminine world. I am prepared to accept the view of the 'Ladies Home Journal' that Jackie's "fashion sense is flawless", but I can give an opinion, although second hand, on her great capacity as a horsewoman. For reasons which are not entirely clear to me, she was made to jump hurdles in the President's Bodyguard Parade Ground. I almost thought that VIPs were prevented from committing themselves to dangerous games of this kind. However, she sailed beautifully over all the hurdles she encountered and her skill was emphasized (most tactfully!) by the fall of a senior officer of the President's Bodyguard. How can one appreciate how difficult jumping of hurdles is unless a skilled horseman falls at a critical time? The papers were quick to notice the contrast, but I was wondering whether or not this was not a conspicuous example of Oriental hospitality, admittedly slightly overdone!

THE AZAD LECTURES

I must correct my view that Delhi has had no heroes this week. At least that small circle which deals with intellectual things has found a great hero in Dr. C. V. Raman, who has been delivering the three Azad Lectures at Sapru House. Those who have known Sir C. V. — as we will continue to call him — over the last thirty years always feel that he is one of those of whom it could be said that the passing years and custom cannot stale his infinite variety. A great mathematician and physicist, he has a superb sense of the manysidedness of cultural living. Anyone who listened to the first two lectures on the perception of light and of sound must have been amazed at the skill with which very involved scientific ideas were propelled into the minds of his hearers by the apt illustrations from everyday life which made even the waves of sound and quanta of light look as simple as seeing pictures in a book. On sound he was particularly good, though I must confess to having a quarrel with him on a particular remark which in Delhi is deemed to have some political significance. "The sound energy released in speaking", Sir C. V. said, "was so small that if thousands of people talked for hours the energy produced would not be enough to boil a cup of tea. It required an infinitesimally small effort to produce sound waves in the air". Those of us who see (mostly in Parliament) beautiful ineffectual angels beating their luminous wings in the void might wonder whether or not the sounds emitted did not cost their speakers a tremendous amount of energy. Now, according to the great principle of conservation of energy, it is unthinkable that the vast amount of energy expended by Members of Parliament should be reduced to the feeble quantum which Sir C. V. describes. It is a great pity that all the Members of Parliament put together are unable between them to boil a cup of tea. They have, however, succeeded in boiling up controversies on several problems and, in one particular case it boiled up so much that the aforesaid infinitesimal energy secured the dismissal of a Cabinet Minister. Let no one make the mistake of supposing that the energy content of sound is the end of its capacity to do damage to both personal reputation and impersonal institutions! The mighty atom now shakes the entire physical world since a single explosion can give rise to an almost endless chain reaction. Can it not be that a single speech, infinitesimal in its spoken energy, has the power of the aforesaid chain reaction to burn and destroy if not to create? I suggest, most respectfully, to Sir C. V. that quanta of energy are by no means the appropriate instruments of measurement of the sounds of raging political controversy!

ARGUS

THE WEEK'S NOTES

Rhodesia

BRINKMANSHIP

SIR ROY WELLENSKY is clearly set on the path of brinkmanship. Having failed to convince the British Government of his untenable case for the maintenance of the status quo, he hurried back home and made the peremptory announcement of dissolving the Federal Parliament in order to force a snap general election. It is to take place on April 27 as now announced in the official gazette. The Federal Prime Minister has stated that he is seeking a mandate from the electorate. But no one can be deceived about the nature of the sanction behind a "mandate", based on a franchise, where hardly one-hundredth of the population is entitled to cast the vote, and, then again, the overwhelming majority of African nationals is virtually debarred except for a tiny fraction. Mr. Kenneth Kaunda's United National Independent Party immediately retorted by declaring a boycott of the general election. In Nyasaland Dr. Hastings Banda has announced a similar decision. Sir Roy's precipitate and hazardous game to preserve the Central African Federation in its present form, with complete white domination, may or may not recoil on the solidarity of his United Federal Party (though some speculate on a likely crack within it), but the sham mandate cannot perpetuate the status quo.

This desperate dash for brinkmanship can hardly help the United Federal Party or the sympathetic Dominion Party in shutting out the forceful wind of change in the Federation comprising the three territories. Nyasaland, where the African population numbers over 99.5 per cent of the total, has now an African Government, but in so far as the electoral roll for the Central African Federation is concerned, it has hardly any locus standi and it cannot return even a single African to the Federal Parliament. The new constitution for Northern Rhodesia has disillusioned the African citizens, but it is being looked upon, in a mood of resignation, as a fait accompli. Even a constitution of such a variety is sought to be sabotaged by Sir Roy by his move for the mandate. The motive is quite obvious and it needs but elementary common sense to fathom it — Northern Rhodesia's rich copper belt must continue under the present control of those who govern Southern Rhodesia. Sir Roy Wellensky's Federal Government which has resigned will find no difficulty in being returned to power in the snap election, but it cannot resist constitutional progress. Resistance will only lead to the dissolution of the Federation.

Kerala's Finances

THE BUDGET FOR 1962-63

MR. R. SANKAR, Deputy Chief Minister and Finance Minister of Kerala, in presenting the State's budget for 1962-63 to the Legislative Assembly on March 9, has created the impression that there is to be a revenue surplus of Rs. 9 lakhs. Later on, when he goes into the details of the budget estimates and of the special features which are calculated to benefit the hard-pressed middle and lower income groups, he discloses that the cumulative effect of the concessions in pay and dearness allowance granted to government servants, private school teachers and the police force will be of the order of Rs. 38 lakhs per annum. This increase in expenditure, he goes on to explain, has not been taken into account in framing the budget estimates. The reasons for this novel course are not available in the press summary. In their absence it is safe to assume that the omission of the extra expenditure makes a substantial difference and the final result will be a revenue deficit of Rs. 29 lakhs.

It was in the fitness of things that the Third Finance Commission should take an equitable and sympathetic view of the requirements of the Kerala State and enhance its share of the Central taxes and grant-in-aid of revenue. Credit has been taken for this share at Rs. 15.11 crores which compares with the revised estimate of Rs. 6.22 crores for the current year. It was on the Central Government's advance intimation to the State Cabinet of the substantial increase in the share that the estimates in the budget were based, showing a surplus of Rs. 9 lakhs. While Kerala has received just treatment in this respect, the State cannot be absolved from its elementary obligation to step up the tax revenue to finance the outlay on the Third Plan out of its own resources, for taxation is an important resource. There are no proposals for fresh taxation in the budget year. On the contrary, the Finance Minister has been apologetic in advancing the explanation that the tax-collecting machinery would be sharpened to make it more efficient and effective in bringing larger collections.

The outlay included in the budget in respect of the schemes in the Third Plan in its second year is of the order of Rs. 34.01 crores out of which Rs. 3.02 crores is to be the Central share on schemes sponsored by the Centre. In the State sector the outlay of Rs. 30.99 crores reveals an excess of Rs. 73 lakhs above the ceiling fixed by the Planning Commission. This difference should not matter. Kerala's precarious position as a problem State must receive full understanding and appreciation. In the Third Plan power production is to be raised to 4 lakh kw. which would show a five-fold increase over the capacity at the end of the Second Plan. This augurs well for stimulating the development of small-scale and medium-scale industries which are the backbone of Kerala's economy, along with agriculture, which, too, is to receive adequate allocations.

Banking Companies

COMPULSORY WINDING UP

THE APPEAL of a director of the Palai Central Bank against the order of the Kerala High Court issuing the order of the winding up of the bank and appointing a liquidator at the instance of the Reserve Bank of India and a writ petition filed by a shareholder of the bank in the same matter were dismissed by a majority of the constitutional bench of the Supreme Court. In doing so the Court gave its ruling on the justification of the special power vested in the Reserve Bank for bringing about the compulsory liquidation of a bank under Section 38(1) of the Banking Companies Act.

The contentions raised in the appeal and the writ petition were that the various provisions of Section 38 of the Banking Companies Act violated Article 14 of the Constitution guaranteeing the fundamental right of equality before the law and also Article 19 guaranteeing the right to hold property and to carry on business. Section 38 was impunged on the ground that it made the Reserve Bank the sole and exclusive judge in the matter of winding-up and the High Court was left with no option but to order the winding-up, thereby reducing it to the position of an executive instrument. Banking companies, it was contended, could be wound up only under the same provisions as those contained in the Companies Act, since to uphold the validity of the provisions of the Section would be to violate the two fundamental rights under the Articles of the Constitution cited.

The minority of the two judges, in accepting the contention, looked at the issues from the angle of the deprivation of the constitutional functions of the High Court, taking away the fundamental rights of a banking company and of the negation of the judicial process involved in this procedure. The majority of the three judges, who refrained from taking a purely abstract view of the issues raised, based their decision on the point whether the distinction made and the restrictions placed were reasonable and as such sustainable. They pronounced the view that banking companies were rightly placed in a class quite distinct and apart from other companies and as such the provisions contained in Section 38 could not be impunged. The question for decision, therefore, boiled down to this — whether, in leaving the real decision on winding up to the Reserve Bank, the Act violated the principle of natural justice and placed an unreasonable restriction on the two fundamental rights in relation to banks. Examining closely the complex and sensitive structure of banking (which distinguishes it radically from that of other companies) and the position of the Reserve Bank as the nation's central bank, as well as its multifarious functions and responsibilities, the majority of the judges came to the considered view that the restrictions placed by Section 38 were not in the least against the public interest and the "momentous decision to wind up a tottering or unsafe banking company" was rightly placed with the Reserve Bank. The restrictions on the fundamental rights were upheld on the ground of reasonableness.

Industrial Relations

ONE SIDE OF THE MEDAL

MR. V. V. GIRI'S inaugural address at the last annual session of the Indian Institute of Personnel Management at Ernakulam was a praiseworthy attempt to give a correct lead to the deliberations at the session. The only reservation that could obviously be made is that it was an attempt to see one side of the medal only, without a look at the other, which, however, is inescapable. The Governor of Kerala placed the right accent on harmonious labour-management relations for greater production and a continuous rise in profits and wages. And to this end the adoption of enlightened and progressive personnel policy would be of great help. Scientific personnel management can prove of considerable value in providing a bridge between labour and management and help bring about rapprochement between the two, thereby averting occasions of friction resulting in strikes or lock-outs. The right type of personnel management constitutes that bridge and the Governor exhorted personnel managers to influence the managements to accept their unbiassed and non-partisan advice in management policies. It is no doubt true that personnel management has received scant attention in a majority of industrial establishments in this country. But there is the other side to the medal. The trade union leader who organizes and directs the collective activities of labour is much more a politician than a trade union worker, judged by the prevailing standards in the industrialised countries. Unless he sheds his political complex and works as a devoted and enlightened trade union organiser, the much-desired harmonious relations would be difficult to achieve.

Mr. Giri is ideological rather than objective in making an earnest advocacy for a two-day weekly holiday for workers every Saturday and Sunday. The reason behind this advocacy was to enable the worker to enjoy his leisure with a fullness of satisfaction by visiting his family in his village and returning with fresh vigour on Monday to his job at the factory. This is to presume that an overwhelming majority of industrial workers stay away from their families for employment within modest distances involving no strain on their purses from the week-end visits. This presumption will hardly be borne out by facts in a great number of the industrial centres in this country. Mr. Giri would have no objection to increasing the working day to 9 hours a day to compensate for the loss of work on Saturdays. This is not a question of the amount of time devoted, because a longer working day would result in a diminishing rate of output. The worker's separation from his family is without doubt an important reason of absenteeism, but it is not the exclusive reason. Any measures which aim at securing higher output, wages and profits as well as more leisure ought to be based on greater productivity. In the absence of a forthright approach to productivity, many of the well-intentioned measures of amelioration may bring disappointing results.

Disarmament

ECONOMIC AFTER EFFECTS

BY A queer coincidence the gist of the report of the 10-nation group of experts, appointed by the UN General Assembly to carry out an investigation into the economic and social consequences of disarmament, appears on the eve of the 18-nation (now reduced to 17 owing to the abstention of France) disarmament conference at Geneva which got off to a start on Wednesday this week. This session of the disarmament conference is expected to extend over a period of something like 8 to 10 weeks, but whether it will bring any tangible progress in these interminable rounds of discussions, it is hard to speculate. The available indications threaten to be forbidding. While such is the prospect for disarmament talks at the snail's pace, the 10-nation group of pundits proceeds on the assumption of complete and rapid disarmament for its assumptions and conclusions.

The main conclusion spotlighted by the experts is reassuring. It dispells any apprehensions on the score that disarmament would plunge the world, or at least the major armed powers, into economic chaos. There are many who, clinging to their preconceived prejudices, cherish the illusion that the major nations of the world would lose their greatest ally — armament production. These were the very persons who prophesied unthinkable upsets in the economies of the leading belligerents in the last war as a consequence of the loss of the support of armament output. It is heartening to note that the group is quite emphatic that the transition to disarmament would be much less painless than the transition for the transfer of resources from war production during World War II to peace production.

The group estimates the world's present armament bill at $120,000 million, roughly equivalent to something like 8 to 9 per cent of its output of goods and services. In such matters it would be naive to take the estimates at face value, but the margin of error is immaterial. Nearly 85 per cent of this outlay is incurred by the U.S.A., the U.S.S.R., the U.K., West Germany, France, Canada and China. The last one alone, among these, has a problem of population pressure. In the rest of the countries, it would be safe to accept the group's finding that manpower shortages would be reduced and civilian production would receive a boost. In the centrally planned economies, the transfer of resources can be managed efficiently by the perfected planning techniques, whereas in the other countries private enterprise, government spending and monetary and fiscal policies would do the job effectively. The under-developed countries would stand a far greater and assuring prospect of economic aid from the industrialised countries and the levelling up of economic activity would raise the demand for primary products. Peace would give a new acceleration to liberal outlays on welfare.

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The World Abroad

THE TRUE GERMAN "MIRACLE"

By

ODYSSEUS

ENOUGH has been written about Germany's post-war economic "miracle" to sink a battleship, but I have yet to come across a study of Germany's post-war political "miracle."

The inauguration of a free market economy was in itself a political, not an economic, decision. It was taken by Professor Erhard, but he could not have enforced free enterprise against a hostile public opinion. Why were the people of Germany ready to accept the profit motive?

In 1945, opinion throughout the Western world had been conditioned, by six years of war, to state controls. The UK voted a Socialist Government into office. France set up a National Planning Commission. It is true that the USA favoured free enterprise but, as an Occupying Power, faced with a morally prostrate and physically devastated Germany, pullulating with millions of displaced and starving persons, even the Americans assumed that the economy would depend on centrally organised initiatives for years to come. Many authorities believed that the completeness of her defeat had condemned Germany to be a backward agricultural economy for at least a quarter of a century. The US Economic Co-operation Administration therefore drew up a Long Term Plan in 1948, which aimed at raising production to 110 per cent of 1936 by 1953. (In fact, of course, Erhard's free market economy had raised production to 150 per cent within those five years).

POST-WAR CONDITIONS FAVOURED SOCIALISTS

In 1946, the Social Democratic Party (SPD), which (outside the USSR) was the leading exponent of Marxism, was the only one of Germany's historic parties to have survived. For the two first post-war years, it was the only German party with an intact organisation. The Christian Democrats, and other parties, were incohesive groups, isolated in each occupied zone, searching for a programme, striving to build up from scratch non-existent political machines.

Since, moreover, many SPD members had magnificent anti-Nazi records, they were the obvious leaders for the renovation of democracy in Germany and, conscious of their mission, they threw themselves wholeheartedly into the work of political reconstruction. Many had been exiles in Britain or in the USA and it was not therefore surprising that the Occupation Powers picked out so many Social Democrats as "reliable" people for the first political posts created. In the House of Commons, Foreign Secretary Ernest Bevin in October, 1946, proclaimed British support for the socialisation of German industry and called on the Germans to take the necessary steps. General Brian Robertson, UK Occupation Commander, urged the Land (state) parliaments to nationalise heavy industry. The DGB (trades unions) also favoured this, and Dr. Schumacher, leader of the SPD, insisted on socialisation at the party conference in 1947. Even all the early CDU programmes assumed that recovery must be based on planning, supplemented by nationalisation of at least some basic industries. To the last, before the general election of 1949, most neutral observers were confident that the SPD would secure a sweeping victory.

In short, with all the dice loaded in favour of a Socialist State, why did the SPD not pull it off? I put this question to two cabinet ministers, to leaders of the CDU and SPD, to industrialists, and workers in overalls and white collars. What follows is a symposium of their views, with the caution that it would require a book to disentangle the many complete factors at work. All that I have space to offer here are some broad considerations, which, I readily concede, would require qualification to satisfy a scholarly mind.

One basic factor was that although by no means every German, any more than every European, is a practising Christian, every German shares with all Europeans the heritage of Christian human and social values, and the Graeco-Roman-Christian notions of the rule of law, respect for the rights of the individual and of his personality. For twelve years up to the desolating dusk 1945, the Germans had lived through the traumatic experience of the Hitler regime, which had enforced a brutally atheistic, indeed consciously pagan, dictatorship, setting human and Christian values at nought, regimenting the individual personality.

It follows that one of the forces at work in 1945-1949 was a profound anxiety to avoid any course which might lead to the return of a dictatorship, whether of the Right or of the Left. The Germans were, therefore, ready for a party of the Centre.

The SPD was not then such a party. It had inherited the political dogmas — class warfare, dictatorship of the proletariat, and scorn of religion — and the economic doctrines — state direction of the means of production, distribution, and exchange — of 1869, when Karl Marx won control of the German Social Democratic movement.

Although the trades unions are traditionally associated with Socialism in Europe, the DGB in post-war Germany tried from the first, and has on the whole succeeded, to be non-political. The DGB has about ten times the paid-up membership of any political party. Union officials are drawn indifferently from any political party. The DGB claims, with much justification, to be the strongest democratic influence in Germany. Their experience of the Nazis, and what they have seen in the Communist countries, convinced them that genuine trades unionism cannot survive totalitarianism whether of the Right or the Left. Moreover, the economic prostration of 1945, following the devastation of war, acted as a classical Toynbeean challenge not only to the trades unions but to all Germans — workers, employers, and middle classes — to close their ranks and to strive for material recovery and political stability. They sought national self-respect and unity, not the divisions of the class struggle.

ADENAUER'S GREAT CONTRIBUTION

Konrad Adenauer's great contribution to post-war Germany was to canalise this desire for national unity, recovery and, above all, for a stable society. He had the vision to see that the creation of political parties representing merely the sectional interests of Catholics, or Protestants, or middle classes, or employers, or workers, would consolidate Germany's divisions, and he had the statecraft to impose his vision.

Because Adenauer's CDU Government has directed a free competitive economy, foreign Leftist critics believe the CDU to be a party of reactionaries. It is not. In 1947, Dr. Adenauer sought neither Catholic, nor Protestant, nor working class support as such. His programme was the re-acknowledgement of the human and social values of Christianity after an atheistic interregnum. These values centre on the individual, on his spiritual, as well as his material well-being, and they imply a social and political programme which allows the individual to stand on his own feet, his head neither

bloodied nor bowed. The carefully thought out choice of the "Christian Democratic Union" as the name of the party proved to have the right combination of fixed meaning and flexibility needed by a party seeking to rally a broad following. To Catholics, the CDU was not an old-fashioned clerical party, but the protector of Catholic social and cultural interests. To Protestants, the name meant an alliance with the stronger Catholics to protect common values against the atheistic Left. Liberals accepted it as embodying liberal values within a non-sectarian interpretation of the Western cultural tradition. The middle classes responded to its rejection of Socialism. Those who sought social solidarity, whether Catholic or Protestant trades unionists, or Prussian conservatives, accepted the CDU as seeking to avoid a class war and to reconcile the claim of all classes.

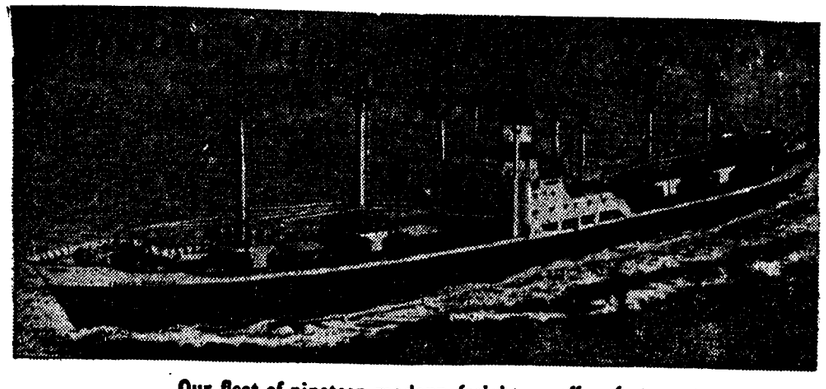
No country can be governed, no industry run, no young people educated, without the aid of the middle classes. If you disenfranchise the middle classes, wholly or partially, by revolution or inflation, the community staggers along until you allow a new elite to emerge (as in the USSR). Konrad Adenauer had the imagination to realise that if Germany's recovery, moral and material, was to be speeded, he must have the support of substantial numbers of the middle classes. The CDU must appeal to the wide open spaces to the right of the class conscious SPD. These spaces included a substantial proportion of the workers and, to secure their equally important support, Adenauer said that the government would control the economy. Originally, he also foresaw a degree of state ownership, but Erhard's courageous inauguration of a competitive free market after the currency reform of June, 1948, introduced a wholly new and startling factor. Production soared. The free market triumphed over Socialist doctrines by practical demonstration.

Just as the political views of a business executive are his private affairs, having nothing to do with his firm, so DGB members may belong to any political party. Many are SPD supporters but the unions make no direct contribution to SPD funds. Although leading DGB officials have become politicians, even cabinet ministers, the best known have been members of the CDU, and their political activities have not involved their union. This means that the DGB, in its struggle to attract membership from the rising numbers of non-union minded, middle-class-orientated, workers of an affluent society, is unhampered by the conflict of loyalties that arises in the UK from the close link of the British unions to one political party, which at least 30 per cent of their members show by their votes that they do not want to see in office. My informants agreed that if the DGB were to tie up with any political party, its membership recruitment difficulties would be greatly increased.

It is nonsense to identify Germany's market economy with laisses faire. Government policy covers full employment, housing, anti-cartel legislation, and the world's most efficient system of social security.

Unlike the British Labour party, the SPD has digested the lesson. The key paragraph of its election manifesto says that "the free choice of consumer goods and services, free choice of a place to work, free initiative for employers (sic) are decisive foundations, and free competition an important element, of a free society. Totalitarian control of the economy destroys freedom... As much competition as possible — as much planning as necessary." Since Dr. Adenauer and Professor Erhard have been practising this SPD policy since 1948, I foresee shifts of emphasis but no drastic changes if the SPD wins the next election. In other words, all Germans are in broad agreement on their social policies. That is the true German "miracle".

(This is the final article in a set of three reporting the tour of Germany that Odysseus recently made on behalf of "The Eastern Economist" — Ed.).



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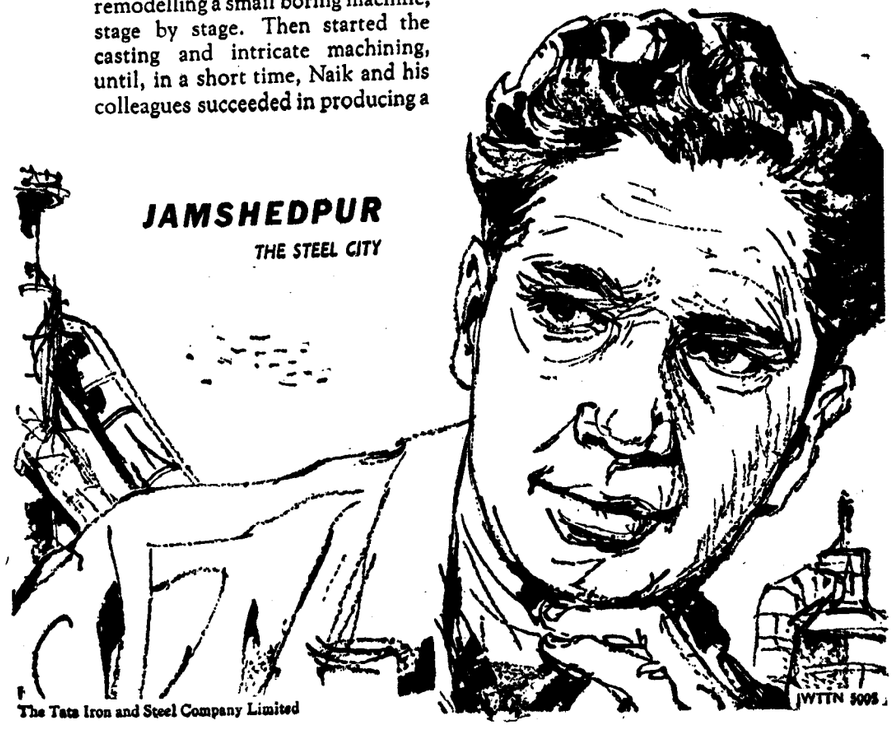
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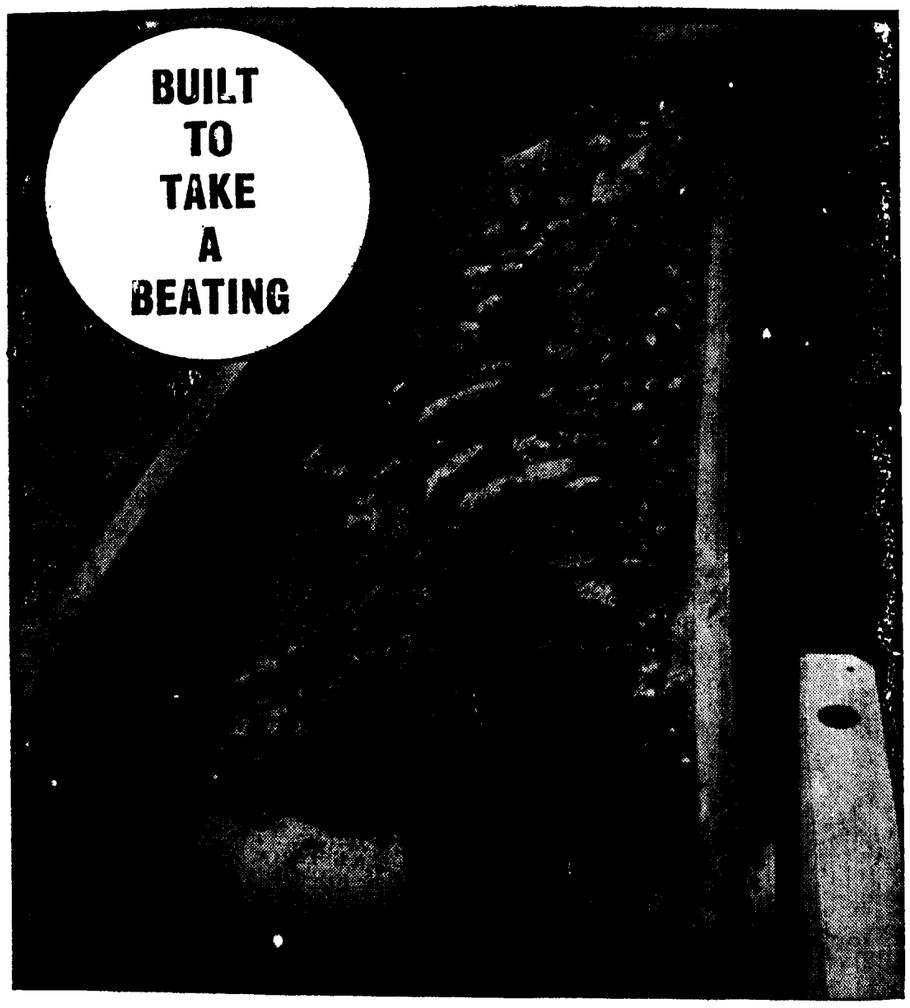
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Working on this problem in his leisure hours, Naik gradually crystallised his ideas into mathematical formulae and blue-prints. He developed, at the same time, a new machine tool to do the job by remodelling a small boring machine, stage by stage. 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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The European Scene

BRITAIN IN EURATOM

From Our Special West European Correspondent

PARIS, March 10.

BRITAIN applied this week for membership of Euratom, the atomic research community of the Common Market. This was expected, for London announced her intention to join both Euratom and the Coal and Steel Community when she took the decision to seek entry to the Common Market, as a way of emphasising that Britain was genuinely interested in all aspects of West Europe's integration and not merely in the commercial arrangements between the Six. The application to Euratom has come earlier than some had expected; the negotiations about the Common Market will take many months yet (probably most of the rest of this year) while Britain's admission to Euratom will be speedily concluded, so this step could have waited. On the other hand, some very interesting plans are being laid inside Euratom between France and West Germany, and it may be thought that Britain wanted to be at least halfway in before matters went any further. This underscores the fact that entry into Euratom is not just a formality for Britain, a gesture of goodwill to this aspect of European integration; it has an importance of its own, for the atomic community will henceforth be undertaking work from which Britain could no more afford to be excluded than from the customs union.

At its birth, Euratom was the community to which Britain was least favourably disposed because, as defined in the Rome Treaty, it was the community with the most marked "supranational" aspect, the one that required evident surrender of national sovereignty. British reluctance to envisage abatement of sovereignty in a supranational organism is well known, but it was naturally most emphatic in regard to an organism concerned with atomic energy, because the impact on military independence is obvious. The charter of Euratom, for example, foresaw restrictions on national use of fissionable materials. However, in practice, Euratom's supranational powers have been very much reduced, thanks to the opposition of President de Gaulle, whose views on supranationality are precisely the same as London's. Since Paris has a dominant role in Euratom, being the only atomic power on the Continent, and since a Frenchman is automatically president of Euratom, General de Gaulle has been able to empty the organisation of all its supranational content; he is even recurrently suspected by his partners of wanting to emasculate it altogether.

Euratom has just come through a crisis on this subject. Paris sacked the president it had named because he began to develop a European patriotism and even opposed the actions of his own Government inside Euratom. This made him the hero of the One Europe clan, of the supernational bureaucracy of the European Communities and the Strasbourg Assembly, all of whom are committed to the singular faith that a European Nation can emerge in opposition to the Six existing Governments. The outcry notwithstanding, Paris replaced him with a loyal Gaullist minister who has no supranational inclinations and who obviously intends to act as his Government's delegate. One may suppose that London was very glad to see this change, and her application may even have been timed to mark her approval of it. Euratom as it now exists is a very different organisation from the one projected in Rome, and there is nothing in it that could embarrass in the least a member-nation that wished to dispose of its fissionable materials to make atomic weapons for its independent defence, i.e. specifically, nothing to hamstring France or, when she becomes a member, Britain.

One sees again here the vacuity of allegations that it is France that has been placing obstacles in the way of British membership of the European union. On the contrary, it is the Gaullist interpretation of the Rome Treaties in the sense of an international alliance rather than a supranational authority that has all along smoothed the way for Britain's reconciliation with the Continent. The One Europe imagined by the fanatics of integration, and vehemently supported by the pro-British small powers, could never have attracted Britain because it would have required abridgements of sovereignty to which British opinion will not consent. In contrast, the Gaullist vision of a "Europe of Homelands", which disgusts the Belgians and Dutch, is the only one acceptable to the British. In compensation, of course, Paris insists on a rigid implementation of the economic and commercial clauses of the Common Market treaty, because de Gaulle has been converted to the view that a unified economy is an absolute necessity but contains no threat to the persistence of sovereign nation-states provided they are bound together by alliance not different in nature from traditional multilateral treaties. He is probably wrong on this second point, but London shares his illusion and it is this that is making possible the construction of a Greater Europe. So when the French delegation in Brussels is obstinate about Britain paying the full economic price of entry into the Common Market, it needs to be remembered that it is France that has lowered the political price for Britain's entry into uniting Europe.

The point is noteworthy in connection with Euratom, because it is here that France enjoys that predominance over her Continental partners that de Gaulle is said to be reluctant to share with Britain. Being far in advance of the other five put together both in the industrial and military applications of atomic energy, possessed of nuclear weapons when West Germany is prohibited from making them and the others incapable of doing so, France was able to continue her independent atomic programme while sharing just what she chose with her partners. There was even a suspicion that Euratom's activities were being run as an annexe of French atomic policy, and that Euratom's laboratories were just branches or sub-contractors of the French research stations. None of this was ever literally true, but if French ambitions inclined that way they will be abandoned with the entry of Britain into the organisation. Britain's investment in and experience of atomic power is much greater than France's while in some research lines (but not in others) she is further advanced. The balance of power in Euratom will be revolutionised and the organism will virtually begin a new life; Britain's impact here will be greater than in the Common Market or Coal and Steel Community.

More important than these political considerations is the fact that Euratom will henceforth group two countries that have already reached the stage of industrial application of atomic energy. Their programmes have been following rather different lines, and it will be difficult to adjust them, but when the adjustment is made (and that is what Euratom exists for) West Europe will be well placed to claim a leading place in this field. The research programme that Euratom has worked out, although influenced mainly by French ideas, is perfectly capable of interesting the British. By participating in the common effort, the British will be able to compensate for some of the disappointments they have suffered in their excessively optimistic gamble on industrial atomic power.

Reactions from the USA will be significant. Britain and France had this in common that they both staked all on reactors using natural uranium whereas the minor European powers (minor as regards atomic research) were working with enriched uranium supplied, under rigorous conditions, by the USA. It would be normal if, after Britain's entry into Euratom, the balance of European interest shifted to natural uranium, which is the original European idea in atomic research, in contrast to the American effort to sell the Europeans an American idea, which inevitably tended to preserve US dominance over their atomic development. This was already one of the causes of friction inside Euratom. The smaller powers were willing to follow the American lead, because of short-term gains, leaving France to follow (like Britain) her own line of research although it was evident that, in the long run, to depend on US research meant accepting dependence on US suppliers of equipment later. If Britain and France now combine their activities, and make enough progress to secure the support of the other Europeans, the prospects for American exports of atomic generators will be altered.

Britain will be joining Euratom just when its first five-year plan is completed and a new five-year plan set on foot. The first plan covered principally the infrastructure for joint research, and it is only in the second plan that spectacular tasks will be attempted. The main one concerns the Orgel project, an atomic generator using heavy water and organic refrigerants, on which work is well advanced at Ispro, the Community's joint research station. Efforts will be concentrated on this because Euratom sees that the price differential per kilowatt-hour from nuclear sources and conventional sources is contracting rapidly, so that nuclear power will be competitive in the foreseeable future. A second project, run by the French and West Germans, concerns work on neutron acceleration reactors, which is expected to open up new uses for plutonium and to have the effect of reducing the cost of electric power produced from natural uranium. A third line of work is more technological than scientific, in that it consists in perfecting known types of reactors, and is thus a means of training the technicians who will be called upon to run tomorrow's nuclear power stations. Finally, Euratom has a programme for biological research, concerning the effect of radiation. This is not only of medical and social interest, but has a direct economic utility: protection against radiation risks is one of the causes of the present high cost of nuclear energy.

Though it was written before British membership was assured, this programme, it is believed here, will interest the new candidate. The extra financial resources Britain's entry will bring will enable work to be promoted more quickly, or extended to cover fresh fields of research. On either count, Euratom will become a better-balanced and more efficient centre of research. Operating as a community centre and undertaking research that is complementary to the independent activities of Britain and France (connected with their military interests), it should be able to leave behind it the quarrels about supranationality that have bedevilled its first years.

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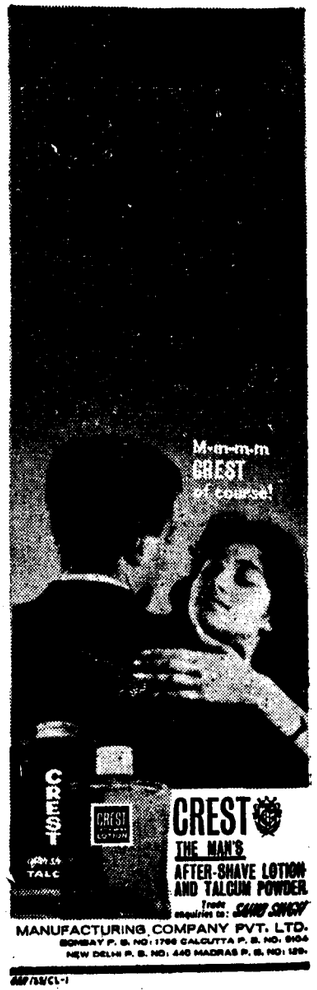
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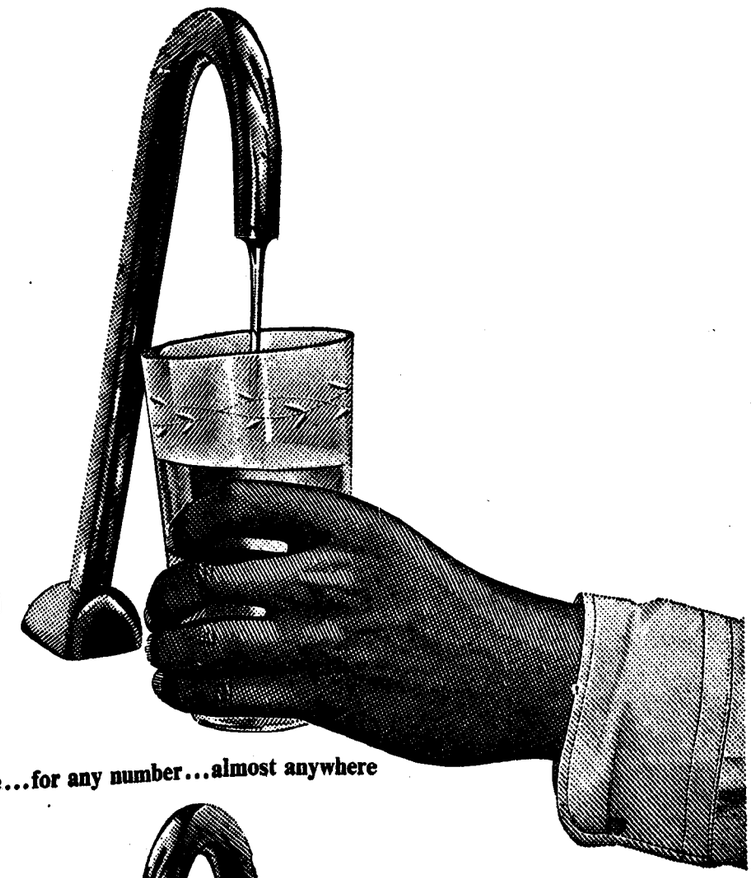
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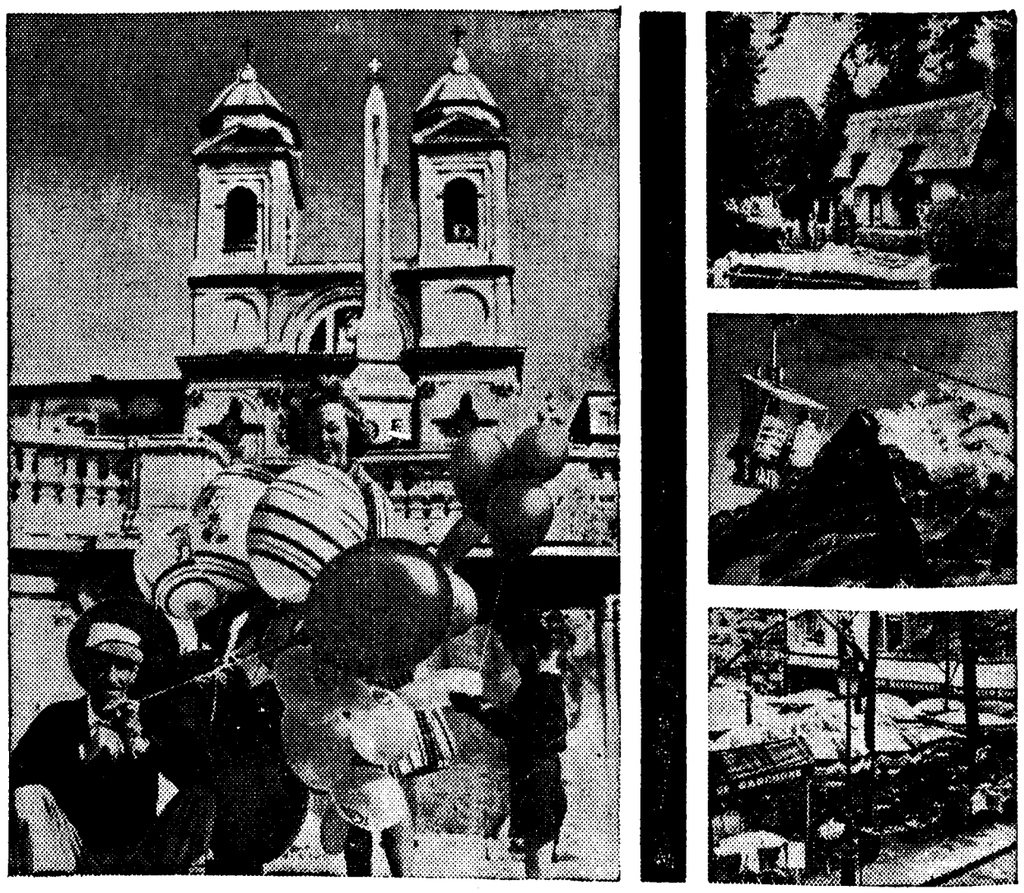
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Economic Report from the U.S.

THE SMALL ENTERPRISES

By GUY SIMS FITCH

WASHINGTON, March 6.

WHEN U.S. astronaut John Glenn took off on his heralded flight into orbit, his safety and the success of his venture depended on the skill and technology of many hundreds of American business enterprises. The vast majority of these are small companies, suppliers of special equipment and services that have helped make the space age a reality. In a real sense, then, the Glenn achievement reflects the vital role of small business in the economic structure of the United States. Fully 95 per cent of all American businesses merit the designation of small by official definition. Not all of them work in fields as glamorous as space science and technology, but they all contribute in their ways to the healthy functioning of American society. At the last count, taken just about a year ago, there were 4.7 million business enterprises in operation in the United States. Of these, no fewer than 4.5 million were classified as small. The small enterprises represent every segment and every area of American life, from the family grocery store to the manufacture of intricate industrial equipment. They may employ a few people or a few dozen people, from unskilled clerks to highly skilled scientists and technicians. In the aggregate, they account for more than 40 per cent of the nation's total business activity and employ some 300 million persons — nearly half the nation's working force.

There is nothing static about this situation, of course. The number of business enterprises, both large and small, has grown with the economy. Only five years ago, for instance, the total was 4.25 million. Indicative of the opportunities that continue to abound in the expanding U.S. economy, projections place the number of small businesses at more than 5 million by the end of the 1960's — an anticipated increase of no less than 500,000 within the decade. This is in line with the prevailing view that the 1960's may well be the greatest period of economic expansion in the U.S. history. An expected population rise of 30 million, along with a 50 per cent gain in the total output of goods and services, should open the way for new business ventures of many different kinds. Not all new ventures succeed, of course. Some fall by the wayside, for various reasons — poor management, lack of money, shifts in demand, over-optimism, or any number of others, singly or in combination. The important point, however, is that millions have succeeded, and more are succeeding all the time. Let it not be forgotten, moreover, that there is hardly a big business in operation today which was not small when it started.

Not even the growth of automation, with its stress on costly and complex machinery, has stemmed the growth of the nation's business population. On the contrary, the development of new industries and new products based on new technology appears to be widening the prospects for small business. More than ever, brainpower and educational background are taking precedence over size and financial resources as criteria for excellence and efficiency in performance. There are jobs, of course, which are particularly suited to larger enterprises — automobile plants and steel mills, for instance. By the same token, small businesses have made and are making their contributions to the nation's progress and welfare, as in the supplying of special services and equipment. In addition, large companies often rely on smaller concerns to help in the manufacture, marketing and servicing of their products. Clearly, there is room in the multifarious U.S. society for all types and sizes of enterprise. Economic patterns and national requirements may change with the times. But United States will ever be a land of opportunity for those willing to pour their time and their effort, their dreams and their courage, into their self-advancement. The future of small business is as bright as that of the nation itself.

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Special Article

CONGRESS LOSSES IN UTTAR PRADESH

UTTAR PRADESH enjoys the unique distinction of sending the largest contingent of members to the Lok Sabha. Being the most populated State of the Indian Union, its legislature also has the largest number of members. The latest elections have indicated that even though the Congress Party succeeded in winning a majority, it suffered wounds which were far deeper than could be discerned by a cursory glance. Half a dozen Ministers of the State Cabinet have been defeated, and on top of that, the P.C.C. Chief, Mr. Ajit Prasad Jain, also failed to win his Lok Sabha seat.

The statistics of the election results show that the rightist parties, led by Jan Sangh, have thrown up a bitter challenge to the ruling party. In the 1957 elections, the Congress Party polled 46.3 per cent of the total valid votes for the Lok Sabha. In the current elections, the percentage dwindled to 39.1. The fall in the percentage of votes was not reflected to the same degree in the seats won for the Lok Sabha. Whereas the Congress Party had secured 70 seats in 1957, its strength was reduced to 62 in the present elections. Similar was the fate of the Congress Party in the State legislature. Out of a total of 430 seats, the Congress Party claimed only 248 seats‡‡ as against 286 members in the outgoing legislature. Thus the Congress Party in the Vidhan Sabha has yielded 38 seats. In certain instances, the Party has encountered defeat in areas which were its stronghold for more than a decade.

Table I below compares the election results for 1957 and 1962 in so far as the representatives of U.P. to the Lok Sabha are concerned. Here the most significant development is the increase in the strength of Jan Sangh from 2 to 7 seats and emergence of the Swatantra Party with 3 seats. The Congress Party has lost 8 seats which have gone either to Jan Sangh or to the Swatantra Party. The Communists have captured 2 seats instead of one in 1957. The independents and other splinter groups have improved their position from 9 to 10 seats. In addition to the Congress Party, the only other party to lose ground in U.P. is the P.S.P. which had 4 seats in the last House but has been able to retain only 2 seats in the new House. The Jan Sangh, therefore, has emerged as the strongest rival to the Congress in U.P. This conclusion is reinforced by the total valid votes polled (Table II) by the various parties in their Lok Sabha seats. Here the Jan Sangh has improved its vote from 14.8 per cent in 1957 to 17.5 per cent in 1962. The Communists have doubled their percentage votes from 1.7 to 3.6, while the P.S.P. has recorded a substantial fall from 15.3 per cent in 1957 to 10.4 per cent in 1962. The independents and other parties also improved their percentage share. This table also shows that in 1957 about 22.9 million voters made use of the franchise while the valid votes polled in the present elections were significantly lower at 17.8 million. This shift has been caused due to the elimination of the double member constituencies. In the 1957 elections each voter had two votes in each double member constituency. The comparison, thus, holds good in percentage terms but not in actual figures.

Table III on the next page shows the margin by which the Congress candidates have been able to win 62 seats to the Lok Sabha. Eight of these members had a very narrow win as their excess percentage margin over their nearest rivals was less than 5 per cent. Further analysis of these seats indicates that the victory in certain seats was extremely narrow. If the Congress Party had gained a one per cent smaller vote, it would have also lost its Gonda seat to the Swatantra Party. In Mainpuri, the difference with the nearest Communist rival was less than 2 per cent. In Domariaganj and Balrampur the difference between the winning Congress candidates and the defeated Jan Sangh candidates was less than 2.5 per cent. In Chandauli also the nearest Socialist rival to the successful Congress candidate had a difference of less than 2.5 per cent in votes. Again in Ramsanehighat, the Jan Sangh lost by a

TABLE II

VALID VOTES POLLED
(For Lok Sabha Only)

Name of the Party	1957 General Election		1962 Genreal Election	
	No. of Valid Votes Polled	% to Total	No. of Valid Votes Polled	% to Total
Congress	1,05,99,639	46.29	69,49 915	39.11
Communist	3,83,509	1.67	6 35 206	3.57
P.S.P.	35,11,157	15.34	18,51,857	10.42
Jan Sangh	33,85,247	14.79	31,11,878	17.51
Swatantra	—	—	8,82,390	4.97
Other Parties and Independents	50,16,551	21.91	43,38,076	24.42
Total	**2,28,96,103**	**100.00**	**1,77,69,322**	**100.00**

TABLE I.

AN ANALYSIS OF U.P. LOK SABHA SEATS

Name of the Party	1957 General Election			1962 General Election		
	Seats Contested	Seats Won	% to total of (2)	Seats Contested	Seats Won	% to total of (5)
	(1)	(2)	(3)	(4)	(5)	(6)
Congress	86	70	81.39	85(+1)	62*	72.09
Communist	7	1	1.16	18	2	2.33
P.S.P.	52	4	4.66	47	2	2.33
Jan Sangh	61	2	2.33	76	7	8.14
Swatantra	..	..	..	33	3	3.49
Other Parties and Independents	88	9†	10.46	182	10‡	11.62
TOTAL	294	86	100.00	441(+1)	86	100.00

*Including one unopposed return.
†Nine independents.
‡Three Republicans; One Socialist; One Hindu Maha Sabha; and five independents.
NOTE: The figures in brackets indicate unopposed return.
‡‡ Excluding the two constituencies where polling has been postponed.

margin of less than 3 per cent votes. Similar was the case of the Hindu Maha Sabha candidate from Gorakhpur. Thus, had the opposition succeeded in tilting the Congress vote by 5 per cent, the Congress Party would have lost another 8 seats, reducing its strength in the Lok Sabha to 54 out of a total of 86. The implications of such a shift would have been much more disastrous for the Vidhan Sabha where the Congress Party would have found it difficult to form its own Ministry. The Congress Party, thus, seems to have had a very narrow escape in U.P.

Table IV sets out the U.P. Assembly election results for 1957 and 1962. It follows roughly the pattern set in Table I regarding the Lok Sabha results. The losers are the Congress Party and the P.S.P. while substantial gains have been made by Jan Sangh, the Swatantra Party and the Communists. Strangely the independents and other parties have lost ground in the State Assembly while they were able to improve upon their Lok Sabha results. Much more impressive is the performance of the Jan Sangh which almost trebled its seats from 17 in 1957 to 48 in 1962. The P.S.P. has lost 6 seats while the Communists have gained five. Thus the losses of the Congress Party, the P.S.P. and the independents have been the gains of the Jan Sangh and the Swatantra and to a lesser extent the Communists. In other words the State election results are even more against the Congress Party than the Lok Sabha results. The figures suggest a period of instability in Uttar Pradesh after 1967.

TABLE III.

THE EXCESS PERCENTAGE MARGIN OF THE SUCCESSFUL CONGRESS CANDIDATE OVER THE NEAREST RIVAL

Range (Less than the Upper Limit)	Frequency
0 — 5	8
5 — 10	Nil
10 — 20	4
20 — 30	9
30 — 40	9
40 — 50	3
50 — 60	7
60 — 70	Nil
70 — 80	3
80 — 90	1
90 — 100	3
Over 100	14
TOTAL	61*

* Excluding the one unopposed return from the Tehri Garhwal constituency.

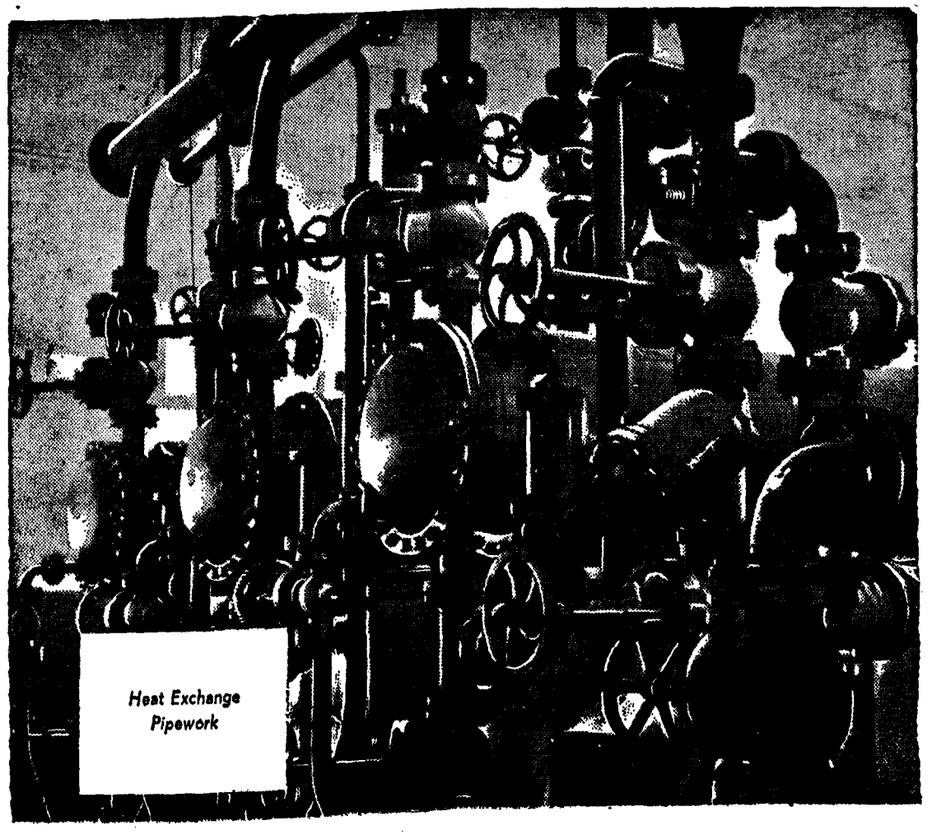
TABLE IV.

AN ANALYSIS OF U.P. ASSEMBLY ELECTION RESULTS

Name of the Party	1957 General Election			1962 General Election		
	Seats Contested	Seats Won	% to total of (2)	Seats Contested	Seats Won	% to total of (5)
	(1)	(2)	(3)	(4)	(5)	(6)
Congress	430	286	66.51	429	248	57.94
Communists	91	9	2.09	145	14	3.27
P.S.P.	263	44	10.23	288	38	8.88
Jan Sangh	242	17	3.95	377	48	11.21
Swatantra	..	..	..	167	15	3.50
Other Parties and independents	733	74	17.22	1221	65	15.20
TOTAL	1,759	430	100.00	2,627	428*	100.00

* Polling has been postponed in two constituencies.

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Moral in English—It's thrifty to fly IAC.

INDIAN AIRLINES

162625

THE BUSINESS WORLD

Birlas in Bombay

By CROESUS

THIS has been a veritable Birla Week in Bombay. It is as it should be, considering the valuable contribution that the Birla family has made to enrich the economic, political, educational, social, cultural and religious life of this country generally. Today, Birla's industrial or other activities may be more concentrated elsewhere than in Bombay, but it is Bombay that can rightly take pride in having given a start, as it were, to the great Birla enterprise exactly a hundred years ago, when the late Mr. Shivnarain Birla established his business house in Marwari Bazaar in this city. Indeed, Maharashtra's Chief Minister Chavan, who was the chief guest at the grand reception held in connection with the celebrations, in Bombay, last Saturday, claimed it without any mental reservation. "It is a matter of pride", he said, "for the city of Bombay to think in retrospect that the sapling taken from Rajasthan and planted in Bombay has become a big banyan tree giving shelter to many families, to thousands of employees working in their industries, and doing useful work in different fields — economic, social and educational."

As befitting an occasion such as this, divine services (puja), several meetings, receptions, luncheons and dinners were held and I made it a point to attend almost everyone of these functions with a view to assessing the popular reaction to the celebrations and to ascertaining, if possible, the secret of success of the Birlas. Particularly impressive were the reception held by the Birlas at the Cricket Club of India and the sharebrokers' reception at the Radio Club presided over by Mr. G. L. Mehta, our former ambassador to the U.S. If the large attendance—perhaps the largest at such a function I have so far seen of the elite in every walk of life of Bombay and outside—at the Cricket Club function was an indication of the esteem in which the Birlas are held in this country, the thousands of messages and telegrams wishing the function success from the highest placed in official life and business circles alike, from both within the country and abroad, provided an index of the reputation they enjoy all over the world.

How did the Birlas come to occupy this unique position? The clue is perhaps to be found from a careful sifting of all that was said at the several functions, by Mr. G. D. Birla himself and by others, in particular Mr. Chavan and Mr. Mehta. Mr. Chavan, I think, placed his finger on the pulse when he speculated that the success of the Birlas lay in their correctly responding to the changing urges of the times, be it in the political field or in the social field. According to Mr. Mehta, who endeavoured to find why there were hardly a few business houses that could boast of having completed a hundred years, the success of the Birlas is to be attributed to the disciplined lives of the members of the Birla family and the complete harmony prevailing among them. Both are right, but, if I may venture a third reason, it is the unflinching triple faith of the man at the helm of affairs, faith in himself, faith in the future of his country and faith in the Indian youth. It is faith and faith alone that sustains this Man of Faith —Mr. G. D. Birla. He is not content to say "I can do it", but he is catholic and generous enough to say "everyone can do it" and "India can do it". And, what is more, he has enabled many to do it by placing people in positions of responsibility and thereby providing an opportunity—the opportunity of their lives—to make or mar their future. This is how the Birlas have managed to carry on, incidentally disproving the theory that business acumen does not pass from father to son, a favourite argument of those who have successfully worked to do away with the system of managing agency, a unique feature of the business life of this country. I know how a member of the Birla family who is placed in charge of a given business or industry is expected to work, and, in fact, works. He works like any other employee, perhaps more than an employee. One must spend a day with a member of the Birla family, as I had occasion to do once, to be convinced of this. It is literally a question of 'seeing is believing'. But, before any member of the family is entrusted with responsibility, obviously, he is given a thorough training after years of good education and considerable travel abroad. Travelling abroad, it is noteworthy, is encouraged not for pleasure but for profiting from what there is to see in other countries and from observing how other countries are managing their business and industries. Surely such Spartan training does not happen to be the prerequisite of every young business man in India, but it ought to be so, if India is to industrialise on right lines. Productivity and profitability are the by-words of every Birla concern, as is amply borne out by the fact that, as against a total block of all their industrial undertakings, as on December 31, 1961, of about Rs. 150 crores, the total sales of these undertakings amounted to about Rs. 201 crores. This, it should be noted here, is not only highly commendable, but better than the performance of most industrial undertakings in our country.

Very soon in their business career, the Birlas must have discerned that, for the sound economic advancement of this country, what was needed was neither natural resources nor manpower, both of which we have fortunately been favoured in abundance, but skilled labour and technical know-how. Hence the bias towards technical education at all levels that one notices in the educational programme of the Birlas. It was only to be expected, therefore, that, to mark the Centenary of the House of Birlas, they would do something to promote technical education, in a big way, as, indeed, they have done. They now propose to start an Institute of Technology on the most modern lines, and they have been assured of the help and co-operation, for this purpose, of well-known institutions like the Massachussets Institute of Technology — M.I.T. It is understood that Prime Minister Nehru also has commended the proposal.

Although the Birlas have done so much—to quote Mr. Chavan, "the history of the Birla family is, in a sense, the history of the efforts and the progress of the country of the last century"—they have continued to retain their traditional humility. It was in a spirit of humility and a mood of prayerfulness that Mr. Birla

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spoke throughout on the centenary occasion. "I should like in all humility", he said, "to offer my thanks and the thanks and gratitude of my family to Almighty God, but for Whose will not a blade of grass can grow, nor a leaf move. If we have been successful in however humble a manner and kept ourselves on the right path and contributed our mite, it is because of divine blessings." It was, again, in a spirit of humility that he sought the blessings of Mr. Chavan for the future of the youth of this country "so that they may carry on the work which has been started by leaders in this country for the purpose of economic growth of the country, and so that India may became prosperous, happy and, really speaking, free."

At the Radio Club, Mr. Birla clarified an earlier statement of his in Bombay in which he seemed to take a rather gloomy view of the future. Emanating, as this happened to, from one known for his robust optimism at all times, it naturally provoked Mr. G. L. Mehta to make a pointed reference to it. With many others, he wondered what could have prompted Mr. Birla to take such a view. In reply, Mr. Birla said that he was not as gloomy as Mr. Mehta supposed, although he did take a somewhat pessimistic view of the outlook for the future because of the difficulties he visualised the Third Five-Year Plan would run into. As for the long-term outlook, however, Mr. Birla declared, he still felt quite optimistic and added that India would have a bright future and Indian youth great opportunities ahead. A financial journalist who was present pithily summed it up in stock market parlance—according to Mr. Birla, he said, "the short-term outlook is bearish and the long-term outlook bullish."

It was Mr. Mehta who rightly drew attention to the harmony and discipline among the members of the Birla family. One has to be present at any residence of the Birlas in the country when the family members happen to be together, as they do on rare occasions, to get a first-hand evidence of this harmony. No one can fail to notice the fraternal love of the elder brothers, Mr. J. K. Birla and Mr. R. D. Birla towards Mr. G. D. Birla, and the paternal feeling of the younger brother, Mr. B. M. Birla, towards the latter, on the one hand, and the awe in which the younger generation of the Birla family as a whole holds Mr. G. D. Birla, on the other. It could not be otherwise either, for it is Mr. G. D. Birla ("Great Democrat" is my extension of the two letters) that is the inspiring genius and the guiding star of the family. With the poet then, let me join and pray on this solemn occasion: "May his tribe increase".

Business Notes

Brick Kilns

CRISIS DEEPENS

"THE EASTERN ECONOMIST", two months ago, analysed the implications of the East Punjab Control of Brick Supplies Act, 1949 promulgated in the Capital whereby the price of first class bricks was fixed by the Chief Commissioner of Delhi at Rs. 30 per thousand. It was explained that the price fixed was uneconomic and was likely to result in the closure of some of the brick kilns. The forecast made by "The Eastern Economist" has come true and no less than 20 kilns have already closed down because of the non-availability of coal and the unremunerative price fixed by the Administration. This has also crippled the growth of 70 kilns which were expected to come into existence; the Control Order seems to have killed them before their birth.

When "The Eastern Economist" approached Mr. L. O. Joshi, Chief Secretary, Delhi Administration, for an elucidation of the steps being taken in order to arrest the deepening of the crisis, the plea was put forward that on the basis of the controlled price of coal the price fixed for bricks was adequate. This point of view has also been endorsed by the Brick Kilns Association but the Achilles heel is the non-availability of the needed supply of slack coal for the industry. The following figures compare the demand of 180 kilns for slack coal during the period October 1961 to February 1962 and the coal made available by the Administration. The figures make an immediate impression that the brick kiln industry is being starved of slack coal which is an essential component of this industry:

Month	Demand of coal for 180 kilns	Coal provided by Administration
October 1961	1,260 wagons	335 wagons
November 1961	1,260 wagons	124 wagons
December 1961	1,260 wagons	75 wagons
January 1962	1,260 wagons	225 wagons
February 1962	1,260 wagons	260 wagons

Those who have invested their capital in the brick kiln industry are forced by laws of economics to run them because otherwise they stand to lose heavily. They even go out and procure coal from whatever source they can by paying a premium over the prevailing controlled price. This they have to do because of the incapacity of the Administration to provide them sufficient coal and not due to any love for high-priced coal. The Administration seems to be sitting on its 'ethical' high horse, knowing fully well the difficulties in which the industry is enmeshed. Three months from now when really acute famine of bricks descends upon the Capital—in as much as it may put thousands of people out of work — the Administration may perhaps relax. But then it may be too late and the industry may have suffered so heavily that it may not be able to recover in the near future. Let the Administration take a positive action; either import more coal failing which it must move the price upward by at least Rs. 4 to 5 per thousand in order to meet the mounting cost. Unless this is done, the consumer of bricks will also be hard hit as he will not be able to adhere to the schedules which are being pressed upon him by the development authorities. The sands of time are running out; only 90 more days are left for "burning" bricks because the kilns will cease working with the commencement of the raining season. Any delay now may land the industry in irreparable loss.

Tea

PLEA FOR TAX CONCESSIONS

THE SPEECH of Mr. I. F. Morriss, Chairman, Indian Tea Association, delivered at the Association's annual general meeting, is to the point, logical and realistic. Besides, it has a lot of force in its arguments. While covering most of the problems pertaining to the tea industry, it makes a passionate plea for tax concessions. The complaint of the tea industry is that not only it pays excise duty but also an export duty which ultimately undermines its competitive strength abroad. His thesis is that if excise duty or export duty is reduced or abolished, an increase in the off-take of Indian tea by foreign buyers can be expected. The Chairman's view that such an increase can take place is based on many reasons. Firstly, there is at present no encouragement whatsoever to send out tea when each export is accompanied by the payment of an export duty over and above the excise duty already paid. Secondly, the producer who is asked to quote for his teas by foreign buyers is bound to quote a price which will at least cover his cost of production as well as internal taxes which he is to pay. The foreign buyer will naturally see to this price and will realise that in addition he will have to pay the export duty. Inevitably, quality for quality, the Indian producer must quote a higher price than producers who are not handicapped by the need to pay an excise duty and an export duty on teas which are exported.

The proposal which the Association has submitted to the Government is that internal duties, both Central and State, including tea cess, should be consolidated into one tax so that there is one set of tax gatherers to deal with, in place of four or five at present and that tax should be payable not ex-factory, as at present, but as near to the point of sale as possible. In the process of this consolidation, the Association's contention is, that it will save Government and the Association a lot of very costly and unprofitable accounting and a mass of reconciliation which is at present hindering the advancement of the industry. The other fiscal proposal is that when tea is exported there should be a refund on an excise duty it has paid or, alternatively, export duty should be abolished or reduced. In this context one is led to ask as to what is the consequence of imposing an export duty and an excise duty on exports. Needless to say that it results in discouragement of the consumption of Indian tea abroad—a consequence diametrically opposed both to Government's policy which is to export more and to the industry's chances of prosperity.

It may be borne in mind that FAO report on world supply and consumption predicts a substantial excess of production over consumption within the next three years. So, under the circumstances the plea of the Association's chairman seems to gather an added force. There is, however, only one heartening feature in the whole situation and that is that the Government might be prepared to consider a reduction in the export duty on tea. It was disclosed by Mr. K. C. Reddy, Minister for Commerce and Inustry at the recent Export-Import Advisory Council meeting. This incidentally is in line with the Mudaliar Committee report submitted to the Government, which has asked for a reduction in export duty. Now, it is only to be hoped that when the new Cabinet is formed the exhortation of the Minister will be carried into effect.

On the problem of industrial relations in the tea industry, the ITA Chairman, revealed that in the 800 separate units belonging to the membership of the ITA producing more than half of India's tea, there have been only 47 strikes of which 35 were settled on the day on which they started and only two lasted for more than four days. This not only is a tribute to the ITA's labour organisation, the local officials of the Government and the trade unions, but also to the plantation managers who have shown great sense of responsibility in dealing with the labour force. The improvement in relations can also be assigned to Mr. G. L. Nanda's labour policy and his Code of Discipline which has played an important role in curbing down the disputes.

An excellent suggestion was put forward in regard to bonus which states that in future agreements bonus should not go to the offending workmen but shou'd be placed in a cmmon fund belonging to the workers as a whole. The idea seems to be a good one for it can have a toning and an healthy effect. It is now only to be wished that it should be considered by the Bonus Commission.

New Issues

ASSAM HARDBOARDS

TWO COMPANIES will be raising capital from the public in the near future.

Assam Hardboards Limited is entering the capital market on March 22 with an offer to the public for subscription of 5,000 redeemable cumulative preference shares of Rs. 100 each and 2,46,000 equity shares of Rs. 10 each. The cumulative preference shares will carry dividend at the rate of 9.3 per cent, free of company's tax, but subject to deduction of tax at source at the prescribed rates. The list will close on March 31 or earlier at the discretion of the directors, but not before March 26.

The issue, if fully subscribed, will raise the issued and subscribed capital of the company to Rs. 60 lakhs. The company has an authorised capital of Rs. 100 lakhs, three-fourths of which is in equity shares and the remaining one-fourth in preference shares. Capital to the tune of Rs. 9 lakhs, all in equity shares, has already been subscribed by the directors of the company and their friends. They have further agreed to take up another 64,000 equity shares. The Assam Government has agreed to subscribe to 5,000 preference shares. The foreign collaborators will be allocated one lakh equity shares in part payment for the imports of machinery and equipment to be arranged by them.

The company has been established at Gauhati to undertake the manufacture and sale of hardboards and is setting up its plant at Panikhaiti, 12 miles from Gauhati, for the purpose. The plant will have a capacity of 50,000 tons hardboards output per annum. It is expected to be commissioned into production by the end of 1963.

Technical and financial collaboration has been arranged with Columbia Hardboard Co., Inc., Seattle, Washington, U.S.A. Wood raw material supplies are to be secured from the neighbouring forest ranges in Assam.

The total cost of the project is estimated at Rs. 1.40 crores. Since the share capital will be making available only Rs. 60 lakhs, a long-term loan of Rs. 60 lakhs has been arranged from the Industrial Finance Corporation of India. The remaining Rs. 20 lakhs will be procured through bank borrowings. The IFC loan will be in dollars to the extent of Rs. 51.74 lakhs. The company's Board of Directors includes Mr. G. D. Somani, a prominent industrialist of Bombay, Mr. Nagarmal Periwal and Mr. Benugopal Bangur.

ORIENTAL POWER CABLES LIMITED

ORIENTAL POWER CABLES LIMITED, Indore, is expected to enter the capital market early next month to raise from the public Rs. 36.5 lakhs in the form of 36,500 equity shares of Rs. 100 each. This issue, if fully subscribed, will raise the company's issued and subscribed capital to Rs. 105 lakhs.

The company is setting up a plant near Kotah, Rajasthan, for manufacturing wires, cables, lines, cords and conductors (paper insulated and plastic coated VIR description) of all categories, including belted type, H type, SL type, HSL type and PVC insulated types. In the initial stages, it will be producing about 600 miles of paper insulated power cables which are high tension cables suitable for use in the transmission of electricity at high voltage from 1,100 volts to 33,000 volts or more.

Technical collaboration for the project has been arranged with Sumitomo Electric Industries Ltd., Japan.

one of the leading cable manufacturers in the world.

The project is estimated to cost Rs. 250 lakhs. As the share capital will be making available only Rs. 105 lakhs, a loan of Rs. 85 lakhs has been negotiated with the Industrial Finance Corporation of India. The balance, Rs. 60 lakhs will be procured from other financing agencies.

The Rajasthan Government is collaborating in this venture. Production is expected to start by June 1963.

Nylon

MULTIFILAMENT YARN PLANT

WITH THE commissioning of the most modern, up-to-date and fully automatic nylon multifilament yarn plant at Pimpri, near Poona, Mr. B. D. Garware, of the Garware Group of Industries, may again be said to be the first man to open such an industry in the country. In 1958, it will be recalled, he successfully constructed the first nylon monofilament plant. Incidentally, both these plants are claimed to be the first of their kind not only in India, but in the entire ECAFE region save for Japan. Even so, this 1½-ton plant is but a part of the phased programme; very soon, there is going to be a polymerisation plant with a capacity of two tons which would produce raw materials that are needed for the nylon industry which are presently being imported. These two plants are estimated to cost about Rs. 1 crore and between them are expected to save foreign exchange to the tune of Rs. 50 lakhs annually.

On the occasion of the release, recently, of the first production of nylon yarn, Mr. Garware pointed out, that, while the monofilament plants had been producing nylon bristles that were more than sufficient for the entire brush industry in the country and fishing lines and guts to the sports goods industry, the multifilament plant had been designed to produce diverse products such as nylon fishing nets, ropes, hoses, tarpaulins, belts, spindle tapes, filter cloth, ribbons, sewing thread and tyre cords. The major part of the production would, however, be consumed by fisheries, the defence, and textile industry, he added.

As for the demand, Mr. Garware observed that, for obvious reasons, he was not able to give any assessment of the defence requirements. However, the total requirements of the Fisheries Departments alone has been estimated to amount to about a crore of rupees by the end of the Third Plan. With the development of nylon which is so vital to the industrial life of our country, one more step forward has been taken towards the take-off stage atleast in this field.

National Income

PATTERN OF GROWTH

THE NATIONAL income of India (at 1948-49 prices) was Rs. 12,690 crores in 1960-61 and Rs. 11,850 crores in 1959-60, compared to Rs. 10,480 crores in 1955-56. The per capita income at 1948-49 prices was Rs. 292.5, Rs. 279.0 and Rs. 267.8 in the three years 1960-61, 1959-60 and 1955-56 respectively. This is revealed by the ninth issue of the annual White Paper on national income just released by the Central Statistical Organisation.

The estimates for 1959-60 included in this paper are based on the detailed methods of estimation followed for the earlier years and show an upward revision over the preliminary estimates published last year. The estimates for 1960-61, though still preliminary and based on partial material, have also undergone upward revision as compared to the quick estimates released in August last year. These upward revisions, have inter alia been due to the incorporation, for the first time, of the results of random crop-cutting surveys in respect of rice in Orissa and maize in Bihar.

Unlike 1959-60 which, as a result of fall in agricultural output, recorded only a nominal increase in the total national income, the increase in total national income (at 1948-49 prices) during 1960-61 over the preceding year amounted to Rs. 840 crores, including an increase of Rs. 360 crores in agriculture alone. The increase registered by the non-agricultural sectors works out at Rs. 480 crores during 1960-61 over the preceding year, compared to an increase of Rs. 260 crores in 1959-60 over 1958-59. The total national income and the per capita income increased by 7.1 per cent and 4.8 per cent respectively in 1960-61 over 1959-60.

Columns 2 and 3 of the statement below indicate the trend in net national output at current and at 1948-49 prices respectively during the last 11 years (1950-51 to 1960-61). Columns 4 and 5 reveal the trend in per capita income based on population estimates worked out from the all-India census figures of 1941, 1951 and 1961 (provisional).

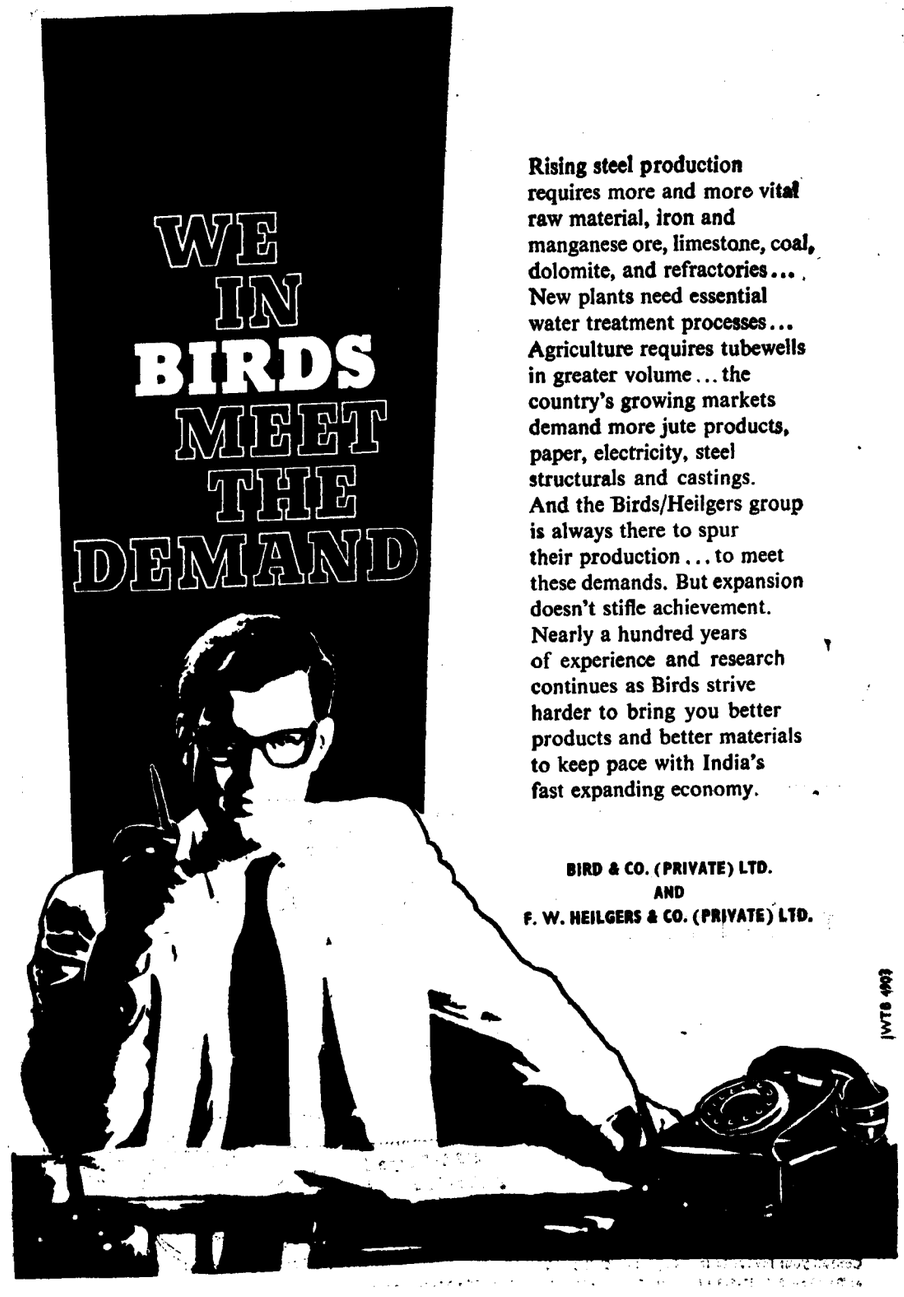
	Net National Output (in Rs. 100 crores)		Per capita net output (in Rs.)	
	at current prices	at 1948-49 prices	at current prices	at 1948-49 prices
(1)	(2)	(3)	(4)	(5)
1950-51	95.3	88.5	266.5	247.5
1951-52	99.7	91.0	274.2	250.3
1952-53	98.2	94.6	265.4	255.7
1953-54	104.8	100.3	278.1	266.2
1954-55	96.1	102.8	250.3	267.8
1955-56	99.8	104.8	255.0	267.8
1956-57	113.1	110.0	283.4	275.6
1957-58	113.9	108.9	279.6	267.4
1958-59	126.0	116.5	303.0	280.2
1959-60	129.4	118.5	304.7	279.0
1960-61 (preliminary)	142.0	126.9	327.3	292.5

After adjusting for purely statistical differences between the crop production estimates of 1955-56 and 1960-61, the increase in national income and per capita income in real terms amounts to 20.2 per cent and 8.4 per cent respectively during the Second Five-Year Plan period. Expressed at current prices, the national income was Rs. 14,200 crores and Rs. 12,940 crores in 1960-61 and 1959-60 respectively, as against Rs. 9,980 crores in 1955-56. The per capita income at current prices was Rs. 327.3, Rs. 304.7 and Rs. 255.0 in 1960-61, 1959-60 and 1955-56 respectively. The larger increase at current prices than at constant prices was due to increase in prices.

Iron Ore

EXPORTS FROM GOA

GOVERNMENT OF INDIA'S policy in respect of iron ore exports from Goa has been announced. Established shippers (in Goa) will be permitted to export iron ore generally under the previous system obtaining in this territory, which has also continued to be operative for the period ending March, 1962. As was the procedure hitherto followed, minimum prices will be fixed from time to time, operative normally for the period of one year at a time, by an agency or board to be constituted by the Military Governor (or Administrator) in Goa. There will be no restrictions on quantities which individual shippers contract to export to foreign buyers, but price stipulations in such contracts should be valid for one year at a time, that is, for the period for which the price fixed by the Administration in Goa is operative. Contracts should be for a period of one year. All existing contracts for the shipment of iron ore, irrespective of their duration, will be respected, provided they had received the approval of the former Administration, prior to December 18, 1961. Where





the price was to be determined from year to year, it will, in future, take into account the minimum price to be notified by the Administration in Goa.

Contracts which linked iron ore exports with the import of machinery may also generally be allowed to be fulfilled provided the commitments entered into can be considered as 'firm commitments'. Certain specific cases of such contracts which are concerned with the setting up of port installations and port development schemes are, however, being considered by Government separately, in relation to the policy to be pursued in regard to the maintenance and development of Marmugao harbour, and Government's views will be made known at a later date. Formulation of general policy for the exploitation of iron ore resources of Goa on a long-term basis is separately engaging the attention of Government.

Labour

JOINT CONSULTATION IN THE PUBLIC SECTOR

THERE HAS of late been evinced quite a keen interest by industrialists, planners, and labour leaders in the joint consultation scheme in the public sector. The 12th annual conference of the Indian Institute of Personnel Management which discussed at length the scheme of joint consultation and the recent talk of Mr. R. D. V. Roberts, Industrial Relations Adviser to Electricity Council in Britain, are in this context quite noteworthy. The Conference felt that the sine qua non of success of the scheme of joint management councils in industries was that its implementation should be voluntary. And so also runs the thesis of Mr. Roberts, who stressed that in fact this should be scrupulously adhered to. The conference was of the view that expressions "workers' participation in management" and "joint management councils" contributed materially to the difficulties of implementation and working of the scheme. It should, therefore, be substituted by the terms association of workers with management and joint consultative council.

Although the talk of Mr. Roberts pertained to joint consultation in the public sector in Britain, it definitely was of great interest to us here. Mr. Roberts is of the view that executive powers should not be entrusted to the workers and this should mostly remain in the hands of the management. Since the management itself is prepared to invite the workers and consult them on all matters, it can be taken for granted that "No" attitude generally would not be adopted by the management in the implementation of decisions. Mr. Roberts reiterated that these management councils have proved quite a success in the public sector in Britain. So it can be assumed that given reasonable conditions, there is no reason why they should not be a success in this country. Mr. Roberts feels that management at all levels must take an active interest in joint consultation and be prepared to initiate matters for discussion. The trade unions on their part must give active support and education and training schemes should be provided for committee members to enable them to appreciate the purpose of joint consultation and inform them on their duties, rights and responsibilities. There must also be a two-way communication and full exchange of information at all levels of the consultative machinery. Generally speaking consultation is easier in an expanding and prosperous industry with a few redundancy problems.

So far as difficulties in the way of effective consultation are concerned, they, of course, are many. There are, for instance, still some managers particularly at the local level who fear that joint consultation may undermine their status and authority. While they are prepared to allow committees to discuss some subjects such as welfare and accident prevention, they feel quite sore when the committee wishes to discuss other subjects which they consider should solely be under the jurisdiction of the management. Then again there are many foremen and frontline supervisors who are quite critical of joint consultative committees. However, one is not to be perturbed and these problems have to be met boldly and squarely.

All said and done, to quote the words of Mr. Roberts, "effective joint consultation cannot be achieved simply by imposing a committee or system of committees on an existing organisation and hoping for the best. It must be carefully integrated into the organisation of the industry or undertaking. Nor can it be assumed that those who participate in the work are expert at it or can become so in a short while. It requires training and experience and active measures to increase understanding". These words of Mr. Roberts sum up the situation very nicely and provide the golden mean to run the scheme on a successful basis.

Refractories

FIVE NEW UNITS

THE SOVIET TEAM invited by Hindustan Steel to do a techno-economic study of the Indian refractory industry has recommended the setting up of five new plants for the manufacture of steel plant refractories—all in the public sector. These five plants are to be built during the next ten years and are likely to take care of the requirements of the rising steel production which in terms of finished steel may be around 7 million tons by 1965-66 and 16 million tons by 1970-71. The Team has reported that only one of the five new plants will go into production before the end of the Third Plan. This will be located at Bhilai, the construction of which is stipulated in an agreement between the Government of India and the Soviet Union early in 1961. The Bhilai unit, according to the Team, would initially have a capacity of 125,000 tons of refractory products. Expansion in the second stage would be extended further so as to constitute a third of the total production volume.

The Team is of the opinion that all the five units should be located close to one or the other steelworks. This would reduce capital investment as well as production costs. One fact that substantiates this idea is that the most suitable fuel for the refractory industry is coke-oven gas which would be readily available near the steel plants. This proximity will also reduce freight costs on finished refractory products. Naturally, therefore, Durgapur and Bokaro have been suggested as sites for two other units. It is proposed that both these would produce 210,000 tons of refractory products by 1970-71. It is further added that the fourth unit is to be located either at Salem near Madras or at Almora in U.P. to produce 140,000 tons of magnasite refractory powder by 1970-71. Site for the fifth unit has not yet been determined, but the Team has expressed the opinion that it should be located as closely to some future steel works as possible.

As far as raw materials are concerned, the Team has emphasized that the present knowledge is highly unsatisfactory and has, therefore, recommended detailed surveys to be undertaken in selected zones where such possibilities are more promising. The Team recommends that raw materials for the plants will call for sources with reserves of at least 30 to 33 million tons of fireclay rocks, 8 to 9 million tons of magnasite, 15 to 20 million tons of silica rocks and similar quantities of other minerals. No firm estimates, of course, are available of the magnitude of investment.

The Team's estimate of total demand for refractories, from all industries, at 1.26 million tons by 1965-66 is slightly higher than the Development Wing's figures of 1.11 million tons. This difference in the possible demand is not very great considering the fact that only one refractory would go into production by the end of the Third Plan. Gradually when other refractories go into production, certain adjustments of output capacity can surely be made.

FROM THE CAPITAL'S CORRIDORS

THIRD FINANCE COMMISSION'S REPORT

STATES will be receiving an additional Rs. 35 crores from the Centre during 1962-63 as a result of the Government of India's decisions on the Third Finance Commission's Report. The report was presented to Parliament on Monday along with the Explanatory Memorandum explaining the Government's proposed action on the recommendations contained in it. Under the award of the Second Finance Commission, the States in 1962-63 would have got nearly Rs. 245 crores. In the light of the recommendations of the Third Finance Commission, this sum would be of the order of Rs. 280 crores.

The increased devolution of finances from the Centre to the States is the result of increases recommended by the Commission, and accepted by the Union Government, in the States' share in income-tax and union excises, stepping up of grants-in-aid and making available of special grants for improvement in road communications in some States.

With a sizeable amount flowing to the State Exchequers from the Central Exchequer, the Centre, it is learnt, will not in future encourage requests from S ate Governments for ways and means advances except in cases of extreme emergency, such as visiting of a natural calamity.

The Third Finance Commission, presided over by Mr. A. K. Chanda, former Comptroller and Auditor-General of India, it may be recalled, was set up under the Constitutional provision to make recommendations on the allocation of income-tax, sharing of basic Union excise duties and distribution of additional excise duties between the States and the Centre, payment of grants-in-aid to States under Article 275(I) of the Constitution, and on distribution amongst the States of estate duty on property other than agricultural land and of the grant of Rs. 12.5 crores payable to the States in lieu of the loss accruing to them on the abolition of tax on railway passenger fares.

The recommendations of the Commission are to cover a period of four years commencing from April, 1962, except in regard to the payment of the grant in view of the tax on railway fares which is to be effective for five years from April 1, 1961, the day on which the tax was abolished.

The report of the Commission is not unanimous and carries a minute of dissent from one Member, Mr. G. R. Kamat, on the payment of special purpose grant for improvement of road communications and inclusion of 75 per cent of the revenue component of the S ate Plans in the Commission's recommendation of assistance to the States. The Union Government has accepted all the unanimous recommendations of the Commission and its majority recommendation regarding the payment of a special purpose grant for improvement of road communications. Necessary action to implement these decisions is being taken and legislation for this purpose will be promoted in the current session of Parliament.

CHANGES EFFECTED

At present 60 per cent of the net proceeds of taxes on income other than Corporation Tax but excluding taxes on Central emoluments and those attributable to Union territories (assumed at 1 per cent of the net proceeds) are distributed amongst the States, the share of each State having been fixed 90 per cent on the basis of population and 10 per cent on the basis of collection. The Finance Commission has increased the percentage attributable to Union territories from 1 to 2½ per cent and raised the States' share of Income-tax from 60 to 66-2/3 per cent. The share of each State has been determined by the Commission on the basis of 80 per cent on population and 20 per cent on collection.

The States are at present entitled to 25 per cent of the net proceeds of Union Duties of Excise on 8 articles viz. matches, tobacco, sugar, vegetable produc s coffee, tea, paper and vegetable non-essential oils. The Commission, while reducing the percentage to 20, has increased the number of shareable excises from 8 to 35 by including all articles other than motor spirit on which such duties were collected in 1960-61 and excluding those (but not excluding silk fabrics) on which the yield was below Rs. 50 lakhs a year. In determining the share of each State, the Commission has, while continuing population as the major factor of distribution, taken also into account the relative financial weaknesses of the States, the disparity in the level of development reached, the percentage of Scheduled Castes and Tribes and Backward Classes etc.

The entire net proceeds of Additional Excise Duties on mill-made textiles, sugar and tobacco which were levied in replacement of States' Sales Tax accrue to the States other than those attributable to the Union territories. The States had also been guaranteed the income derived by them from the Sales Tax on these commodities in the financial year 1956-57. While retaining the share of Union territories at 1 per cent, the Commission has increased the share of Jammu and Kashmir State from 1½ per cent to 1½ per cent and suggested a small increase in the amount guaranteed to the States from the present level of Rs. 32.5 crores to Rs. 32.54 crores to account for the yield from silk fabrics which were subjected to the Additional Excise Duty in lieu of States' Sales Tax with effect from 1st April, 1961. The excess over the guaranteed amount has been recommended for distribution among t the rest of the States partly on the basis of population and partly on percentage increase in their Sales Tax revenue since 1957-58.

The Commission has not suggested any change in the principles governing the distribution of Estate Du'y. The percentages assigned to each State, however, have been revised on the basis of population figures as indicated in 1961 census.

The distribution of the annual grant of Rs. 12.5 crores payable to the States in lieu of their share of Tax on Railway Passenger Fares has been recommended on the principle of compensation to place the States broadly on the same footing as they were before the tax was abolished with effect from 1st April, 1961.

Of the two recommendations to which there is a minute of dissent from Mr. Kamat, the first relates to the payment of a special purpose grant for improvement of communications in certain States. Although for development of road communications there exi ts a provision of Rs. 324 crores in the Third Five-Year Plan, the Government has decided to accept the majority view of the Commission on this subject because it appreciates that the financial position of certain States is such that without special assistance of this kind it might be difficult for them to make adequate provision for this purpose. Accordingly, annual grants amounting in all to Rs. 9 crores will be made to ten States as recommended by the Commission.

GRANTS - IN - AID

At present 11 State Governments receive grants-in-aid of their revenues amounting in all to Rs. 39.5 crores annually; the individual shares being: Andhra Pradesh Rs. 4 crores, Assam Rs. 4.5 crores, Bihar Rs. 4 25 crores, Jammu & Kashmir Rs. 3 crores, Kerala Rs. 1.75 crores, Madhya Pradesh Rs. 3 crores, Mysore Rs. 6 crores, Orissa Rs. 3.5 crores, Punjab Rs. 2.25 crores, Rajasthan Rs. 2.5 crores and West Bengal Rs. 4.75 crores. The Third Finance Commission has recommended an annual payment of a total grant-in-aid of Rs. 110.25 crores to all the States other than Maharashtra, of which Rs. 52 crores are to fill the revenue gap in the budget of the State Governments and Rs. 58.25 crores towards 75 per cent of the revenue component of the State Plans. The Government proposes to accept the unanimous recommendation for the payment of the revenue gap grant of Rs. 52 crores. This would mean that Andhra Pradesh would get Rs. 9 crores, Assam Rs. 5.25 crores, Gujarat Rs. 4.25 crores, Jammu and Kashmir Rs. 1.5 crores, Kerala Rs. 5.5 crores, Madhya Pradesh Rs. 1.25 crores, Madras Rs. 3 crores, Mysore Rs. 6.25 crores, Orissa Rs. 11.5 crores and Rajasthan Rs. 4.5 crores.

PLAN ASSISTANCE

As regards the recommendation for including a part of the Plan assistance in the Commission's scheme of devolution, the Government of India, in consultation with the Planning Commission, has come to the conclusion that there would be no real advantage to the States in receiving assistance towards their Plan, partly by way of statutory grant-in-aid on the basis of Finance Commission's recommendations and partly on the basis of annual reviews made by the Planning Commission. The Central assistance is determined after a careful assessment of the overall financial and economic situation and after making such adjustments which changing situations would demand from year to year. It is, therefore, necessary not only to review the financial position of the Centre and the States annually but also to take an integrated view of the entire financial picture of each State, both on revenue and capital accounts, in relation to the State Plan as a whole. The non-acceptance of this recommendation of the Commission will not affect the total amount of Central assistance to the States. The Central assistance to the States, as envisaged in the Plan, will continue to be made available on the basis of annual reviews of the overall financial position and other relevant factors. The Union Government also considers that annual planning and reviews are an essential means of improving performance in all sectors ensuring the fullest effort to raise resources, maintaining a satisfactory balance between different types of projects and of observing priorities. These purposes will be better served through suitable changes in the existing procedures rather than by converti g any portion of Central assistance for the State plans into statutory grants which, by their very nature, would lack flexibility. The States already enjoy sufficient degree of freedom in the utilisation of the Central assistance made available to them. Steps will, however, be taken to further simplify the procedures for the release of Central assistance and to make them more flexible.

The recommendations of the Commission accepted by the Government would according to present indications involve an additional payment of the order of Rs. 35 crores to the States next year as compared with amount which they would have got under the present arrangements. As a result of the increase in the States' shares of Income-tax and the considerable widening of the number of shareable excises, the States' share in future years would be very much more .

The table below summarises the recommendations of the Commission accepted by Government.

GENERAL OBSERVATIONS

The Finance Commission has also made in its report some general observations. Action on these will be taken by the Government of India in course of time as some of them are of far-reaching character.

The Commission has suggested setting up of an independent body to assess the tax potential of each State and to review the tax structure in relation to the different heads of levies in the State list. This body may, it has further suggested, also study the widening gap between the resources and the functions of the States brought about mainly by the planning processes and consider adjustments necessary in the Union States financial relations.

Another important suggestion made by the Finance Commission is for solving the overlapping of functions between the Planning Commission and the Finance Commission. It has suggested that either the scope of the Finance Commissions, provided to be set up under the Constitution every five years, should be widened to

	Share of Income-tax†	Share of Union Excise Duties‡	Grant-in-aid under Article 275(1) (Substantive portion)	Special Purpose Grant for improvement of communications	Share of Estate Duty	Grant in lieu of tax on Railway fares	Additional Duties of Excise	
							Income to be assured	Distribution of balance
States' Shares	**66-2/3%**	**20%**			**99%**			**97.50%**
Distribution	**Per cent**	**Per cent**	**Lakhs of Rs.**	**Lakhs of Rs.**	*** Per cent**	**Lakhs of Rs.**	**Lakhs of Rs.**	**Per cent**
Andhra Pradesh	7.71	8.23	900	50	8.34	1,11	235.24	7.75
Assam	2.44	4.73	525	75	2.75	34	85.08	2.50
Bihar	9.33	11.56	—	75	10.78	1,17	130.16	10.00
Gujarat	4.78	6.45	425	100	4.78	68	323.45	5.40
Jammu & Kashmir ..	.70	2.02	150	50	.83	—	—	**
Kerala	3.55	5.46	550	75	3.92	23	95.08	4.25
Madhya Pradesh ..	6.41	8.46	125	175	7.51	1,04	155.17	7.00
Madras	8.13	6.08	300	—	7.80	81	285.34	9.00
Maharashtra	13.41	5.73	—	—	9.16	1,35	637.77	10.60
Mysore	5.13	5.82	625	50	5.46	56	100.10	5.25
Orissa	3.44	7.07	1150	175	4.08	22	85.10	4.50
Punjab	4.49	6.71	—	—	4.71	1,01	175.19	5.25
Rajasthan	3.97	5.93	450	75	4.67	85	90.10	4.00
Uttar Pradesh	14.42	10.68	—	—	17.10	2,34	575.81	15.50
West Bengal	12.09	5.07	—	—	8.11	79	280.41	9.00
Total			5200	900		12,50	3254.00	

†The net proceeds of Income-tax, except those attributable to Central emoluments and Union territories are divisible between the Centre and the States. The Commission has increased the share attributable to Union territories from 1 per cent to 2½ per cent of the net proceeds.

‡Representing net proceeds of Union Excise Duties on 35 articles recommended by the Commission.

*Applies only to tax allocated to other than immovable property.

**Jammu & Kashmir will receive no compensation but 1½ per cent of net proceeds.

embrace all assistance given by the Centre to the States or the Planning Commission should be transformed at the appropriate time into a Finance Commission.

The Commission has also commented on the wide disparities that exist in various States in the field of land revenue, sales-tax, motor vehicles tax, etc. In respect of land revenue, it has observed: "Though it is generally accepted that the rural sector could make a greater contribution to national economy, there is an understandable reluctance to revise even the rates of land revenue in operation, even when they have not been reviewed in the last 30 to 60 years."

The Commission has further urged the need for striking a balance between planned and non-planned outlays in States.

CHANGES IN LICENSING POLICY

The Union Ministry of Finance, it is learnt, has advised the Ministry of Commerce and Industry against issuance of any industrial licence automatically under the Free Licensing List if the foreign exchange requirements under it exceed Rs. 10 lakhs. All applications for the grant of industrial licences involving foreign exchange expenditure exceeding Rs. 10 lakhs, irrespective of their being on the Free List or not, shall, in future, have to be examined and approved by the Licensing Committee.

Simultaneously, the Licensing Committee has been advised to examine very carefully every new project in respect of its essentiality for the economic development of the country under the planned programme and the availability of power and transport, before approving them.

These procedural changes in the issue of industrial licences have been necessitated by the fact that licences involving a foreign exchange expenditure to the tune of Rs. 400 crores had been issued to the private sector by December 31, 1961, as against Rs. 450 crores earmarked for the purpose for the whole of the Third Plan period. Of the licences issued, licences involving foreign exchange expenditure to the extent of Rs. 190 crores had already been cleared by the Capital Goods Committee by December end. It is pointed out that in the last analysis, all the industrial licences are like post-dated cheques which the Government has responsibility to honour. Even if the "infant mortality" rate in this respect is assumed as 25 per cent, licences involving foreign exchange expenditure to the tune of Rs. 300 crores have been issued in the very first nine months of the Third Plan period. This should imply that the targetted capacity under the Plan for a number of items of production has already been exceeded. Some genuine entrepreneurs in some particular fields might, thus, be shut out for the Third Plan period.

With the Congress Party having been returned to power with an overwhelming majority at the Centre, the question of granting licences for setting up new units has assumed an added significance. The Planning Commission, it is understood, is demanding a careful scrutiny of the licensing system so that a policy should be evolved which may not only fit into the general pattern of industrial development but also achieve the main objective of planning, namely, the ushering in of a socialistic pattern of society.

The Government of India claims that through industrial licensing as practised under the first two Plans, the Government has been able to foster some healthy competition at least in consumer goods industries. With this aim in view, a fifth unit has been licensed to manufacture wrist watches, although there were already in existence four such units, including one in the public sector. Similarly, in the chemical industry some over-licensing has been done. In the case of certain other industries, however, this principle has been violated to some extent. A case in point is the manufacture of sewing machines. An application for the manufacture of industrial sewing machines was turned down recently although there does not exist adequate capacity for meeting the domestic demand for them. Similarly, at present there is a proposal to ban the import of eleven components needed for the manufacture of domestic sewing machines in the small-scale sector. Another instance of this lack of coherence in the industrial policy, as practised hitherto, has been the grant of a licence for a fourth unit to be set up to manufacture industrial laminates on the ground that the foreign collaborator, Formica International Limited, is a concern of international repute. During the Second Plan period, an application of a private concern seeking collaboration with an equally internationally reputed firm of sewing machines, Singers, had been turned down.

The present industrial policy may also need a review if not for any other reason than for avoiding concentration of wealth and means of production in fewer hands. The Mahalanobis Committee, which was set up towards the end of 1960 to enquire into concentration of wealth and means of production in a few hands, has yet to give its verdict on the issue. The Committee will, perhaps, enquire into the problem as to how far the licensing policy pursued during the last few years has had the effect of counteracting concentration of wealth and means of production or has it accentuated the trend.

IDA LOAN FOR DVC

The International Development Association has granted a loan of 18.5 million dollars (approximately Rs. 8.82 crores) to the Damodar Valley Corporation for raising the total installed capacity of its power system by 140,000 kW. and for expansion of its transmission network in West Bengal and Bihar. The agreement to this effect was signed last week.

The existing generating capacity of the DVC power system is 479,000 kW.: Tilaiya power station accounts for 4,000 kW., the Bokaro thermal power station for 225,000 kW., the Maithon hydel station for 60,000 kW., the Panchet hydel power station for 40,000 kW., and the Durgapur thermal power station for 150,000 kW. The new capacity to be generated (140,000 kW.) will be added to the Durgapur thermal station where another hydrogen-cooled toubro-generator is to be set up. The additional transmission lines to be erected with this fresh assistance from the International Development Association would cover about 17 miles—5 miles of 132 kV. double circuit line and about 12 miles of 33 kV. line.

Part of the loan will be utilized for modification and extension of the sub-stations at Durgapur, Bokaro, Chandrapura, Sindri, Kaliphari, Ramgarh, Luchipur, Ramkanali, Burdwan, Oyaria and Maithon. A central load dispatch and system control station will be constructed at Maithon.

POWER PROJECTS IN THE THIRD PLAN

The following is the list of the power projects included in the Third Plan. Foreign assistance for 38 of these has already been negotiated. Twelve projects are covered by bilateral trade agreements. Foreign assistance for 15 projects is under negotiation at present. There are 10 projects for which no aid has been arranged so far.

('000 kW.)

Programme or Project	Additional Capacity (H=Hydro T=Thermal)
PROJECTS COVERED BY AID:	
Tungabhadra Nellore (Andhra) ..	T. 30)
	H. 36)
Upper sileru (Andhra)	H. 120
Barapani stage I (Assam)	H. 36
Barauni (Bihar)	T. 30
Panniar (Kerala)	H. 30
Chambal stage I (M.P.)	H. 23
Chandni (M.P.)	T. 10

TATA-JOHNSON AND THE PAPER INDUSTRY

Although the pulp and paper industry is expanding rapidly, its output barely meets demand. Many new large-scale plants are therefore necessary. Importing machinery for these plants would be a heavy drain on foreign exchange reserves. A better plan: indigenous production of the machines.

Tata-Johnson's entry into the field is timely. Tata's, collaborating with A. Johnson & Co., a leading Swedish combine, have promoted Tata-Johnson Ltd. The company manufactures pulp and paper machinery with a high indigenous content and incorporating the latest developments in the field.

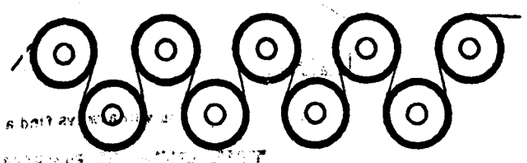
Technical know-how is provided by Sweden's AB Karlstads Mekaniska Werkstad (KMW), AB Kamyr and AB Rosenblads Patenter, as well as the Cellulose Development Corporation (Celdecor), pioneers in bagasse pulping.

Machinery designed by these leading organizations is manufactured at TELCO's well-equipped works with the close co-operation of Tata-Johnson specialists in Jamshedpur.

TATA-KMW

Pulp & Paper Machinery

MADE IN INDIA

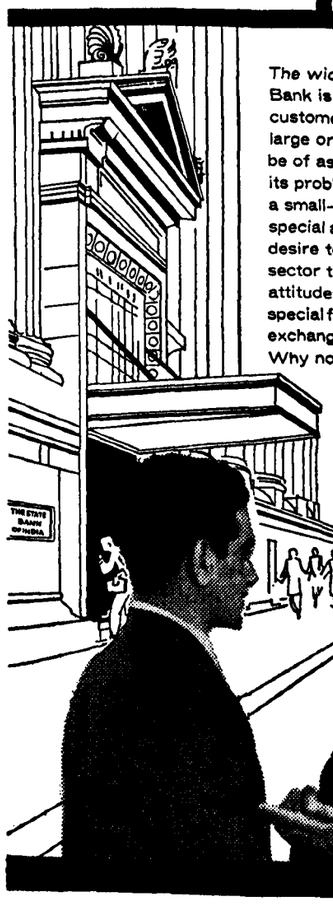


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Programme or Project	Additional Capacity (H=Hydro T=Thermal)
Birsinghpur (M.P.)	T. 60
Kundah stages I & II (Madras)	H. 35
Koyna stage I (Maharashtra)	H. 240
Sharavati stage (Mysore)	H. 178
Tungabhadra-Left Bank (Mysore)	H. 27
Hirakud stage II (Orissa)	H. 147
Bhakra Nangal (Punjab)	H. 169/239
Kanpur (U.P.)	T. 15
Yamuna stage I (U.P.)	H. 56
Matatila (U.P.)	H. 30
Durgapur Extn. (W. Bengal)	T. 150
Durgapur & Bokaro (DVC)	T. 125
Chandrapura (DVC I & II)	T. 280
Delhi 'C' Station (Delhi)	T. 30
Ahmedabad Extn. I Private Sector (Gujerat)	T. 30
Lucknow Extn. Private Sector (U.P.)	T. 10
New Nahorkatiya (Assam)	T. 67
Kandla (Gujarat)	T. 10
Kalakote (J. & K.)	T. 10
Korba Extn. (M.P.)	H. 200
Neyveli Extn. (Madras)	T. 150
Periyar stage II (Madras)	H. 35
Bhusawal (Maharashtra)	T. 50/60
Khaperkheda (Extn. (Maharashtra)	T. 60
Paras (Maharashtra)	T. 50/60
Talchar (Mysore)	T. 200/240
Bhakra Right Bank (Punjab)	H. 280/400
Harduaganj Extn. (U.P.)	T. 30
Singrauli (U.P.)	T 250
Ahmedabad Extn. II (Private sector) Gujarat	T. 30
Aga Extn. (Private sector) U.P.	T. 10
PROJECTS COVERED BY BILATERAL TRADE AGREEMENTS :	
Ramagundam Boiler (Andhra)	T. 100
Pathratu (Bihar)	T. 10
Shahpur (Gujarat)	H. 18
Ganderbal & Mohara (J. & K.)	H. 54
Sholayar (Kerala)	H. 18
(New) Tura (Assam)	T. 5
Pathratu Extn. (Bihar)	T. 250
Barauni III set (Bihar)	T. 15
Chenani (J. & K.)	H. 15
Mettur Tunnel (Madras)	H. 100
Faridabad (Punjab)	T. 15
Delhi Extn. (Delhi)	T. 15
PROJECTS FOR WHICH AID IS UNDER CONSIDERATION :	
Pamba (Kerala)	H. 300
Ranapratapsagar (Rajasthan)	H. 128
(New) Ramagundam Extn. (Andhra)	T. 50/60
Kothagudam (Andhra)	T. 120
Cambay (Gujarat)	T. 200/240
Kundah stage III (Madras)	H. 240
Satpura (M.P. & Rajasthan)	T. 250/300
Koyna stage II (Maharashtra)	H. 300
Beas (Punjab)	H. 240
Durgapur (DVC III) (W. Bengal)	T. 140
Chandrapura (DVC IV)	T. 140
Bandel (W. Bengal)	T. 300
Delhi including Punjab (Delhi)	T. 150/180
Trombay	T. 140
Private sector (Maharashtra) Calcutta	T. 50

Programme or Project	Additional Capacity (H=Hydro T=Thermal)
PROJECTS FOR WHICH NO AID IS ARRANGED SO FAR :	
Bhadra (Mysore)	H. 33
Rihand (U.P.)	H. 250
Harduaganj (U.P.)	T. 60
Nagarjunasagar (Andhra)	H. 100)
Srisailum (Andhra)	H. 330)
Barauni Extn. (Bihar)	T. 60
Gandak (Bihar)	H. 15
Kosi (Bihar)	H. 20
Kuttiadi (Kerala)	H. 75
Chambal II Unit (M.P.)	H. 23
Parambikulam (Madras)	H. 180
Kanpur Extn. (U.P.)	T. 60
Yamuna stage II (U.P.)	H. 220/264

IRRIGATION AND POWER DEVELOPMENT IN NARMADA VALLEY

A conference of senior officers of Madhya Pradesh, Gujarat, Maharashtra and Rajasthan, held recently, has recommended that a central organisation, to be called the Narmada Valley Authority, should be formed on the pattern of the Tannesse Valley Authority, for the development of water resources of the entire Narmada Valley.

During the discussions, it was pointed out, that the Punasa project comprised four main power works: one at Punasa having a power potential of 400,000 kW., the second one at Burwaha having a power potential of 200,000 kW., the third one at Harinpal having a power potential of 370,000 kW., and the fourth one at Navgam having a power potential of 500,000 kW. Punasa, Burwaha and Harimphal are situated in Madhya Pradesh, while Navgam is in Gujarat.

The total estimated cost of the development of these sites is about Rs. 50 crores excluding the transmission system. All the development projects in the Narmada Valley may cost about Rs. 200 crores.

TRADE FOLLOWING AID

Considerable concern is being expressed amongst foreign interests, particularly the British, over the diversion of trade to the United States through the latter's aid programme. The U.S. Government has given some assistance to India, in the form of long-term loans, to enable the latter to import from the former certain industrial and agricultural raw material. Another similar loan is expected to be made available soon. India being in a tight corner in regard to foreign exchange, has to import some of the essential raw materials from the United States under the assistance programme; otherwise, the wheels of industry here are bound to slow down. As a consequence to this, the United Kingdom stands to lose in the Indian market because some of the goods imported from the United States are those that used to be the export items of the U.K. To avoid this complication, it is understood, efforts are being made to search for a via media.

TRADE ON RUPEE PAYMENT ACCOUNT

Some misunderstanding appears to exist in the minds of some persons regarding the implications of paying for imported goods and/or services in Indian rupees. All payments to foreigners and foreign concerns made in Indian rupees, it is explained, are, in the last analysis, payments in foreign exchange and the impression that such payments do not result in expenditure of foreign exchange is based on a misapprehension. Even when rupees are not converted into a foreign currency directly, they are utilised by the foreign party for financing exports from India or for the availing of services in India for both of which he would normally have remitted foreign exchange. In other words, in all such cases the foreign exchange that would have otherwise

been earned by exports or services is lost to the country. Thus, although at first the transaction takes place in terms of Indian rupees, the final result is that India pays for the goods and services supplied by the foreign party in foreign exchange. It may also be reiterated that under the Foreign Exchange Regulation Act and the rules made trereunder, it is obligatory to obtain necessary sanction from the Reserve Bank of India before any obligations are accepted or payments are made to or commitments to pay are entered into with a foreign party and this applies equally whether the payment is made in a foreign currency or in Indian rupees.

So far as transactions with the U.S.S.R., Poland, the German Democratic Republic, Czechoslovakia, Hungary, Yugoslavia, Rumania and Bulgaria are concerned, the Government of India have entered into agreements with these countries for all payments, on both sides, to be made in rupees only and the regulations require that all commercial contracts should be concluded on that basis. In accordance with Government of India's trade agreement with the Egyptian region of UAR and Afghanistan, trade with these countries should also be conducted in rupees. A limited payments arrangement on these lines also exists with Burma and Pakistan. The above trade agreements and special arrangements are intended to provide for trade between India and the country concerned on a balanced basis. As imports involve reciprocal export obligations, only essential imports can be permitted under the trade agreements and special arrangements. It may also be stressed that these countries cannot be used as intermediaries for importing goods from or exporting goods to a third country.

QUALITY CONTROL

The most important recommendations made by the ad hoc Committee on Quality Control and Preshipment Inspection relate to the enactment of legislation for empowering Government to impose quality control and pre-shipment inspection on export goods and the setting up of an Export Inspection Advisory Council for the formulation of guiding policies on matters concerning quality control. These two recommendations have been accepted by Government and steps are being taken to implement them.

The committee has also made a number of recommendations relating to the imposition of quality control on specific export commodities namely, vegetable oils, oilcakes, myrobalam, carpets, brassware, cashew kernals, pepper, cardamom, chillies and walnuts. These have also been accepted by the Government and action to implement them is in hand.

The other recommendations of the committee are of a general nature and are under examination.

WAGE BOARD FOR COLLIERY WORKERS

The Union Labour Ministry is understood to have conceded the demand of colliery workers for a wage board to review and re-examine the wage structure.

The Board is likely to be set up early next month under the chairmanship of an independent person. Besides having representatives of employers and workers as its members, it will include an economist as well, The move follows the strike notice given by the Colliery Mazdoor Sangh which has demanded that a miner's consolidated pay should be raised from the present Rs. 78.39 to Rs. 125 per month.

In view of the rigid control on the selling prices of coal, any increase in wages is bound to be reflected in a corresponding increase in prices, but the workers contend that there is a margin in the existing price structure which would absorb wage increases.

STABILIZING WORLD PRICES OF PEPPER

In order to stabilise world selling prices of pepper, exploratory talks have been held recently between the main pepper-producing countries — India, Indonesia, Sarawak — and the pepper marketing area in the East —Singapore—under the auspices of ECAFE. The trend of the talks has shown that there is a possibility of formation of an International Pepper Council for stabilising the prices at a higher level than at present with a view to maximizing the foreign exchange earnings of these countries from this commodity. The matter, it is stated, is being persued.

IN BRIEF.....

The U.K. - U.S.A. agreement for the reduction of tariffs, it is explained here, will be applicable to India as it has been reached under the Most Favoured Nation clause. India, along with the other Commonwealth countries, will be eligible to export on identical terms to the United Kingdom all those categories of goods which the U.S.A. will be allowed to export under the agreement.

*

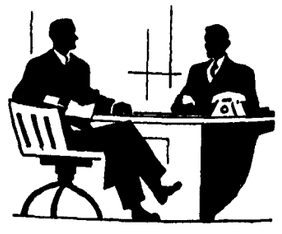
The U.S. Government has granted a loan in dollars equivalent to Rs. 16.7 crores to the Indian Railways for the purchase of 125 diesel locomotives—100 2,600 H.P. broad gauge locomotives and 25 1,400 H.P. meter gauge locomotives—and some spare parts.

*

The Government of India has decided to give support to wheat prices at the next harvest by guaranteeing a price of Rs. 13 per maund for fair average varieties of white wheat when delivered at specified mandis. If need arises, the Government will make arrangments for the purchase of wheat tendered at this price.

*

The first petrol (motor gasoline) pump to be set up in India by the public sector will be commissioned in Assam within a week's time. The Government-owned Indian Oil Company (IOC) is installing it at Gauhati for the Assam State Transport Corporation's fleet. The IOC has already commissioned 62 High Speed Diesel fuel stations all over India which are now supplying "substantial quantities" of HSD imported from the Soviet Union, to Railways, State Transport Undertakings and to other major projects under the Third Five-Year Plan.



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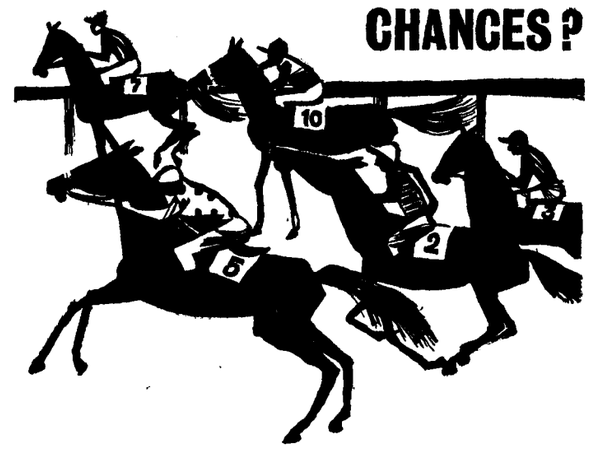
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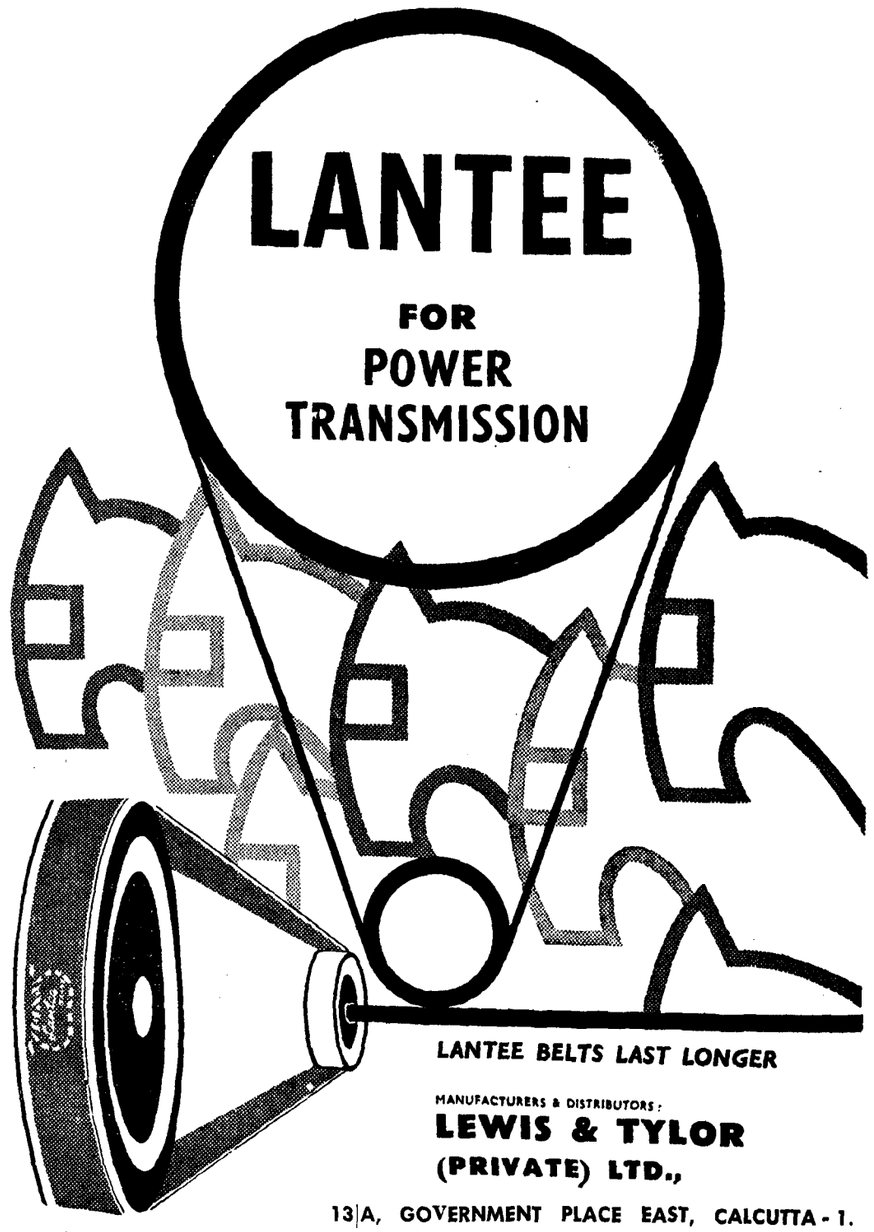
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COMPANY AFFAIRS

MAHINDRA & MAHINDRA LTD.

During the year to October 31, 1961 Messrs. Mahindra & Mahindra Ltd. recorded a profit of Rs. 110.58 lakhs—nearly 65 per cent higher than the previous year's profit of Rs. 66.76 lakhs. The sale proceeds during the year were recorded at Rs. 15.42 crores as against Rs. 13.63 crores during the previous year. After making provision for depreciation, development rebate reserve, payment of bonus to staff and provision for taxation, the directors separated Rs. 10 lakhs towards general reserve and Rs. 50,000 towards research and development fund. They recommended the payment of dividend on ordinary shares of Rs. 10 each at the rate of Rs. 1.25 which will absorb Rs. 16.50 lakhs. A bonus of 25 nP. per share is also proposed to be paid on ordinary shares of Rs. 10 each absorbing Rs. 3.30 lakhs.

The Directors have proposed that 6,60,000 ordinary shares of Rs. 10 each be issued for cash at a premium of Rs. 2.50 per share. Of these right shares, one new share will be offered to the existing shareholders as on 20th March, 1962 for every two shares held. The Board has reported that the Industrial Credit & Investment Corporation of India Limited and the Life Insurance Corporation of India had agreed to give the Company long-term loans of Rs. 1 crores and 35 lakhs inclusive of Rs. 35 lakhs in foreign currencies. These funds will be adequate for doubling the manufacturing capacity for Jeeps to 10,000 units per annum, and provide sufficient funds for investment in other projects presently under consideration. Thus the company shows a steady progress and promises good returns in the near future.

UNITED WIRE ROPES

United Wire Ropes Ltd. made considerable progress with its steel wire rope factory at Thana, near Bombay. After the suspension of acquisition proceedings in respect of lands for companies in general due to a recent Supreme Court judgment, the Company directly purchased about 75,000 square yards of land at Panchpakhadi, Thana, which was being acquired by the Government of Maharashtra for location of its factory. The Company has already obtained possession of the land and has completed contour survey etc. Preliminary building operations such as levelling, filling, etc. are in progress. Necessary building materials like cement, etc. have already been received. The Company obtained its import licence for a C.I.F. value Rs. 33,00,000 in October last year. The orders for plant and machinery required from abroad were placed with manufacturers in the United Kingdom, West Germany, France and Belgium and shipment of the machinery will start arriving in May 1962 and will be completed by August-September 1962. The orders for the indigenous machinery have also been finalised and the machinery will be delivered at the right time for erection. The construction of factory buildings is expected to be completed so as to start erection of plant and machinery in July 1962. The Company will, it seems, be able to maintain its original schedule of commencement of production by the end of 1962.

NEW ISSUES

The Automobile Products of India Ltd. Bombay, has been authorised to issue equity capital of Rs. 25 lakhs to finance the expansion for the manufacture of Lambretta scooters and autocycles. The new issue will be divided into 250,000 equity shares of Rs. 10 each for cash at par. The company has a subscribed and paid-up capital of Rs. 75 lakhs—Rs. 42 lakhs in equity and Rs. 33 lakhs in preference. Nine other companies have also been granted permission to issue capital. The consent is valid for 12 months in all cases.

The New Terai Association Limited, a company doing business as growers and exporters of tea, has been granted consent to the issue of capital of Rs. 2.70 lakhs on capitalisation of reserves. The existing paid-up capital of the company is Rs. 4.50 lakhs.

The Bhooteachang Tea Company Limited, Calcutta, is to issue 38,474 bonus shares of Rs. 10 each on capitalisation of its reserves to the extent of Rs. 3,84,740. The company's existing paid-up capital is Rs. 9,61,860.

The Pahargoomiah Tea Association Limited is issuing 58,500 bonus shares of Rs. 10 each on capitalisation of its reserves. The bonus shares will be issued in the ratio of one bonus share for every share now held.

The Baghjan Tea Company (1935) Limited, Calcutta, is also issuing 88,032 bonus shares of Rs. 10 each on capitalisation of its reserve to the extent of Rs. 8,80,320. The bonus shares will be issued in the ratio of one bonus share for every share held.

The Assam Forest Products Private Limited, Dibrugarh, has been allowed to capitalise reserves to the extent of Rs. 1,75,187 for issuing a bonus capital at the ratio of 50 per cent on the paid-up amount of the present paid-up capital of Rs. 3.50 lakhs, partly by crediting the existing partly paid shares and by the issue of 5,740 fully-paid shares of Rs. 10 each.

The Gujarat State Small Industries Corporation Limited, Ahmedabad, is raising Rs. 25 lakhs equity capital for cash at par. The proceeds will be utilised for helping the establishment of industrial estates and rendering assistance to small industries in the Gujarat State in the form of procurement of raw materials, machinery, equipment etc.

The Andhra Pradesh Mining Corporation Limited, Hyderabad, will issue capital of Rs. 10 lakhs in equity shares of Rs. 1,000 each for cash at par to the Andhra Pradesh Government. The proceeds will be utilised for the development of mineral rsources of the State. The present subscribed capital of Rs. 10 lakhs is also in equity shares of Rs. 1,000 each.

The Bihar State Small Industries Corporation Limited, Patna, a State Government concern incorporated on October 24, 1961, to establish industrial estates for executing the development work of the small-scale industries has been given consent to issue equity capital of Rs. 25 lakhs for cash at par.

The Hindustan Salt Company Limited, Jaipur, having a paid-up capital of Rs. 24.20 lakhs and engaged in the manufacture of salt and its bye-products is raising further capital of Rs. 175.80 lakhs in equity share of Rs. 1,000 each to be issued to the Central Government in consideration of transfer of assets of the three salt works, namely, Sambhar, Didwana and Khasaghoda.

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NOTICE

NOTICE IS HEREBY GIVEN that the NINETEENTH ANNUAL GENERAL MEETING of the Members of THE UNITED COMMERCIAL BANK, LIMITED, will be held at the Registered Office of the Bank at 2, India Exchange Place, Calcutta, on Wednesday, the 11th day of April, 1962, at 4 P.M. to transact the following business:-

1. To receive and adopt the Report of the Directors and the Audited Balance Sheet as on 31st December, 1961 and Profit and Loss Account for the year ended 31st December, 1961;
2. To declare a dividend;
3. To appoint two Directors in the place of Mr. A. C. Law and Mr. T. S. Rajam who retire under Article 92 of the Articles of Association of the Bank and, being eligible, offer themselves for re-appointment;
4. To appoint a Director in place of Mr. M. L. Dahanukar who retires under Article 92 of the Articles of Association of the Bank, and to consider and, if thought fit, to pass the following resolution, of which special notice, as required by Section 281 of the Companies Act, 1956, and in accordance with Section 190 thereof, has been received by the Bank:

   "Resolved that Mr. M. L. Dahanukar, who has attained the age of 72 years, be and is hereby re-appointed a Director of the Bank and that the age limit, prescribed under Section 280 of the Companies Act, 1956, shall not apply to him."

5. To appoint a director in place of Mr. P. D. Himatsingka who retires under Article 92 of the Articles of Association of the Bank, and to consider and, if thought fit, to pass the following resolution, of which special notice, as required by Section 281 of the Companies Act, 1956, and in accordance with Section 190 thereof, has been received by the Bank:

   "Resolved that Mr. P. D. Himatsingka, who has attained the age of 72 years, be and is hereby re-appointed a Director of the Bank and that the age limit, prescribed under Section 280 of the Companies Act, 1956, shall not apply to him".

6. To appoint Auditors for the current year and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass, with or without modification, the following resolutions which will be proposed as ordinary resolutions:

   a) That, subject to the consent of the Controller of the Capital Issues being received, 200,000 new ordinary shares of Rs. 100 each in the authorised capital of the company be issued at a premium of Rs. 25 per share on the footing that such new ordinary shares shall rank in all respects pari passu with the existing ordinary shares in the company save and except that they shall not participate in any dividend in respect of any period ended on or prior to 31st December, 1961; and that they shall be entitled in respect of the year ending 31st December, 1962 to half the rate of dividend that shall be payable on the existing shares;

   b) That the said 200,000 new ordinary shares be offered in the first instance, subject to the approval of the Reserve Bank of India wherever necessary, for subscription for cash to those members of the company whose names shall appear on the company's share register on the 11th day of April, 1962, in the proportion of one new ordinary share for every two existing ordinary shares then held by such members and so that half, namely Rs. 50, of the full nominal amount of each new share taken up together with the premium, viz. Rs. 25 in respect of each new ordinary share shall be paid to the company in cash with the acceptance of the offer and before allotment.

   c) That such offer be made by notice as hereinafter mentioned and that any member receiving such offer shall be entitled either to take up by paying therefor all or any of the New ordinary shares so offered to him or to renounce (upon signing a renunciation in such form as shall be prescribed by the Board of Directors) his right to all or any of such new ordinary shares in favour of a nominee or nominees; Provided that such nominee or nominees shall be a member or members of the Company or be approved of by the Board of Directors and that such nominee or nominees shall sign an acceptance of the shares so renounced in such form as shall be prescribed by the Board of Directors and that any such renunciation by a member and acceptance of such nominee or nominees shall be effective only if made upon forms to be supplied by the company and lodged duly completed with the company within the time specified together with the sum of Rs. 75 per share in cash (being the proportionate payment of Rs. 50 per share plus the premium of Rs. 25 per share).

   d) That subject to the approval of the Reserve Bank of India wherever necessary, the said offer be made to the said members by notice specifying the number of shares to which they are entitled and providing that the offer if not accepted within 30 days from the date of offer shall be deemed to have been declined and specifying that the payment for such shares at the rate of Rs. 75 for each new ordinary share so offered shall be made in full with the acceptance of this offer and before allotment.

   e) That any new ordinary shares not taken up by the said members in response to the above offer shall be available for sub cription by the members of the company who take up their rights in full and who desire to apply for additional shares but so that the right to apply for additional shares shall not be renounceable in favour of any other person and the allotment of any such additional shares shall be subject to any condition which may be imposed by the Controller of Capital Issues and, in the case of a non-resident member, further subject to the approval of the Reserve Bank of India.

Note: 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member:

2. (a) The transfer books of the Bank will be closed from Monday, the 26th March,

(Continued on page 721)

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BOOK REVIEWS

PROBLEMS OF GROWTH

Some Aspects of Indian Economic Development: Vol. I; By S. K. Bose, M.A., I.A.S.; published by Ranjit Printers and Publishers 4872, Chandni Chowk, Delhi; Pp. 508; Price Rs. 12.50.

A number of books have recently come into the market dealing with the current problems in economic development in the Indian Union but the volume under review by Mr. S. K. Bose (who has had the unique distinction of being associated with the Third Finance Commission, the Central Statistical Organisation and the Tariff Commission) provides a very thought-provoking analysis. The merit of this book lies in the fact that the author has spent considerable time in looking at the new and latest details—economic and statistical—made available by the various research agencies in order to throw light on the thorny economic problems facing this country. Because of his recent association with the Third Finance Commission, he seems to have delved deep into the regional demands, and the present volume does bear an impact of his keen interest in the regional picture. This is, perhaps, the only book produced recently which devotes substantial space to problems of regional growth and comes rightly to the conclusion that "if the rate of growth of a State is slower than that of the all India average, the State should be considered for preferential treatment provided it is not already having a per capita income above the all-India per capita income". The author has also made a special study of the level of living in the country in general and of special groups in particular.

The book is divided into a dozen chapters which discuss not only the problems of growth in terms of national and state income but also such issues as food supply, industrial development, Union and State Financial relations, revenue and expenditure of the Union Government, Revenue of State Governments, Planning in India and Foreign Assistance. Written primarily for the "intellectual elite" the book will be found extremely useful by students of economics as well as administrators who would like to have a dispassionate analysis of the current economic problems. It must be recorded here that the author has a definite bias in favour of statistical measurement. In order to describe a certain situation, he would rather struggle for a statistical figure than hanker after an idiom.

RAISING EMPLOYMENT

Employment Objectives in Economic Development: Published by International Labour Office, Geneva; Pp. 256; Price Rs. 11.

This is the report of a meeting of experts from five countries on a very important problem facing the developing countries all over the world. The experts have been picked from Brazil, Canada, Italy, Poland and India. Special studies on Japan, Brazil, India, Italy, the Philippines and Poland were contributed by experts while the ILO office prepared analysis for Ghana and the U.A.R.

The report comes round to the basic conclusion that processes of economic growth as well as employment can be hastened in the developing countries not only by raising the level of investment but also by changing the composition and the techniques of production. It is suggested that these developing countries should seek to produce those goods and services which embody "relatively little capital and relatively much labour". They should also seek to undertake the production of such goods and services by means of techniques that save capital and use much labour. The supporters of cottage and small industries believe that they answer these qualifications and therefore the area of unemployment can be reduced by extension of these industries. The experts have added another rider to this solution. They believe that the traditional industries will have to be transformed in the process of development if they wish to survive. Basically, output per man hour in these industries will need to be considerably increased by steadily increasing mechanisation. Their sizes also will have to be increased so that they should not be centred round a household as in the case of cottage industries. Modern management techniques as well as production processes will have to be pressed into service if handicrafts and small-scale undertakings are to move out of the traditional ways and come into the modern sector. In other words, the experts have advised selection of such industries which tend to raise employment but have also recommended the initiation of the small-scale and handicraft industries into the utilisation of modern techniques. The standard of living in any country can be raised only by raising the productivity of labour. The plea is made for modernized small-scale undertakings operating at an intermediate level of labour productivity, that is, productivity between the present-day large-scale sector and the present-day small-scale industries. Any diversion to small-scale industries without an eye on rising productivity will harm the objective of raising employment.

The report illustrates its thesis with reference to particular countries where the recommendations of their experts could be made use of with profit. Like all ILO reports, the present one also is very clearly laid out, without any confusion of thought.

THE PUBLIC SECTOR

The Structure of Public Enterprise in India: By Dr. V. V. Ramanadham; Asia Publishing House, Bombay; Pp. 267; Price Rs. 18.00.

It is perhaps most opportune at this moment, when the ideological speculations about the desirability of the public sector have been practically set at rest, to make an impartial and undogmatic assessment of its present structural and administrative aspects, and on the basis of past experience, focus attention on those aspects as are essential for its healthy development. Dr. V. V. Ramanadham has been, undoubtedly, successful in this almost pioneering effort to live up to his claims of presenting in this book what he describes "a scientific analysis of the important economic, organisational and managerial aspects of public enterprises in India", without digging into the evolutionary stages as also without indulging himself into the not-so-pleasant controversy between the two sectors. Beginning with the nature and extent of the public sector in this country, the author proceeds on to discuss the economic rationale with special reference to the needs of planning, the pricing and profits policy, the statutory structure of public corporations, followed by a case study of the relative merits of public corporations and the departmental organisations in the field of road transport, to end with a detailed analysis of the distinction between the approaches to the problem of public administration and those of public enterprise.

It is only in the chapter titled "Profits Policy of Public Enterprises" that he says his piece—with, of course, certain inhibitions. All through the chapter he has emphasized the desirability of profit motive in the public enterprises, for otherwise, apart from other things, it can create "institutional complications for the public exchequer", and the already low managerial efficiency cannot be put into gear; he, however, realises that profit maximisation always has a bad odour in the public sector. He has convincingly argued, though subjectively, that the public sector has many over-riding advantages over the private sector, e.g., easy access to the required capital, low rates of interest, favourable political environment, etc. With all these facilities at their disposal, the author admits that "the financial performance of the (public) enterprises is really poor". He has not come out openly, anywhere in the book, with objective criticism of the public sector; it is obvious, though, that he has been throughout bordering round it.

Dr. Ramanadham, who has done similar studies in respect of France and Sweden, has very deftly dealt with the present subject, avoiding all existing controversies between the public sector and the private sector. It is for this reason that this book will be read with interest by all those readers who wish to have an unbiassed insight into the subject.

ECONOMIC SURVEYS

Techno-Economic Survey of Tripura: National Council of Applied Economic Research, New Delhi; Pp. 163; Price Rs. 15.

Techno-Economic Survey of Himachal Pradesh: National Council of Applied Economic Research, New Delhi; Pp. 182; Price Rs. 15.

The techno-economic surveys for the Centrally administered areas of Tripura, Manipur and Himachal Pradesh were undertaken by the National Council of Applied Economic Research at the instance of the Ministry of Home Affairs. Two of these studies covering Tripura and Himachal Pradesh have been published recently while the one dealing with Manipur was released last year.

Although the areas are thinly populated, their strategic importance as frontier regions calls for special consideration in any approach to planning. According to the Survey of Tripura, agriculture is the most important sector of the territory which suffers from heavy population pressure. A large tribal population practises shifting cultivation known as 'jhuming', with no settled life. The problem is aggravated by the influx of refugees from East Pakistan. Food requirements outpace production and the gap continues to widen. The study recommends a land reclamation programme of 100,000 acres in the Third and the Fourth Plans, and a minimum of 6-acre holdings for a fair income to the family. It assumes that 50 per cent of the reclaimed area would be suited for field crops and the other 50 per cent for miscellaneous crops. The land can best be used for growing crops like cotton, groundnuts, pulses and maize.

The total outlay for irrigation during the period 1961-71, the Survey estimates, would come to about Rs. 3 crores on the basis of Rs. 300 per acre on an average for an area of 100,000 acres. Improvements suggested for tea industry are in respect of an infilling programme, shade trees to offset adverse effects of draughts, etc.

Among the other aspects on which recommendations have been made are forests which cover 60 per cent of the area, mineral resources, power, industry which is mainly rural, and above all transport and communications. Industries in which the survey sees possibilities of development are few, such as light engineering, wood working and leather industries.

The most important factor retarding development is lack of transport and communications and the Survey appropriately lays stress on their expansion and development.

The Survey estimates a total outlay of Rs. 65 crores over the next 10 years to build only a social and economic base for development later in a big way.

The key to the development of the resources of Himachal Pradesh, according to the elaborate survey of the NCAEF, lies in the building of a network of roads and communications to make the area accessible to the rest of the country.

Agriculture, as elsewhere in India, is the all-important occupation in Himachal Pradesh. The region being mountainous, cultivation is difficult. The slopy terrain lends itself to erosion which gives rise to grave consequences, like silting of rivers, gradual undermining of forests and loss of fertility. Since there is little scope for extending the area of cultivation the Survey lays stress on increasing productivity by intensive and better methods of cultivation and prohibition of grazing in the catchment areas for soil conservation. The Survey also recommends establishment of seed multiplication and demonstration farms. To eliminate silting it suggests afforestation in general and planting of river-fringe forests.

Apart from fruits and potatoes, Himachal Pradesh has ginger, sugarcane, vegetables and medicinal herbs as its cash crops. It is gratifying that the Survey notes an increase in the output of cash crops in recent years in spite of little increase in the area under these crops. The total output between 1951-57 has increased by 31 per cent in cash crops as against 18 per cent in food-grains. The crops whose output, according to the Survey, could further be increased are sugarcane, ginger, chillies, vegetables and vegetable seeds. It indicates that adequate afforestation programme and improved extraction techniques would strengthen the forest base of the territory.

In the light of the resources curently known, the NCAER emphasizes setting up of small industries and encouragement of handicrafts on co-operative basis. The possibility of setting up of a soda ash plant, cement, pig iron, and a fruit preservation plant, have been visualised. The Survey estimates an outlay of about Rs. 90 crores during the next decade to built an infrastructure for further development.

Reinforced by elaborate statistical data and a springling of maps, the two Surveys are all-comprehensive and of more than local interest. Almost all aspects of economic life in the areas studied have been probed and suggestions made should go a long way in directing planning effort on the right lines.

(Continued from page 718)

1962 to Wednesday, the 11th April, 1962, both days inclusive.

(b) The dividend, if sanctioned, will be payable on and after the 12th April, 1962, to those Members whose names appear on the Company's Register on the 11th April, 1962.

(c) Dividend Warrants will be posted to the Members at their registered addresses or in accordance with their mandates. Members are requested to advise change in their addresses, if any.

EXPLANATORY STATEMENT REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956.

The item of Special Business to be transacted at the Annual General Meeting to be held on the 11th April, 1962 is to consider and pass Ordinary Resolutions for the issue of new ordinary shares.

With a view to further strengthen the capital resources of the Company and in order to increase the ratio of paid-up capital and reserves to total deposits, the Directors propose to raise the subscribed capital of the Company by the issue of 200,000 new ordinary shares of Rs. 100 each in the manner set out in the Resolution.

None of the Directors is interested in the aforesaid resolution except as shareholders of the Company. The General Manager is not in any way interested in the said resolution.

By Order of the Board,
S. T. SADASIVAN,
General Manager.

BOMBAY,
9th March, 1962.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	112.0
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	124.9
November 1960 ..	120.2	116.8	120.1	148.0	131.6	124.7	125.6	126.0
December „ ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
January 1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
November 1961 ..	120.2	98.3	122.4	136.9	140.2	124.1	126.4	124.2
December „ ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
January 1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
20-1-1962 ..	119.4	97.3	122.3	137.5	137.4	123.7	125.7	123.7
27-1-1962 ..	119.5	97.3	122.6	138.3	137.2	124.2	126.1	124.0
3-2-1962 ..	120.2	98.6	122.6	138.2	137.9	124.1	126.0	124.3
10-2-1962 ..	120.6	99.1	122.6	138.5	139.1	124.0	126.1	124.6
17-2-1962 ..	119.0	99.5	122.4	138.8	137.5	124.6	126.4	123.9

* Revised

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
	Provinces											
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
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*	412	431	—	167	400	—	495	—	478	—	—	—
1961 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	304	171	406	482	498	166	480	172	168	173
August	419	438	302	171	410	491	501	167	481	171	171	175
September	417	436	302	169	410	491	499	169	479	171	171	175
October	415	434	302	168	417	499	501	172	480	176	177	175
November	415	434	302	170	417	508	497	—	481	180	178	175
December	416	435	—	171	410	—	493	—	481	—	—	—
1962 January	417	436	—	170	—	—	495	—	482	—	—	—
February	—	—	—	—	—	—	—	—	480	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 2-3-1962			23-2-1962			16-2-1962			9-2-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	122.75	121.15	121.86	122.35	120.25	121.35	121.45	119.50	120.38	120.80	118.20	119.57
Silver (per kilogram)	215.30	212.60	213.55	213.30	212.25	212.71	212.50	211.20	212.12	213.25	211.40	212.46

GROSS AND NET SAVINGS OF PUBLIC SECTOR: 1948-49—1959-60

(Rs. crores)

Year	Gross Savings: Public Authorities	Gross Savings: Govt. Companies	Gross Savings: Statutory & Financial Corporations	Gross Savings: Total	% of (1) to (4)	Net Savings: Public Authorities	Net Savings: Govt. Companies	Net Savings: Statutory & Financial Corporations	Net Savings: Total	% of (6) to (9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1948-49 ..	— 14.0	0.4	9.0	—4.6	..	—45.0	— 0.1	9.0	—36.1	..
1949-50 ..	126.0	0.7	10.0	136.7	92	82.0	0.1	9.9	92.0	89
1950-51 ..	159.1	0.7	8.5	168.3	95	115.0	..	8.4	123.4	93
1951-52 ..	243.3	1.6	7.7	252.6	96	198.0	0.6	7.6	206.2	96
1952-53 ..	129.1	3.1	12.9	145.1	89	86.0	0.1	12.8	98.9	87
1953-54 ..	106.5	3.3	17.3	127.1	84	62.0	0.1	16.7	78.8	79
1954-55 ..	125.9	4.6	20.1	150.6	84	80.0	0.9	19.1	100.0	80
1955-56 ..	144.8	5.6	20.7	171.1	85	83.0	1.4	19.2	103.6	80
1956-57 ..	192.6	5.5	33.2	231.3	83	130.0	0.2	31.0	161.2	81
1957-58 ..	195.4	7.5	42.7	245.6	80	130.0	1.8	40.5	172.3	75
1958-59 ..	169.7	12.3	44.9	226.9	75	107.0	4.4	42.3	153.7	70
1959-60 ..	130.0	14.5	46.5	191.0	68	64.0	5.5	44.6	114.1	56

"Public Authorities Sector" include Central and State Governments, Port Trusts, Municipal Corporations, Municipalities, Improvement Trusts, District and Local Boards and village Panchayats. In addition, it includes railways and other departmental commercial enterprises. "Government companies" are those in which not less than 51 per cent of the share capital is held by the Government (Central or State or both).

GROSS AND NET SAVINGS OF PRIVATE CORPORATE SECTOR: 1948-59

(Rs. crores)

Year	Gross Savings: Public & Private Ltd. Cos.*	Gross Savings: Scheduled & Non-scheduled Banks	Gross Savings: Co-operative Institutions	Gross Savings: Insurance Cos.	Gross Savings: Total	% of (1) to (5)	Net Savings: Public & Private Ltd. Cos.*	Net Savings: Scheduled & Non-scheduled Banks	Net Savings: Co-operative Institutions**	Net Savings: Insurance Cos.**	Net Savings: Total	% of (7) to (11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1948	57.1	3.0	4.2	0.9	65.2	88	17.3	2.6	4.2	0.9	25.0	69
1949	66.0	2.5	5.1	1.4	75.0	88	20.2	2.2	5.1	1.4	28.9	70
1950	70.9	1.8	4.3	0.0	77.0	92	28.2	1.5	4.3	0.0	34.0	83
1951	96.9	2.6	7.0	5.8	112.3	86	47.5	2.3	7.0	5.8	62.6	76
1952	43.1	2.0	6.8	2.4	54.3	79	—4.6	1.7	6.8	2.4	6.3	..
1953	69.3	1.8	3.3	—0.7	73.7	94	18.3	1.5	3.3	—0.7	22.4	82
1954	91.3	2.0	2.6	—0.7	95.2	96	37.5	1.7	2.6	—0.7	41.1	91
1955	117.0	2.1	6.2	—0.9	124.4	94	50.8	1.8	6.2	—0.9	57.9	88
1956	125.3	3.3	—1.8	2.4	129.2	97	52.1	2.9	—1.8	2.4	55.6	94
1957	94.3	3.9	4.9	0.3	103.4	91	10.5	3.5	4.9	0.3	19.2	55
1958	114.1	3.3	5.9	0.3	123.6	92	28.2	2.8	5.9	0.3	37.2	76
1959	144.8	4.1	10.7	1.3	160.9	90	46.6	3.5	10.7	1.3	62.1	75

*Net of retained earnings of Indian subsidiaries of foreign companies.
**Gross Savings.

Source: National Income Division, C.S.O.

GROSS SAVINGS OF PRIVATE NON-CORPORATE SECTOR: 1948-49—1959-60

(Rs. crores)

Year	Gross capital formation	Financed from abroad	Financed from internal resources				
		Net inflow of capital	Total (1)—(2)	Savings of public sector	Savings of private corporate sector	Savings of private non-corporate sector (3)—(4)—(5)	% of (6) to (3)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1948-49	1,080	255	825	—5	65	765	92.7
1949-50	1,107	55	1,052	137	75	840	79.8
1950-51	1,122	—29	1,151	168	77	906	78.7
1951-52	1,449	190	1,259	253	112	894	71.0
1952-53	1,119	—35	1,154	145	54	955	82.7
1953-54	1,455	—16	1,471	127	74	1,270	86.3
1954-55	1,492	32	1,460	151	95	1,214	83.1
1955-56	1,721	41	1,680	171	124	1,385	82.4
1956-57	2,393	356	2,037	231	129	1,677	82.3
1957-58	2,046	455	1,591	246	103	1,242	78.0
1958-59	2,510	372	2,138	227	124	1,787	83.5
1959-60	2,534	218	2,316	191	161	1,964	84.8

DOMESTIC SAVINGS IN RELATION TO NATIONAL INCOME

(At current prices)

(Rs. crores)

	1955-56	1956-57	1957-58	1958-59	1959-60
1. Gross National Product	9,971	11,459	11,564	12,986	13,342
2. Depreciation	735	731	779	830	871
3. Net National Product (National Income)	9,236	10,728	10,785	12,156	12,471
4. Gross Domestic Savings	1,680	2,037	1,591	2,138	2,316
5. Net Domestic Savings	945	1,306	812	1,308	1,445
6. Gross domestic savings as a % of gross national product	16.8	17.8	13.8	16.5	17.4
7. Net domestic savings as a % of net national product	10.2	12.2	7.5	10.8	11.6

BORROWINGS OF PUBLIC AND PRIVATE SECTORS

(Rs. crores)

Year	Borrowings of			Financed by		
	Public Sector	Private Corporate Sector	Total	Private Non-Corporate Sector	Foreign Borrowings	Total
1951-52	35	43	78	—112†	190	78
1952-53	91	— 2*	89	124	—35**	89
1953-54	151	—10*	141	157	—16**	141
1954-55	278	30	308	276	32	308
1955-56	304	48	352	311	41	352
Total for I Plan (1951-56)	859	109	968	756	212	968
1956-57	427	201	628	272	356	628
1957-58	534	224	758	303	455	758
1958-59	582	96	678	306	372	678
1959-60	792	27	819	601	218	819
Total 1956-59	2335	548	2883	1482	1401	2883

*Saving. **Outflow. †Dissaving.

Source: National Income Division, C.S.O.

CENTRAL BUDGET

REVENUE

(Rs. Lakhs)

Heads of Revenue	1960-61 (Accounts)	1961-62 (Revised)	1962-63 (Budget)
Customs	1,70,03	1,99,60	1,99,60
Union Excise Duties	4,16,35	4,70,95	4,92,28
Corporation Tax	1,11,05	1,60,00	1,68,00
Taxes on Incomes	1,67,38	1,42,00	1,48,00
Estate Duty	3,09	4,00	4,00
Taxes on Wealth	8,15	7,50	7,00
Taxes on Railway Fares	15,89	..	..
Expenditure Tax	91	80	80
Gift Tax	88	85	85
Other Heads	15,57	15,46	15,83
Debt Services	14,81	11,58	1,67,51
Administrative Services	66	1,11	6,11
Social and Development Services	53,11	45,55	35,29
Multi-purpose River Schemes etc.	3	—1	36
Public Works, etc.	3,27	3,74	4,02
Transport & Communications	2,17	2,38	6,30
Currency and Mint	58,10	53,15	54,53
Miscellaneous	25,35	22,92	24,56
Contributions and Miscellaneous Adjustments	5,22	21,68	24,41
Extraordinary items	3,72	13,00	40,00
Deduct—Share of Income Tax payable to States	—87,37	—93,27	—89,70
Deduct—Share of Estate Duty payable to States	—2,91	— 3,88	— 3,88
Deduct—Share of Taxes on Railway Fares payable to States	—13,79	..	..
Total Revenue	9,71,67	10,79,11	13,05,87
Deficit on Revenue Account	..	..	63,46
TOTAL	9,71,67	10,79,11	13,69,33

EXPENDITURE

(Rs. Lakhs)

Heads of Revenue	1960-61 (Accounts)	1961-62 (Revised)	1962-63 (Budget)
Collection of Taxes and Duties	97,53	21,15	22,58
Debt Services	77,09	86,10	2,47,90
Administrative Services	58,66	60,00	70,31
Social and Developmental Services	2,09,79	1,55,72	1,62,25
Multi-purpose River Schemes etc.	1,11	1,23	1,57
Public Works, etc.	20,46	21,92	21,88
Transport and Communications	5,06	6,22	8,75
Currency and Mint	10,15	11,62	20,23
Miscellaneous	1,40,38	81,77	1,00,82
Contribution and Miscellaneous Adjustments	48,55	2,83,70	3,30,97
Extraordinary items	4,09	13,79	41.40
Defence Services (Net)	2,47,55	3,01,93	3,40,67
Total Expenditure	9,20,42	10,45,15	13,69,33
Surplus on revenue accounts	51,25	33,96	..
TOTAL	9,71,67	10,79,11	13,69,33

SUMMARY OF CAPITAL TRANSACTIONS: 1958-59 — 1962-63

RECEIPTS

(In lakhs of rupees)

	1958-59 (Accounts)	1959-60 (Accounts)	1960-61 (Accounts)	1961-62 (Revised)	1962-63 (Budget)
Special Floating Loan	—	71,43	3,45	3,45	3,45
15-year Annuity Certificates	65	65	70	60	70
New Loans	6,99,17	5,65,95	5,11,04	6,34,70	7,15,00
Treasury Bills	—	—	—1,91,31	76,00*	1,47,00
Investment of U.S. Government Counterpart Deposit Funds	—69,80	72,28	2,40,41	59,59	90,00
Treasury Savings Deposit Certificates	5,14	9,74	12,05	9,00	14,00
Post Office Savings Bank Deposits	20,00	25,77	44,54	39,00	39,50
12-Year National Plan Savings Certificates	81,34	68,90	65,06	62,00	65,00
Cumulative Time Deposits	5	76	1,83	3,40	4,50
Post Office Cash Certificates	—2,36	—69	—64	—52	—37
National Savings Certificates	—24,41	—20,97	—18,64	—17,02	—16,84
Defence Savings Certificates	—	—1	—	—1	—1
National Plan Certificates	—2,10	—1,24	—95	—1,15	—1,18
Other Unfunded Debt	19,46	23,77	43,99	36,34	38,56
Railway Depreciation, Revenue Reserve and Development Funds	—40,18	—8,91	—3,76	—26,50	7,91
Telephone Development Fund	—47	—99	—3	55	30
P. and T. Renewals Reserve and other Funds	1,31	33,47	6,82	8,49	7,28

(Continued on next page)

SUMMARY OF CAPITAL TRANSACTIONS : 1958-59 — 1962-63 (Contd.)

(In lakhs of rupees)

	1958-59 (Accounts)	1959-60 (Accounts)	1960-61 (Accounts)	1961-62 (Revised)	1962 63 (Budget)
Other Miscellaneous Reserve Funds	—6	59	—4	—5	43
Appropriation for Reduction or Avoidance of Debt	5,00	5,00	5,00	5,00	5,00
Deposits under Income-Tax Act (Net)	—4,30	—14,03	32	—85	—30
Discount Sinking Fund (Net) ..	—72	54	1,55	—80	2,04
Payment by Reserve Bank for Rupee Coin	5,00	5,00	5,00	5,00	5,00
Repayment of Loans by States ..	61,93	80,85	95,48	1,58,09	1,63,20
Other Loan Repayments	20,78	24,08	30,50	56,77	54,57
Other Deposits and Advances (Net)	46,66	61,03	92,71	1,54,08	1,72,94
TOTAL	**8,22,09**	**9,72,97**	**9,45,08**	**12,65,16**	**15,17,68**
Deficit on Capital Account	11,99	7,75	75,70	29,25	—
GRAND TOTAL	**8,34,08**	**9,80,72**	**10,20,78**	**12,94,41**	**15,17,68**
DISBURSEMENTS					
Capital Outlay:					
Railways	1,25,82	74,69	89,48	1,69,75	1,96,50
Posts and Telegraphs	10,70	8,09	11,26	12,10	15,08
Schemes of Agricultural Improvement and Research	68	5,23	5,62	5,60	6,25
Industrial Development	1,87,19	58,60	91,27	1,09,66	1,76,52
Aviation	3,31	3,78	3,46	3,45	4,09
Broadcasting	75	65	88	1,30	1,40
Ports	2,45	1,26	1,21	1,56	2,87
Currency and Coinage	2,78	95,27	6,43	7,52	6,74
Mint	41	12	5	7	6
Delhi Capital Outlay	5,79	5,53	4,29	6,11	8,25
Multi-purpose River Schemes ..	3,15	4,25)			
Electricity Schemes and Irrigation ..	38	62)	1,85	3,86	11,32
Civil Works	14,11	15,00	34,63	40,49	57,02
Commutation of Pensions	—44	—42	—35	—8	1,40
Sterling Pensions	—38.12	—3,68	—3,69	—3,66	—3,70
Defence	27,88	36,11	33,39	25,57	31,13
Schemes of Government Trading ..	22,86	3,97	33,95	11,45	28,69
Development Grants	8.62	9,27	10,63	13,41	21,40
Compensation to Displaced Persons	4,81	—34	—45	—92	—80
Dandakaranya Development Scheme	1,00	2,23	3,94	4,52	3,91
Shipping, Tankers, etc.	25	34	—	52	1,88
Road and Water Transport Schemes	14	21	25	43	41
Indus Water Treaty	—	—	8,28	7,72	7,17
Transfer of Development Assistance from the Government of U.S.A. ..	16.19	35,15	66,29	65,70	63,28
Other Works	91	1,34	2,49	5,40	7,47
Other Civil Heads	11	17	35	90	1,24
Discharge of Permanent Debt ..	28,69	1,26,46	1,27,08	2,06,67	2,27,63
Discharge of Special Floating Debt	3,37	3,42	1,71	—	3,43
Inter-State Settlement	—	12	—	1,79	—
Advances to State Governments ..	2,93,90	2,75,47	3,28,18	4,48,77	4,40,35
Other Loans and Advances	1,06,27	2,17,73	1,58,30	1,44,75	1,31,47
Lighthouses and Light Ships ..	—	—	—	—	89
Overseas Communications Service ..	—	—	—	—	48
TOTAL	**8,34,08**	**9,80,72**	**10,20,78**	**12,94,41**	**14,53,83**
Surplus on Capital Account	—	—	—	—	63,85
GRAND TOTAL	**8,34,08**	**9,80,72**	**10,20,78**	**12,94,41**	**15,17,68**

*If the effect of the conversion of Rs. 50 crores is ignored, the net expansion of treasury bills during the year would amount to Rs. 126 crores. Of this Rs. 5 crores will be taken to increase the closing cash balance to the normal level of Rs. 50 crores. Thus the overall gap in the current year would amount to Rs. 121 crores.

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The next issue of "The Eastern Economist", dated March 30, 1962, will be a Special Number (in lieu of the Budget Number), "After The Elections ?". In addition, it will contain a Blue Supplement, as usual.

With a Supplement
on
THE RAMASWAMI MUDALIAR COMMITTEE'S REPORT ON IMPORT AND EXPORT POLICY

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THE EASTERN ECONOMIST

MARCH 23, 1962.

The Cease-Fire in Algeria

THE news from Evian on March 18 that French and Algerian negotiators had concluded a cease-fire agreement to end the seven-year war in Algeria has rightly received in all Indian newspapers banner headlines and continued prominence in comment. There are few international issues which so stir the Indian people as the departure of Colonialism after a long and, in this case, a bloody struggle. So far as combatants alone are concerned, Algeria has cost 141,000 Muslim nationals and 17,000 French troops in casualties up to the end of 1961, and it is believed that the equivalent of five billion sterling have been spent by France to maintain what has now been proved to be an untenable position in this, her key former colony. Apart from the O.A.S. which is attempting a last ditch stand under the direction of the notorious General Raoul Salan, the agreement has raised enthusiasm all the world over. President Kennedy and our own Prime Minister have, from different angles, expressed their admiration for General de Gaulle, whose great persistence and statesmanship alone has made this result possible. It is right, however, since this problem goes deep into the heart of France, that it should not look like the decision of one man, however acceptable he is to the French people. Therefore, President de Gaulle's decision to hold a referendum on his Algerian policy early next month will be warmly applauded. There is a corresponding referendum in Algeria to be held in July and with this it might be said that, in a short while, the firm stamp of popular approval will be placed upon an agreement which has been reached by the two negotiating parties after years of strife.

If this were the end of the matter one might well rejoice. But the power of the O.A.S. in Algeria is still great, and it is alarming to note that military operations have already been started in Oran in the form of a clash between French gendarmes and an O.A.S. commando group. The ultimate victory of France is certain as is the ultimate victory of the nationalist forces in Algeria. But it is still too early to say that the war in Algeria is over. It has ceased to be a war between France and the Algerian Nationalists and has now become in large measure a war between France and the recalcitrant O.A.S. All over the Indian Union, there will be a fervent prayer — somewhat unusual in the context of colonial battles — that metropolitan France will emerge triumphant in this display of strength over an area which it formerly controlled and which history rendered independent. In a sense, France has now changed sides; from supporting French settlers at the beginning in a futile war based on a miscalculation of nationalist forces in Algeria, she has now sought to throw her weight on the other side. It may be expected that the two sides of the triangle, France and Algerian nationalists, will be greater than the third. But this does not imply that victory is easy. Everyone in India will hope that, if victory cannot be complete, that the areas of resistance can be isolated and that the progress of Algeria hindered for several years by an insane conflict will not be impeded everywhere.

Largely because of the tremendous possibilities of Algeria and the Sahara oil fields, commanded from Algeria, it is likely that the new Algerian State will quickly ascend like other Middle-Eastern States gifted with oil resources, and establish a position of extraordinary economic viability which the years of attrition have so disastrously postponed. Algeria will now count anew in the counsels of the world. It is to be hoped that India will lose no time in sending suitable diplomatic and economic representation there so that our bonds both in friendship and in trade will rapidly grow. Indo-Algerian co-operation can be great and it is, undoubtedly, in our interests not to appear hesitant in providing any assistance of which we are currently capable. In particular, it is to be hoped that the Algerian nationalists who have obtained this triumph will help in securing that moderation in the settlement of colonial disputes which India for her part has often tried to advocate — sometimes, as at Belgrade, at some considerable peril to her anti-imperial image. It is right at this state in the world's affairs that the settlement that has been reached by the Algerian nationalists and French should be echoed in other portions of the world where, unfortunately, the gulf which separates metropolitan administrations from their colonies has tended constantly to widen. Portugal, in particular, should watch with interest, as well as with concern, events in Algeria. They have demonstrated finally that massive armies cannot subdue the free human spirit. A word might be added here that immitation of France would be the sincerest form of flattery.

The Disarmament Conference

FOR ten days now the representatives of seventeen nations have been engaged in a sincere endeavour to forge a formula for the first instalment in disarmament. If a tentative assessment could be ventured, it would not be wide of the mark to express hope for some measure of success in this problem which has consistently proved intractable for the last sixteen years. Taking the nuclear and conventional armaments together, the two premier powers are now very nearly evenly balanced in their defence as well as striking potential. But, unquestionably, considerations of superiority in nuclear weapons detract from this estimation and it is the decisive striking potential of nuclear arms which is withholding the appropriate psychology for mutual trust without which agreement is impracticable. For the first time, eight uncommitted nations are participating in these momentous talks, but, although their efforts must needs be confined to narrowing the differences between the viewpoints of the Big Three, they have chosen the right attitude to impress upon the nuclear powers the urgency to thrash out the issue in a spirit of informality among them, in the first instance.

This Conference starts with the positive advantage of the McCloy-Zorin joint statement of

principles announced in September last year, which inspires the hope that, given unreserved determination, a way out may be found for the initial phase in the process of disarmament. About the sincere desire of the two sides to rid the world of the curse of the nuclear threat, there need not be any doubt. A forthright approach, however, is hardly possible inasmuch as Mr. Kennedy is as much subject to the influence, as Mr. Khrushchev, from the domestic pressure of the orthodox school, which clings to the belief in deterrence and in negotiating from a position of strength. But this pressure need not be unduly overrated.

The Conference started with the two proposals from America and Russia which were reiterations of their familiar positions. The Russian proposal calls for general disarmament in four years phased over three stages, the first one in which is to cover nuclear weapons in particular. This proposal would have certainly commended itself to America and Britain, if only it had not left the serious gap of an acceptable system of control and inspection. It must be recalled in this context that the McCloy-Zorin Statement of Principles makes a positive commitment from the Soviet side of inspection and control, but the construction put by Russia on this crucial provision differs radically from the one put by America. There is no commitment, but on the other hand, unconcealed opposition, by Russia to control posts inside each country commanded by international teams of inspection and, further, Russia would be agreeable to inspection of actual disarmament but not of the other armaments left over. America, apart from asking for stationing of international teams, lays the right emphasis on the inspection of armaments still allowed to ascertain that they conform to the agreed residuary size and do not contain any element of concealed augmentation. Russia's objection to a full-fledged and internationally commanded system of inspectorate and stations inside her boundaries rests on the apprehension that it would amount to an open door for espionage.

The American proposal, based on a four-point programme, has certain basic essentials which form its core. The first stage envisages a cut of 30 per cent in nuclear delivery vehicles, along with the conventional armaments, and what is more significant, it calls for a ban on the production of fissionable material for nuclear weapons and, in addition, a transfer by the two nuclear leaders of 50,000 kgm. of uranium — 235 for other and peaceful purposes. This is to strike at the very root of nuclear weapons production.

The crux of the entire problem is an effective ban on nuclear tests. Of course, a phased reduction of the stockpiles is no less important, since relative superiority or inferiority for offence will be conditioned by the accumulation of weapons. But in the order of priorities the ban on tests naturally comes first. Mr. V. K. Krishna Menon's proposal on behalf of this country for setting up of control posts in the non-aligned countries to supervise the implementation of the ban on nuclear tests hardly suffices to improve the position as it obtained before the Conference. The intention behind ths proposal to meet the Russian objection of espionage is understandable, but its cardinal weakness is that it does not provide for any technique to verify the findings recorded by the supervisory teams in the outposts in the neutral countries. Mr. Menon had also proposed additional stations for monitoring of nuclear tests to be located in the uncommitted countries, to determine violations of the ban on tests. But monitoring is already available and effectively practised and this, too, fails to meet the basic requirement of verification.

To accept the deadlock in this situation is nothing short of a surrender to defeatism and the consequences of accepting defeat are quite obviously inconceivable. A compromise needs to be struck and, with a view to meeting the Russian objection over espionage, America has moved a decisive step forward. This is its proposal for the sampling technique of inspection. This technique requires a division of zones of the nuclear stockpiles and verifying the statements of a party as regards reduction to the agreed size by inspection of selected zones. It replaces total inspection of the entire stockpiles upon which Russia looks with distrust as a subtle device of espionage. As the sampling technique progressively confirms the claims of phased reduction, the process of inspiring greater confidence and dispelling distrust and apprehensions will move faster.

The most tangible and concrete achievement of the current session at Geneva is the appointment of a sub-committee, consisting of America, Russia and Britain to investigate the proposals made at the conference and to arrive at a compromise formula by the end of this week. This delicate task has been rightly placed on the parties whose attitudes matter first and last. The eyes of the entire world are now turned to this subcommittee. As we go to press, the sub-committee has announced a deadlock. But a renewed bid to resolve it must be made.

The Third Finance Commission

DEVOLUTION of finances from the Centre to the States by a Finance Commission, to be set up every five years under a provision in the Constitution, provides each Commission with an onerous and exacting task. The Third Finance Commission under the able stewardship of Mr. A. K. Chanda, former Comptroller and Auditor-General of India, has had the advantage of his manysided experience to help it to command respect. The report it has submitted to the Government is a concise and just document; it has been fair to the States. Besides recommendations on the re-allocation of States' share in the income-tax, Union excise levies and the estate duty, on grants-in-aid under Article 275 of the Constitution and on distribution of the additional excise duties levied in the place of States' sales tax on some commodities like cotton textiles, tobacco and sugar, and a fixed sum of Rs. 12.5 crores in lieu of the railway passenger tax, it contains some very pertinent general observations which should provide enough food for thought for any student of Indian finance.

It is not perhaps surprising that the report is not a unanimous one and contains a note of dissent by Mr. G. R. Kamat, the official Member-Secretary of the Commission. All the unanimous recommendations of this august body have been accepted by the Government along with the majority recommendation on one of the two issues, special grants for improvement of road communications, on which Mr. Kamat has appended a dissenting note. On the other controversial issue, Plan assistance grants, the Union Government has upheld Mr. Kamat's contention as against the majority verdict.

The Commission has done well in raising the States' share in the income-tax divisible pool from 60 per cent to 66-2/3 per cent and in gearing the allocation of different States on 80 per cent on the basis of population and 20 per cent on the basis of collection as against 90 per cent on population basis and 10 per cent on collection basis as recommended by the Second Finance Commission. There can be little objection to this formula, though it is likely to create some heart-burning amongst the States which are less developed industrially. The revision in the formula has been necessitated by the changes made in the Income-tax Act by the Finance Act of 1959, by virtue of which the entire income-tax paid by companies was classified as corporate tax and excluded from the divisible pool of income-tax. How far the share of State Governments in the income-tax proceeds will go up consequent upon this revised formula, it is difficult to envisage. The industrially advanced States like Maharashtra and West Bengal obviously stand to gain, while the not-so-favourably placed States, which form a majority in the Indian Union, may be losers to some extent.

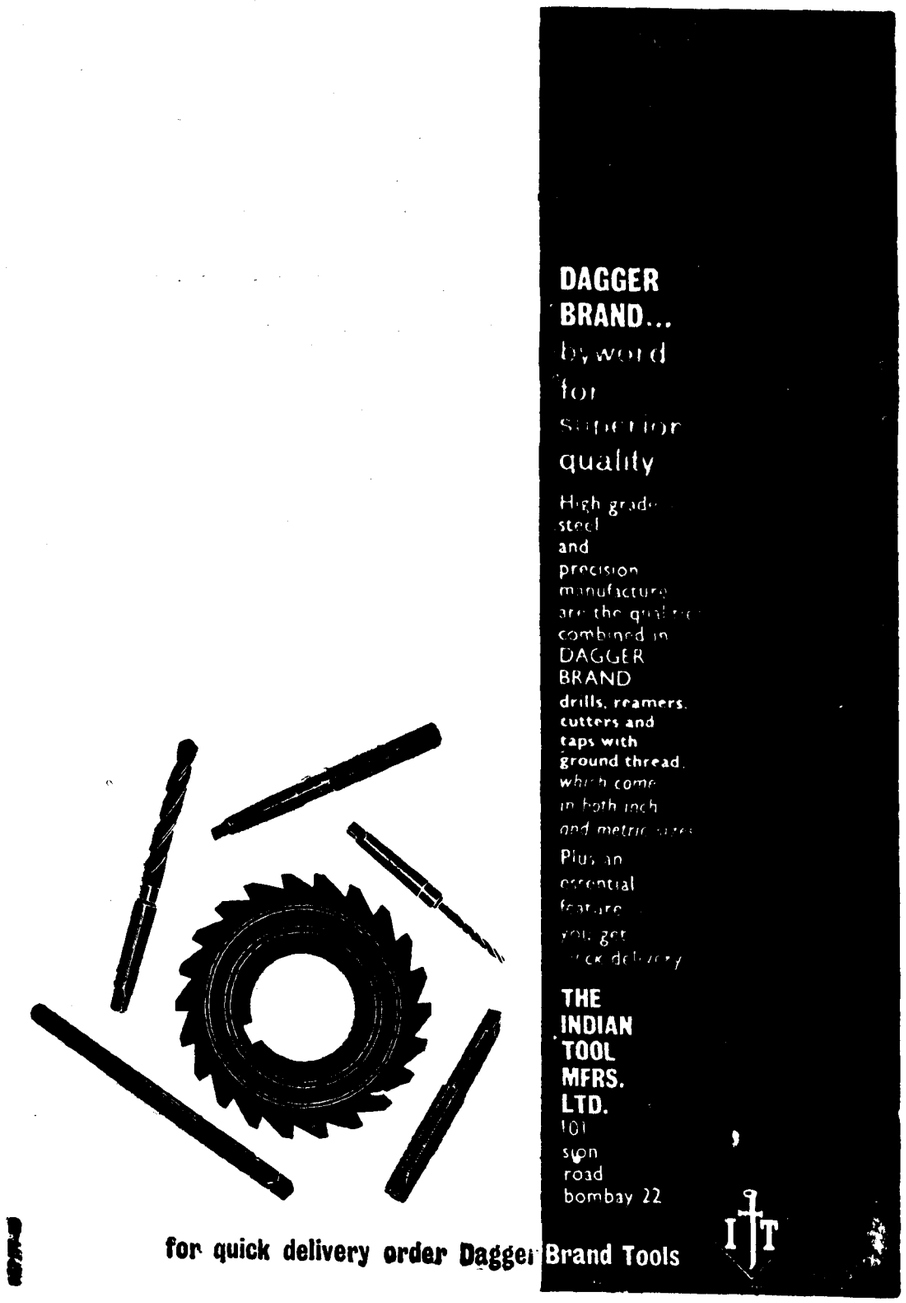
Far more important recommendation of the Commission which goes to help in stepping up the devolution of finances from the Centre to the States is, however, the increase effected in the number of commodities (from 8 to 35) excise duty on which is to be shared by the States with the Centre. Alongwith this, of course, the percentage share of the States in this divisible pool has been reduced from 25 to 20. Even then the net share of States is substantially larger and will grow from year to year. The wisdom of not giving in the report the basis of the proportionate share of each State as recommended by the Commission may, however, be questioned. The Commission merely states in this regard that whereas population continues to be the major determining factor, such considerations as the relative financial weakness of a State, the disparity in the levels of development, the percentage of scheduled castes and tribes and backward classes in population have also to be taken note of. There can be a large element of arbitrariness in such a calculation in the absence of any correct index for assessing the relative backwardness of a State and its financial weakness on the basis of merely its tax effort in the past.

The changes effected by the Chanda Commission in the distribution of estate duty receipts, the revenue from additional excise duties and the allocation of Rs. 12.5 crores in lieu of the railway passenger tax are of minor consequence and need not be dwelt upon at any length. But a word would not be out of place in respect of the grants-in-aid recommended by the Commission for covering the revenue and State Plan resources gaps, as also for the purpose of improvement of road communications in the backward States. Consequent upon the relatively greater funds being available from the Centre to States like Maharashtra and West Bengal and the improved financial position of States like Punjab during the past five years, grants-in-aid on revenue account for such States have been, quite appropriately, discontinued. The grants-in-aid under this head in the case of Madhya Pradesh and Jammu and Kashmir have been slightly pruned and in the case of others stepped up in consideration of their financial vulnerability. The increase in the total of such grants-in-aid from Rs. 39.5 crores to Rs. 52 crores is justified owing to the rising tempo of developmental activity under heads financed from general revenues. The majority of the Commission members are as well right in their plea that some backward States would require special grants for maintenance and improvement of road communications in view of the terrible bottlenecks and strains experienced in the recent past on the railways in particular and the transport system in general. No doubt, roads development is a part and parcel of the Plan expenditure, the maintenance of the existing roads is a charge on the general revenue resources.

The net effect of all the above recommendations is transference of an additional Rs. 35 crores from the Centre to the States. Under the Second Finance Commission's award, the States would have got only Rs. 240 crores in 1962-63. Under the Third Finance Commission's recommendations, they will be entitled to nearly Rs. 280 crores. In the next three years (the Third Finance Commission's recommendations, except in regard to the share of States in the Rs. 12.5 crores available on account of merger of railway passenger tax with the railways fares, are to be operative for four years) they shall get something more, although the Commission has failed to give any tentative idea about this.

The anxiety of the Commission members, except Mr. Kamat, to what may be called restoring of financial autonomy of the States by virtue of making available to them by the Centre its assistance for State Plan outlays in the form of statutory grants-in-aid, though understandable, is however, not fully justified in the light of the past experience. *The Eastern Economist*, on the other hand, subscribes to Mr. Kamat's cogently-reasoned minute of dissent on this issue. The Plan itself being flexible and its fulfilment dependent on the availability of foreign exchange resources, it is just appropriate that the present procedure of providing Central assistance to the States to cover the gap in their resources should be continued. The Union Government's turning down of the majority recommendation of the Commission in this respect, thus, does not amount to any distrust of the States, especially when it has already undertaken to fill the gaps in the resources for and outlay on the State Plans. One great advantage resulting from this decision of the Central Government will be that the State Governments would be kept on their toes to fulfil their commitments in regard to tax effort promised by them and would have to take up the implementation of the Plan in a more earnest manner than would have been possible with the provision of statutory grants for this purpose.

The two pertinent observations of the Commission in respect of avoidance of overlapping of the functions of the Planning Commission and the Finance Commission by either enlarging the functions of the latter so as to bring in its ambit the entire financial assistance to be afforded to the States by the Centre or transformation of the former into a Finance Commission at an appropriate time, and setting up of an autonomous body to assess the tax potential of States require serious consideration by the Government. The spirit of the *Constitution* demands enlarging the functions of the Finance Commission. A close study of the tax structure and tax potential of each State would be useful in the interest of avoiding odium being incurred by the Union Government by its resort to heavy taxation, whereas the State Governments invariably evince reluctance to perform this unpleasant job, while sharing happily in its profits. Perhaps this is the price the Centre has to pay for its dubious monopoly on credit creation or deficit financing.



THE WEEK'S NOTES

Ministry Making

THE NEW INFLATION

IN SIX out of ten States the Congress Party has come out with reduced majorities in the general elections. A main reason of the substantial losses to the Congress Party is the virus of factionalism which has worked more to the detriment of the party than to the benefit of the Opposition parties. One should have expected the Congress High Command to call upon the State legislature parties and their leaderships to take the warning and act with a sense of discipline to bring cohesion within their ranks. But curiously enough, the High Command advised the leaders of the Congress legislature parties to make the Ministries broad-based. This was conveniently taken as a green signal for expansion on a fantastic scale in some States. The directive in respect of the broad base was misconstrued as a bait to placate militant factions without a reasonable assurance of producing harmony.

Punjab, U.P. and Bihar typify the harmful consequences of putting a premium on factionalism in the name of forming all-inclusive ministries. In Punjab, the ministry has been expanded from 18 to 30, raising the ratio of ministers to one for every three legislators. Assam has the next record of enlarging the ministry from 12 to 20. In U.P., where the ministry has been inflated to 43 members, the ratio is one minister for every five legislators. A ministry of 20 for Mysore was already too large, but the addition of 3 now is the price of the "unanimous" election of Mr. Kanthi as the leader. In Andhra Pradesh, the abstention of Mr. Sanjiviah from participation seems to be a tactic to exert pressure for the inclusion of his nominees at the appropriate time. In Maharashtra and Gujarat a different consideration was responsible for enlarging the size of the ministries — the urgency to give certain regions a sense of participation in running the government. Dr. B. C. Roy expanded his ministry by 3 without any similar considerations.

The size of the ministries has been increased in all the ten States without exception, but the worst and most disconcerting feature of this trend of inflation in some States is that it feeds on groupism and sectionalism. The extended cabinets are unlikely to achieve harmony and the team spirit. Their unwieldy size will reflect most of the weaknesses inherent in such bodies. Too many ministers will inevitably necessitate too many divisions of portfolios in hands, many of which will be too inexperienced and perhaps unsuitable. Guidance in policy matters and direction in normal affairs will tend to be conspicuous by their absence or effectiveness and eventually the administration may suffer. The real justification of the expansion of ministries is to be found in its modest scale and mainly for building a second or even a third line of leadership to take over in course of time. The right way to achieve this objective is to enlarge the opportunities to function as Parliamentary Secretaries and to learn the job the hard way. The mischief of ministerial inflation at all levels has been committed and once the stakes have been created it will be difficult to reverse the process after the next general elections. The High Command may find the same problem of maintaining a semblance of internal unity intractable except with the device of the 'broad-base'.

China

THE OVERTURES

THE LATEST correspondence between the Governments of China and India, which covers the period from December 3, 1961, to March 13 this year, does not disclose any improvement in the border dispute between the two countries. If anything, there is reason to believe that China has made further small incursions into the Indian territory on the Laddakh side. These pinpricks cannot but hinder reasonable hope of a real settlement. Ostensibly in making the recent overtures for resuming the negotiations for settlement, Mr. Chou En-lai has used the plea of the renewal of the Tibetan trade treaty which is due to expire on June 3 next. Having systematically uprooted the long standing institutions built up by the Government of India for trade with Tibet and given a twist to the direction of Tibet's trade away from India, China had left little for a substantial treaty to be negotiated.

The Prime Minister was right in reiterating before the Lok Sabha that the settlement of the border is a very complex and time-consuming problem. This is for the obvious reason that in the case of a border in a most difficult terrain and extending over hundreds of miles, history, tradition, custom and the natural demarcations ought to be respected as the bases for accepting the frontier. A frontier of such a highly complex character cannot be the subject of negotiation and delimitation, although there may be a marginal scope for adjustments at certain points. In insisting that negotiations should be resumed on the basis of the maintenance of the status quo, China has, unwittingly perhaps, let the cat out of the bag. The status quo is precisely the same thing as she deliberately chose to describe as "actuality" only a few months back. This is not the status quo which has the sanction of historical usage.

India has unequivocally defined in her reply what she understands by the status quo. She has asked for the peaceful withdrawal of China from the Indian territory which she has forcibly occupied in violation of the Panch Sheel treaty she has signed with India. This is a diplomatic and courteous way of asking her to vacate aggression which ought to be conceded as a condition precedent to the marginal adjustments of the border. What China in a subtle way means to assert is consolidation and perpetuation of the illegal gains of forcible occupation. She is totally mistaken if she is under the impression that India will be prepared for peace at any cost, if only a face-saving formula is devised. During the hustings the party in office was criticised for its vacillating policy on China, but the latest firm attitude taken by the Government of India should serve to restore confidence that there would be no appeasement or impatience for settling the border dispute. It is best allowed to lie as it is for the present.

West Irian

THE RENEWED ATTEMPT

AFTER THE dangerous drift towards an open war, followed by the offer of mediation made by the UN Acting Secretary-General U Thant, a stalemate began

to develop fast in the West Irian problem carrying with it the possibility of a sudden flare-up and threat to peace. Both the parties seem to be unrelenting apparently because the position taken up by each was hard to be modified in the short run. Indonesia's demand for a de facto transfer of West Irian and the Netherlands' insistence upon self-determination for the Papuans have throughout operated as great irritants and prevented a rapprochement.

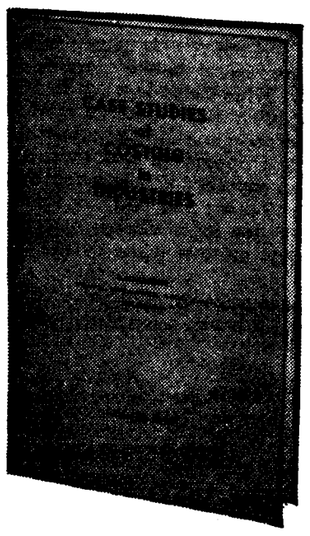
But hopeful signs have now emerged, it would seem, as a result of patient and preservering diplomatic moves behind the scene. When U Thant's offer of mediation was not responded to the real possibility for negotiated settlement seemed to lie in the good offices which America was persuaded to extend. It is reassuring that the American help has now been accepted and secret talks between the representatives of the two Governments have been arranged. The venue of these talks, though not formally disclosed, has been fixed in the neighbourhood of Washington and the talks were scheduled to have got off to a start on Tuesday this week. On the Dutch side, the representatives nominated for the purpose are Mr. J. H. Van Roijen, the Netherlands Ambassador in Washington, and Mr. C. W. A. Schurmann, the Netherlands Parmanent Representative at the UN headquarters. Indonesia has nominated Mr. Sudjarow Tjondronegoro, Chief of the European Section of the Foreign Office and Acting Secretary-General at the Foreign Ministry, and Mr. Adam Malik, Ambassador in Moscow. It would appear from these nominations that the Netherland Government has chosen to utilise the services of its diplomatic representatives in America without deputing a special negotiator from The Hague with a newly defined brief. But the selection of the Indonesian representatives suggests that Indonesia still feels it necessary to be cautious and restrained in the negotiations and in fact her Foreign Minister Dr. Subandrio has expressly stated that Mr. Tjondronegoro is invested with a limited brief to which he has to conform strictly. This would suggest that Indonesia would press for de facto transfer as a major solution to the deadlock. Since the two parties have accepted the invitation to a secret conference, there is hope that reconciliation between the view-points of the two countries may be brought about and this tangled issue would be resolved.

U.P. Congress

BREACH UNHEALED

THE PRESTIGE of the U.P. Congress Party touched yet another low when an unseemly development took place at the last minute on the occasion of the swearing-in ceremony of Mr. C. B. Gupta's new Ministry on March 14. Among the eight members of the dissident group who were included in the Ministry, only Mr. Syed Ali Zaheer and two parliamentary secretaries turned up to take the oath, the remaining nominees headed by the dissident group's leader, Mr. Kamalapati Tripathi, abstained from the ceremony. Such an exhibition of internal conflict has no parallel.

It is most unfortunate that those who are responsible for guiding the affairs of the U.P. Congress Party have learnt nothing from their party's severe reverses in the general election for which responsibility must be put in a substantial measure on their shoulders. The High Command advised Mr. C. B. Gupta to give as broad a base as possible to his new Ministry to make it inclusive of all shades of opinion — a euphemism for conflicting groups. It would appear that the understanding was that the dissident group would be taken into confidence before the personnel of the Ministry was decided upon. What Mr. Gupta actually did was to disclose the names of all the members of the new Ministry only on the day previous to the day of the installation. The list provoked the dissidents into harbouring a deep-seated grievance that they were given a shabby deal and their strength in the legislature, which is estimated at something like 60, was completely disregarded. In fact the battle for candidatures for the election was so hard fought that ultimately Mr. Ajit Prasad ,Jain, the Chief of the Pradesh Congress Committee, perhaps with the implied consent of the High Command, made the selection on the basis of groups. The facade of unity which was attempted to be created by the selection of an all-inclusive Ministry was soon laid bare. The canker of groupism has gone deep in the U.P. Congress Party's organisation and the shock treatment which it received in the general election appears to have done little to produce any agonizing reappraisal, if only to re-unify and revitalise the Party. How long will instability be suffered to undermine the administration of this key State?



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The World Abroad

INDIA: A HOUSE DIVIDED?

By

ODYSSEUS

TODAY I want to talk about two new books, "India: A Modern History" (Cresset Press. London. 63sh.), by Percival Spear, who was on the faculty of Delhi University for no less than twentyeight years, and "Divide and Quit" (Chatto and Windus. London. 30sh.), by Penderel Moon who, after a distinguished career in the ICS, spent many years in the service of the independent government of India. The psychological questions raised by these two books are largely answered by "In The Minds of Men" (Basic Books. Inc., New York, 1953), by Gardner Murphy who, at the request of the Delhi Ministry of Education, carried out, with the aid of many leading Indian authorities, a survey of human behaviour and social tensions in India.

Why, as practical men, do we read history?

This question prompted me to look up an editorial entitled "India: A House Divided?" which appeared in "The Eastern Economist" of October 13, 1961, following distressing events in Aligarh University in the previous week. "The Eastern Economist" asked the National Integration Council if it could rise above paper resolutions and formulate a policy to "break down the barriers between man and man at those levels which have resulted in such terrible antagonism in this last unhappy week?" "The Eastern Economist" observed that the Aligarh incident displayed passions spread far and wide, in many non-university towns in the State, and it added: "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.... 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.... 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."

WHAT IS HISTORY?

A policy for breaking down the barriers between man and man can only be formulated if their causes are studied. For these, we just turn to history. But here a warning is needed. As I said here in an article entitled "Question Marks of Indian History" (May 5, 1961): "An historian amasses vast arrays of facts in his researches. From these he selects what he regards as of interest to his readers, i.e., as relevant to the questions that press on us today. Each historian not only asks his own questions, but chooses which he will ask from a variety of possible questions. It is because men feel dissatisfied with the choice of questions and the explanations that satisfied their fathers, and seek to uncover new meanings for themselves, that history is subject to continuous reinterpretation, and that the history that we read in our school books is as dead as mutton."

The impact of the British on India gave rise to nationalism, which sent Indians in search of their own past to answer such questions as "Why did we fall victims to foreign conquest? What glories did the foreigner destroy?" and British historians to ask "What right have we to be in India?" It is a salutary warning to the guileless non-specialist reader, who believes whatever he reads because it has achieved print, to recall that the Indian answers were usually conditioned by the urge to compensate for the doubts and difficulties of their own era by conjuring up visions of past "golden ages", like that of Asoka (237-232 B.C.) and Chandra Gupta II (384-415 A.D.), in which land flowed with milk and honey, and that the British answers were usually conditioned by the thought "Will this make for easier and quieter government?"

Percival Spear, Penderel Moon, and Gardner Murphy, are all asking the contemporary questions for which "The Eastern Economist" called for answers on October 13, 1961.

The first reaction of the average man in all countries is to blame his misfortunes on anyone but himself, but as long as he refuses to ascertain, and to acknowledge, his own contribution, he cannot solve his new problems. It is, therefore, perhaps useful, before delving into the books quoted above, to follow up "The Eastern Economist's" suggestion that, whether or not during the course of the century in which the British effectively ruled India they periodically took advantage of communal antagonisms to divide and rule, they did not invent them.

The embryo of these antagonisms can be traced to the reversal of Akbar's policy of reconciliation by Jehangir, who ordered the execution of Jain priests in Gujarat, and showed his spite against the priests of Kangra temple by desecrating the precincts with the blood of cows; to Shah Jahan who prohibited the building of new temples throughout the empire; and to Aurangzebe who suppressed the Hindu theological schools at Banaras, and vigorously reimposed the Jizya tax. Skipping some centuries, we find that Dr. H. N. Sinha draws attention in his "Selections from the Nagpur Residency Records" (Government of Madhya Pradesh. 1952) to riots between the two communities in 1807 i.e., four years after the British occupation of Delhi—a period in which the British had every interest in peace between the communities in their newly established, and as yet unconsolidated, administration.

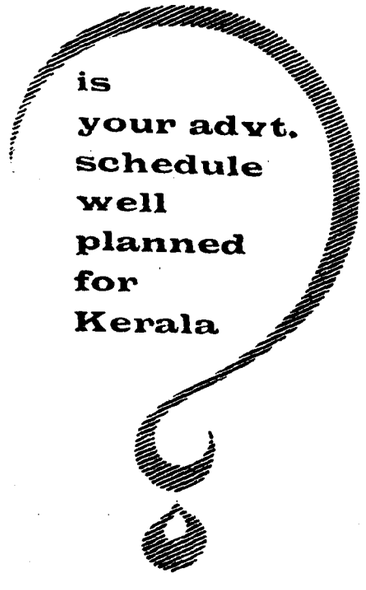
THE SIGNIFICANCE OF 1857 IN 1962

It is a mistake, however, to concentrate solely on communal tensions; other sources of conflict need to be recognised. Mr. Spear makes an important contribution to understanding modern India when he points out that the 1857 Mutiny was essentially the outbreak of all the pent-up dislike of the old traditional India against the innovations of the West. This traditional India was that to which the old Indian governing classes belonged, of which the Princes, and other leaders of the Mutiny, were the political expression. "The collapse of the revolt, Mr. Spear says, "meant for the Indian public the end of any reason for following these

old classes any longer." Educated Indians drew from 1857 the conclusion that traditional India could not oust the West by force, and that the only way to deal with the West was to meet it on its own terms, by education, by assimilating its political and economic techniques and using these techniques against it. The rising men of the new middle classes—lawyers, doctors, journalists, government officials, and business men—canalised in themselves the desire for an independent modern India. The descendents of these pioneers run India today. And I think that a first tension, that we have to recognise, springs from the struggle of millions of rural dwellers to adjust their traditional caste and family structure to the totally different structure implied by parliamentary democracy, the Five-Year Plan, and industrialisation. Even if the Socialist pattern does not imply a fully competitive economy, it does lead to a secular, non-caste, non-joint-family, non-regional system. There is no speedy solution for this conflict, but at least its frank recognition enables us to know what we are doing.

It was between 1830-80 that, under the leadership of such middle class intellectuals as Ram Mohan Roy, the modern outlook that conditions our present political and industrial leaders emerged. By accepting the dignity and equal status of all men, the pioneers of the 19th century began the erosion of caste. Gandhiji built on this foundation for social reform—from within the Hindu system—which his predecessors had created. Mr. Spear brings out, however, the important point that "Two generations later a work similar to Ram Mohan Roy's for the Hindus was accomplished by Sayyid Ahmad Khan for the Muslims. In the early years of the century the Muslims sank into a mood of depression for which there seemed to be no remedy. They had lost their empire; they regarded the Hindus as idolators and supplanters and the British as infidels. The first efforts at adaptation harked back to primitive Islam and led to a small militant movement mainly directed against the Sikhs. The Mutiny deepened the mood of pessimism. It was Sayyed Ahmad Khan who roused the Muslims by providing an ideological link with the West, much as Roy had done for the Hindus. Again the link was reason, which in the Sayyid's mind connected the science of the West with the Aristotelian element in Islamic thought." His monument was the College which became Aligarh University.

A point that India's ruling classes of today—the politicians, lawyers, doctors, journalists, business men etc.—often forget is that they are likely to be out of touch with the motives that activate the rural masses. Mr. Spear points out that the English language, Western social values, ideas of nationalism, and of practical democracy itself, became the perquisites of the new middle class, drawing them together from all over India and setting them apart from the masses. The new men increasingly met the British on an equal footing. They were prominent in all spheres of modern action. They monopolised the headlines. The old middle classes had been divided by language, by cultural and technical tradition, as well as by caste and distance. "They no common culture, no common status," says Mr. Spear—a view which may arouse emotional resistances in the Indian breast at first, but which is at least worth pondering when advanced by a dispassionate scholar whose writings reveal him as anything but anti-Indian. Mr. Spear reminds us that, for example, the Muslim hakim would not share his knowledge with the Hindu vaid. The old teachers and lawyers had been equally cut off from each other. The new middle classes, on the other hand, were linked by education, the English language, and by the very nature of their work, which all, whether in law, administration, teaching, medicine, journalism, or technical work, involved assimilating Western sciences and concepts. Thus the more the new classes grew in numbers the more emmeshed they became in the world of the West. That is why the take-over in 1947, far from heralding a return to the traditional past, far from creating a happy hunting ground for the Hindu Mahasabha and the Rashtriya Swayamsevak Sang, speeded up the rate of Westernisation, and in so doing so multiplied various social tensions at which we will take a closer look next week.



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SISTA'S

The European Scene

THE COMMON MARKET ACCELERATES

From Our Special West European Correspondent

PARIS, March 20.

THE Common Market Six are due to take a decision on March 21 about another acceleration of their internal tariff disarmament: a fresh cut of 10 per cent in the duties they impose on each other's manufactures, to take effect from July 1. It is just possible that their decision will be known as this appears in print. There is no danger in forecasting that it will be positive, or, at the most, delayed for a week or two to permit bargaining about trade in farm produce. For everybody is in agreement about the new reduction in duties on manufactures, which will bring tariffs inside the Common Market down to just half of what they were in 1958. The reason for delay has been that the Dutch have been making their assent conditional of a further reduction in the duties on farm produce too. One is by now familiar with this aspect of Common Market negotiations; whenever the stage is set for a new advance, one or two members put up last minute resistance and seek to sell their consent at the price of concessions in other fields. This is precisely as it should be, because the Common Market is not a simple customs union but an essay in economic integration, and it is proper that as trade becomes freer members should try to keeps progress in agriculture, social welfare, etc. in line with tariff disarmament. The rapid reduction of duties on industrial manufactures has been the motor of progress to date, because it is doing everybody good, so naturally various members try to link other reforms to duty-cuts. It is conceivable that in another economic context (e.g. a recession intervening before the customs union is complete) members might be more interested in harmonising welfare charges and conditions of competition, and then other members would sell their agreement to that at the price of fresh tariff reductions.

However, it seems at present that the move towards freer trade inside the region will continue to be the driving force of European integration, for there is no prospect of a recession. On the contrary, the trend is toward an expansion of world trade, both inside the Common Market and out, with a tendency to rising prices. So each nation finds tariff disarmament relatively easy, for it is simple to practise specialisation and find compensations in a period of expanding trade; and each nation finds freer imports useful in restraining price rises. Although the latest report of the ECM Commission shows that the pace of industrial growth has slowed down (because the booms in Italy, France and Belgium do not altogether outweigh the setback in West Germany and Holland), the outlook for the rest of this year is encouraging. The French Institute of Economic and Social Research has just forecast a 10 per cent increase in world trade in manufactures for this year, accompanied by a 5 to 6 per cent rise in industrial output (this being, substantially, the average of a recovery in West Europe and continued modest progress in the USA). Both these authorities agree that the rising tendency in prices will persist, because under it lies a shortage of manpower, and particularly of skilled labour and technicians, which cannot speedily be remedied.

In these circumstances, everyone is in favour of quicker reduction of duties—and not only inside the Common Market. It is also possible and desirable to practise freer trade with the outside world; hence such recent signs of liberalism as the success of the Dillon round in GATT which will gradually cut duties by 20 per cent or more, notably between the Common Market and the USA; also the freer import of Asian textiles, the concessions made to Japan and the project to cut the common external tariff on tropical produce by 50 per cent. All these measures serve, as well as duty cuts inside the region, to restrain price rises, promote specialisation and encourage firms to find more profitable uses for their capital under the comparatively painless conditions of general prosperity. But the more generous the Common Market shows itself to outsiders, the more it has to hasten its internal tariff reductions, in order to preserve its individuality from being lost in global trade liberalism. Indeed, the current burst of accelerated internal tariff disarmament would have been completed long before this (it was decided upon in May 1960) had it not been for the long delay required to harmonise agricultural policies. At all events, the point of 50 per cent reduction of mutual tariffs will be reached this July, and the point of 60 per cent reduction will be attained in July 1963—which will put the Common Market well ahead of the schedule set out in the Rome Treaty.

It is, no doubt, an exaggeration to say that "everybody" is in favour of accelerated duty reductions. By the time duties have been reduced by half, many individual firms (and some sectors of industry in certain countries) find that a critical point is being attained. Labour, as noted, is short and wage demands keen, so costs are rising. These rises cannot be passed on to selling prices, because as imports come in more freely price-competition becomes more acute. Firms have to absorb much of the increase in costs, at the expense of profit margins, and this can lead to a restriction of investment outlays. Thus some industrialists find the haste toward freer trade rather painful. However, this is simply an aspect of the specialisation of tasks in a widening market; far from being an argument against quicker integration, it is the reason the economic union was undertaken. Yet that depends on the wider market being a genuine economic union, where conditions of competition are harmonised. This reasoning could not justify an opening up of European markets to American goods, produced by well-protected giant corporations that are free of all the obligations of the Rome Treaty and which have large surpluses because of the mediocre state of their home market. Atlantic "liberalism" could be the cover for an American invasion of Europe, and there is little prospect that the Common Market will enter that path.

The 10 per cent reduction in internal tariffs that is projected for July will not have the immense significance of earlier cuts, because it is overshadowed by the January agreement on a joint agricultural policy, which was a much more serious guarantee of the progress of the Common Market. The Dutch, at the time of writing, do not quite agree because they are asking that the new cut be extended to certain farm products: they want 5 per cent off a limited range of commodities, which represent 17 per cent of total Common Market trade in agricultural goods. The West Germans reply that the joint agricultural policy, with its complex system of market control, price support and import levies, is the best way of expanding trade in farm products, so there is no need to apply the liberal formulae used for industrial manufactures. This little dispute has its importance, and not only for the Common Market. The Germans may make last-minute concessions and agree to reduce tariffs on some farm goods, but the general doctrine of the Six will henceforth be that wherever goods are submitted to international market management there is no call to apply liberal techniques of encouraging free trade by reducing tariffs.

In other words, the Six have reached the conclusion (which was not explicit in the Rome Treaty) that free-trade doctrines, even as modified by the conception of equality of conditions of competition, have relevance only to industrial manufactures and cannot be introduced into the field of trade in agricultural produce. This explicit limitation of free-trade theory to manufactures confirms the experience of GATT, which has shown that trade in industrial products can be promoted by mutual tariff concessions whereas all bilateral or multilateral efforts to promote trade in farm produce have failed in the absence of some super-national authority charged with organising and controlling the wider market. The reasons for this fundamental distinction between primary and secondary produce in trade theory are evident enough: capital is infinitely less mobile in rural uses than in industrial uses, and agriculture poses social problems much more acute than those of industry. The magnitude and complexity of agricultural problems are no excuse for giving up all hope of rationalising farming, organising a different distribution of functions between countries and in general expanding trade in primary produce. But to secure those objectives, it is quite inadequate to practise the modified free-trade theories that work in the case of manufactures; there must first be an international authority ready to organise the wider market. The appearance of this international authority (in the event, the Common Market's Council of Ministers) was the major result of the January agreement on agricultural policy. It was emphasised here at the time that this meant that market regulation for farm produce passed out of the hands of national parliaments (for, of course, there is no country that practises internal free trade in primary produce) into the hands of a super-national body sitting in Brussels. What the Germans have been arguing to the Dutch this month is that once this step is taken, one can forget free-trade doctrines in agriculture and limit them to trade in manufactures.

The importance of this dogma is in its international implications, that is, its relevance to trade in farm produce outside the Common Market. There are still exponents of free-trade theories for primary produce in Britain (for the special reason that British industry benefits from the competitive dumping of food by surplus producers on the limited cash market) and, to a lesser extent, in the USA. As the Six realise the implications of the method they are following in their internal affairs, they will defend a similar approach to world problems. Indeed, they have already done so in the recent Geneva discussions on world wheat trade, and they are working out a common doctrine for the Geneva talks on trade in tropical produce to be held next month. In all such cases they will tend to argue that the solution of international agricultural questions lies, not in price competition, tariff reductions or the removal of impediments to free trade, but in the establishment of a super-national authority representing both producers and consumers which will organise and regulate the market, fixing prices, governing production and distributing surpluses.

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1. To receive and adopt the Report of the Directors and the Audited Balance Sheet as on 31st December, 1961 and Profit & Loss Account for the year ended 31st December, 1961 ;
2. To declare a dividend ;
3. To appoint two Directors in the place of Mr. A. C. Law and Mr. T. S. Rajam who retire under Article 92 of the Articles of Association of the Bank and, being eligible, offer themselves for re-appointment ;
4. To appoint a Director in place of Mr. M. L. Dahanukar who retires under Article 92 of the Articles of Association of the Bank, and to consider and, if thought fit, to pass the following resolution, of which special notice, as required by Section 281 of the Companies Act, 1956, and in accordance with Section 190 thereof, has been received by the Bank :

   "Resolved that Mr. M. L. Dahanukar, who has attained the age of 72 years, be and is hereby re-appoined a Director of the Bank and that the age limit, prescribed under Section 280 of the Companies Act, 1956, shall not apply to him."

5. To appoint a Director in place of Mr. P. D. Himatsingka who retires under Article 92 of the Articles of Association of the Bank, and to consider and, if thought fit, to pass the following resolution, of which special notice, as required by Section 281 of the Companies Act, 1956, and in accordance with Section 190 thereof, has been received by the Bank :

   "Resolved that Mr. P. D. Himatsigka, who has attained the age of 72 years, be and is hereby re-appointed a Director of the Bank and that the age limit, prescribed under Section 280 of the Companies Act, 1956, shall not apply to him."

6. To appoint Auditors for the current year and to fix their remuneration.

Note: 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

2. (a) The transfer books of the Bank will be closed from Monday, the 26th March, 1962 to Wednesday, the 11th April, 1962, both days inclusive.

   (b) The dividend, if sanctioned, will be payable on and after the 12th April, 1962, to those Members whose names appear on the Company's Register on the 11th April, 1962.

   (c) Dividend Warrants will be posted to the Members at their registered addresses or in accordance with their mandates. Members are requested to advise change in their addresses, if any.

By Order of the Board,
S. T. SADASIVAN
General Manager.

CALCUTTA,
17th March, 1962.

This Notice replaces the Notice published in our issue dated 16-3-1962.

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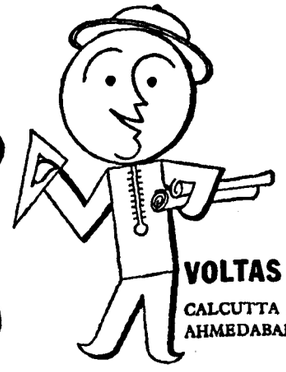
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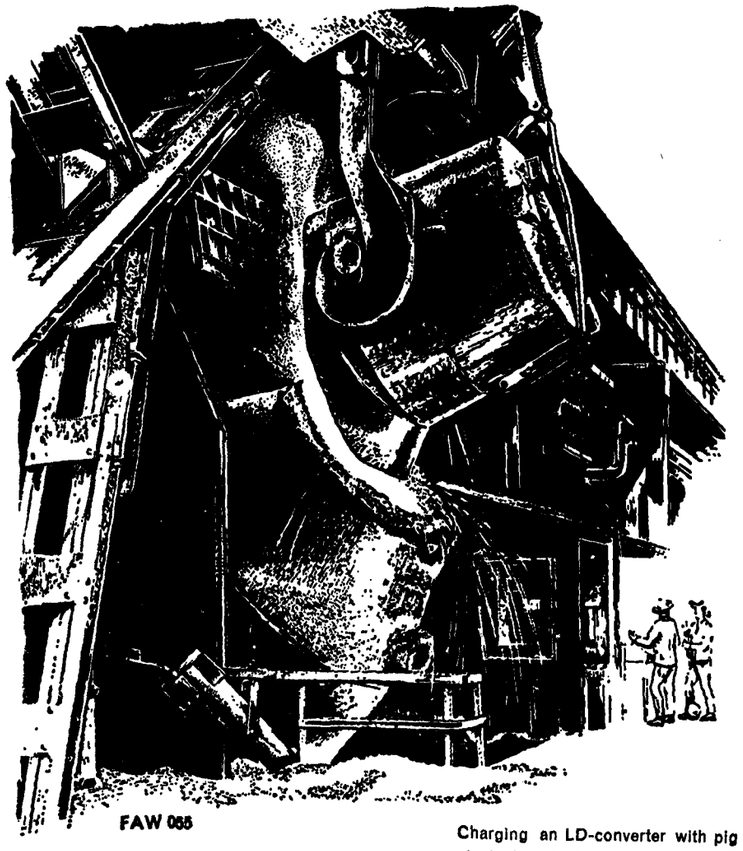
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Economic Report from the U.S.

ECONOMIC CONSEQUENCES OF WORLD DISARMAMENT

By GUY SIMS FITCH

WASHINGTON, March 13.

AN optimistic picture of the Economic consequences of world disarmament has come from the United Nations, in a report prepared and unanimously endorsed by experts from ten countries. Significantly, these experts are from both Communist and non-Communist lands the Soviet Union and the United States among them. They have put forward the common view that "all the problems and difficulties of transition connected with disarmament could be met by appropriate national and international measures." In effect, then, this report parallels the recent findings of a special U.S. panel of private and government experts, which reached much the same conclusion as far as the United States is concerned.

The two reports also agree that effective disarmament moves could open the way for new advances in living standards and welfare through the diversion to peaceful uses of resources now devoted to defence programmes. The fact that neither of the reports is unmindful of the economic difficulties entailed in defence cutbacks underscores the realism with which they approached this important subject. In its effort to delineate the magnitude and the nature of the basic problem, the U.N. report estimates world-wide military spending at about $120,000 million a year. Understandably, while virtually all nations contribute to this total, the bulk of the spending is concentrated among six or seven of the world's leading powers. In measuring the impact of this annual defence outlay, certain comparisons may prove instructive. It is, for instance, close to the value of the world's annual exports of all commodities, and it corresponds to about one-half of all the resources set aside each year for gross capital formation throughout the world. Put another way, it is equivalent to about eight or nine per cent of the world's total output of goods and services. It is interesting to note that the U.S. proportion is no higher than this, with some $50,000 million a year going into national defence out of a gross national product of more than $550,000 million. There is hardly a nation which would not agree — in principle, at least — on the desirability of diverting defence expenditures, and the human and material resources they employ, to productive peacetime pursuits.

The main problem would be to divert resources to non-military uses in such a way that no country would suffer a serious disruption to its economic life. To the U.N., this is a matter of international as well as national concern. A major problem, for instance, could be the decline in demand for some basic commodities as a result of defence cutbacks around the world. This could affect international trade in these commodities, with an appreciable impact on the economies of the countries producing them. In addition, there undoubtedly would be dislocations within the economies of the principal disarming countries, as resources would have to be reallocated, industrial patterns altered, regional effects eased, and workers retrained.

The important point about all this, however, is the confidence the experts have in the ability of nations, perhaps with international help in some instances, to make the necessary adjustments. In the long run, the U.N. report insists, there should be little difficulty in adapting resources to needs, to the benefit of all nations. Aid to less developed lands, raising of national living standards and furtherance of social and cultural aims are seen as alternative and desirable uses of resources now devoted to defence purposes. In the process, economic growth could be accelerated. Governments could give greater attention to education, health, welfare, social security, science and the arts. International co-operation could be stepped up not only in the realm of economic and social development, but also in such fields as atomic energy and space research.

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Special Article

MANAGERIAL ELITE AND THE POLITICAL PERSPECTIVE

By

DAYA KRISHNA

A TRAINED managerial class is the necessary condition for any successful business or industrial enterprise anywhere in the world. Whether the society be dictatorial or democratic in its political structure, its economic enterprises have to be run by persons who must share, to a very large extent, identical skills for the success of what they do. There is, however, one crucial difference and this concerns basically the relation between the economic and political considerations that weigh in the decisions made by the managerial elite in the two societies.

The political considerations are supposed to be overriding in the case of the managerial class of a country governed by a dictatorship bent on pursuing its own ends. On the other hand, they are regarded as completely irrelevant to the thinking of the managerial classes functioning in the framework of a polity which is essentially democratic in its structure. The political aspect is supposed to be taken care of by those who concern themselves with politics. The management of business and industrial enterprises is supposed to concern itself only with the maximization of profit.

The divorce between political and economic considerations in the thinking of the managerial elite of a democratic country is regarded not merely as a state of affairs that actually happens to obtain in fact but also as something which is desirable, as something which ought to obtain, if it is not already there as a matter of fact. It is argued that the essence of democracy is just this autonomy of different spheres which function in terms of their own criteria and each in independence of the other.

The Communist critics do not accept this description of the relations between the political and the economic sectors of a democratic society. In their view, the sectors are not merely not autonomous but it is the economic sector which controls, guides and overrides the political one. At a deeper level, however, these critics will deny the desirability of such an autonomy even if it existed. Their interpretations of the actual state of affairs prevalent in democratic societies is thus, to a great extent, irrelevant to their judgment of what ought to obtain in the relationship between these two sectors of any society. Equally, if someone were to urge that the actual decisions of the managerial elite in totalitarian economy are governed only by economic considerations and that the overriding political considerations are always brought to bear on them from the outside, it would not affect the issue in any relevant aspect of the matter I am trying to consider.

The central issue as I see it, in the context of societies committed to the maintenance and functioning of a political democratic system, is two-fold. First, what exactly ought to be the relations between the political and the economic sectors of the society? Second, what part should political considerations play in the economic decisions of the managerial elite of the society? The first is a large theoretical question which I do not exactly wish to consider. Only, that unless some sort of an autonomy between different areas is admitted, there can be little hope of an effective functioning of democratic institutions in any society. The autonomy, however, is not an anarchy and the exact balance between the two is a matter for political thought and practice to discuss and achieve.

However, what I am interested in here is the second question and I wish to consider it at some length as I think it important for the success of democracy in this country. There is little doubt in anybody's mind that maximization of profit ought not to be the sole consideration in the decisions of the management in business and industrial enterprises in a democracy. The considerations of labour-welfare and consumer-interest are already conceded as legitimate factors that ought to be taken into account in any decision taken by the managerial elite of a society. There could hardly be any leaders in corporate management in this country or elsewhere who dare not pay at least lip-service to these considerations as legitimate factors to be taken into account in their decisions. Not only this, it is today involved in the concept of enlightened management that

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AB—22

it takes into consideration these factors and strives for these ends besides the more obvious one of maximizing its profit.

In this connection, it would be well to distinguish between profit and the maximization of profit. Profit is a much maligned term in the socialist and marxist critique of capitalism. But everybody who inveighs against this seems to forget that it is only another name for the successful running of an enterprise. If there is no profit, there is not even the possibility of the development of the economy and if a concern is running at a loss, it obviously cannot run for long. But while profit is a necessity for any industrial or business concern for purposes of survival and growth, the maximization of profit is not. One may pursue it, but it is not a necessary condition without which the concerns will collapse and go into liquidation and the economic business of life run to a standstill.

The maximization of profit, thus, though a value arising immanently from the nature of the economic enterprise, can be tempered by other considerations which concern the welfare of man. This, today, is accepted by almost everybody and is an integral part of what is taught in the management courses anywhere. But there is a consideration which has never been regarded as very relevant to the decisions of the managerial elite of industrial and business concerns in a democracy. And this consideration relates to what may be called the political aspect of economic decisions. It is accepted as a matter of course that such a disregard is the essence of the divorce between the political and economic sectors which is the basic condition for any democracy to be a democracy.

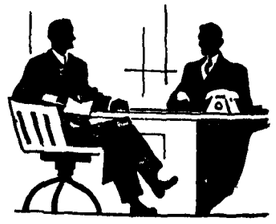
The relative autonomy of different spheres of activity, each carried on for the realization of the purpose specific to that sphere and judged in terms of its own criteria, is in a sense the essence of democracy. But today the very existence of a democratic society is under attack from a determined group which has both power and resources at its command and is committed to the total eradication of this autonomy of every sphere and to making it subservient to the interests, purposes, ideals and values of its own and as conceived by itself. This subverting, attacking, undermining group is the Communist Party in every country which never conceals its proclaimed aim of doing away with democracy and burying the capitalistic form of industrial and business enterprise for ever.

It is in this background of a well-thought, well- planned, well-prepared attack on the very foundations of the socio-political structure which sustains each and every business and industrial enterprise in every country which has not yet succumbed to the Communist subversion and attack that the problem has to be thought anew. The insulation of the economic sphere from the political was *meaningful only till* no such threat was posed to the very foundations of both. Once such a threat begins to loom large, the presupposition on which the insulation rested holds no more. If the people at the crucial centres of decision-making continue to act on the old presupposition even in the changed circumstances, they would merely be paving the way to their own annihilation even though they may not be aware that this is so.

The managerial elite, therefore, has to become aware of the new danger to the very foundation on which the private and corporate forms of business and industrial enterprise rest. The awareness of the danger has to seep through their consciousness to permeate and affect every aspect of their thinking about any problem they have to confront in the course of their activity. "How to safeguard the democratic framework of political organisation against the openly proclaimed and practised subversion and attack of its enemies?" is, then, the question which has to be asked continuously by the managerial elite if their form of industrial and business organisation is to survive.

Along with the worker's welfare and the consumer's interest, another factor has to enter the thinking of this class. And that, I suggest, is the political factor. Unless the leadership in this class is trained to think that the consideration of this factor is as necessary to its survival as the consideration for profit, they might succumb to policies which may help in destroying the very foundations on which they exist. The relationship of the worker and the consumer and the pursuit of profit will be subtly changed and modified once this consideration is brought into play.

The problem, of course, is not confined to the managerial elite only. The autonomy of every field is endangered by the Communist challenge and all those who love the pursuit of their own field should, in order to safeguard that very autonomy, be aware of the political aspect of the problem. The safeguarding of democracy becomes, then, the task of everybody who wants to pursue his own activity unhampered by considerations alien to itself. The responsibility of the managerial elite is, however, both larger and immediate as they wield the most enormous influence after the political ones. It is their duty to themselves, their concerns and their country to become aware and act on this.



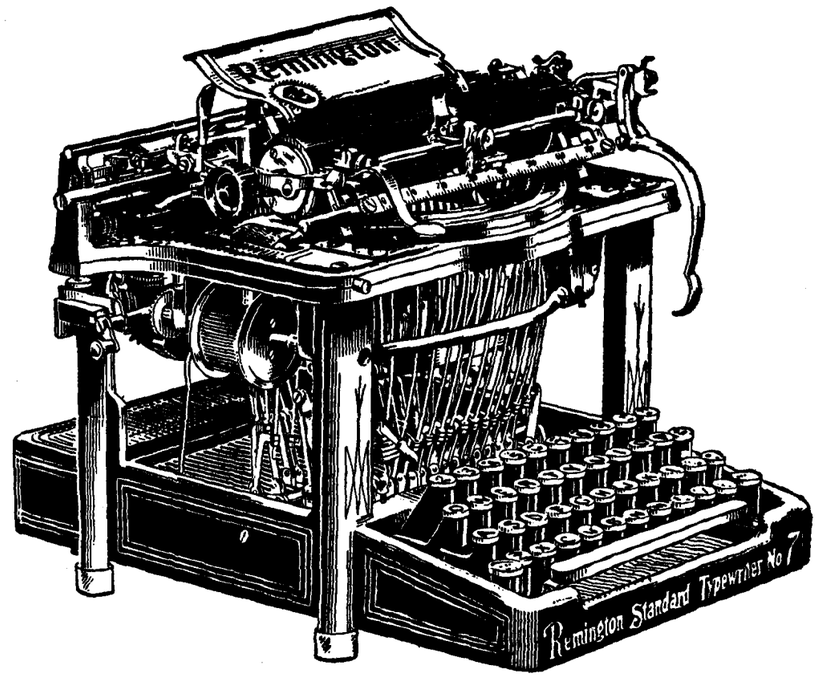
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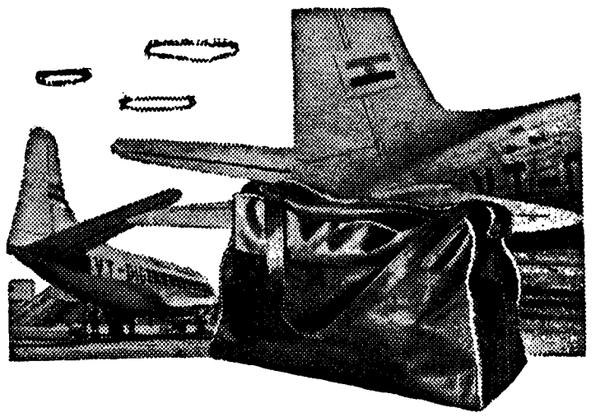
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THE BUSINESS WORLD

Mixed Economy for Maharashtra?

By CROESUS

ALTHOUGH it was heartening to hear the Chief Minister of Maharashtra, Mr. Y. B. Chavan, declare that "Maharashtra State is wedded to industrialisation" and that "priorities are being given in all fields by Government agencies for the industries to develop so that there would be full employment with a rise in 'per capita' income of the State", one rather got the impression, at the last Annual General Meeting of the Bombay Chamber of Commerce and Industry (B.C.C.I.), that not all the points—even after excluding those that concern the Central Government—raised by the retiring President, Mr. N. M. Wagle, received adequate attention at the hands of the Chief Minister. To say this is not to doubt the earnestness of Mr. Chavan about industrialising the State to the maximum extent possible. Perhaps, like all cautious politicians, he did not want to commit himself too much or state anything categorically. Take, for instance, the answer he gave to Mr. Wagle about the need for a strong and adequately equipped central department "to deal with all the authorities under the State Government and present the 'entrepreneur' with a clear picture of what he can and cannot do, instead of making him go to each separate authority for land, for building permission, etc." It was obvious from the answer that Maharashtra's Chief Minister was merely content to observe that the Industrial Development Corporation of Maharashtra would enjoy preliminary powers very much similar to those that Mr. Wagle had in mind. More or less in the same strain were his replies to Mr. Wagle's references to power, communications and transport problems also. The only redeeming feature of Mr. Chavan's speech was the unmistakable impression it gave one that the Maharashtra Government is fully seized of all these problems and is doing its utmost to help new industries. Certain observations that Mr. Chavan made on the occasion in this context are relevant not to the State of Maharashtra alone, but to the country as a whole.

What he said, for instance, about the need for managers is very pertinent to the present situation in the country. He said: "industrial development both creates and depends on a new function, that of the manager. Everywhere in the world today, managers are the real scarce resource of economic development. Money, labour and raw material can be provided. Even the skills (including high professional skills and university-trained scientists) can be trained in an incredibly short time. But managers must be available and cannot be imported from abroad except in very small numbers and at the very beginning of the process". So saying, he exhorted the members of the Bombay Chamber to develop such managerial talents in order that they might be available not only for the proper functioning of their own concerns but also to help the State and the country at large. I cannot help inquiring whether this compelling necessity for managers has not been brought home to Mr. Chavan in the wake of the recent application of the Land Ceilings Act to sugar factories in Maharashtra.

Mr. Chavan's forthright call to industrialists to co-operate in setting up joint sector industries for the further industrialisation of the State, as also his praise of private investment as "one of the great engines of economic growth in this country", marks a refreshing departure from the parrot-like repetition by some Congressmen of the plea for a still stronger dose of socialism or a further shift to the left. His re-affirmation of the Industrial Policy Resolution of 1956 and the compliments he paid to the foreign-owned and managed businesses and the happy collaboration between foreign firms and Indian investors are a proof, I take it, of his abiding faith in a mixed economy. Anyway, the following observation of Mr. Chavan in this context must have particularly gratified his listners.

"Private investment, especially direct investment, has been one of the great engines of economic growth in this country. It has playd an important part in helping to develop a strong domestic private sector, in fostering local 'entrepreneurship', local skills and local sense of participation in a growing economic system. This joint venture should be relevant to businesses producing goods and services for local consumption. I would say that, with foreign collaboration, the technique of training and direct partnership can have a great effect in promoting rapid economic development."

What I failed to understand was the reluctance of Mr. Chavan to accept the suggestion of Mr. Wagle for the constitution of a central body on the lines indicated by him. Anyone who has had to do something with the starting of an industry is bound to endorse the latter's reactions to the inordinate delays in implementing a new project. It is not merely the resulting frustration of the individual concerned that matters but the enormous loss caused to the country's economy as a whole, which has been ably summed up thus by Mr. Wagle in his welcome speech:

"It is not sufficiently realised perhaps what the cost is of delays in implementing an approved project. Such delays are expensive not only to the 'entrepreneur' concerned but also to the nation, as imports have to be allowed until effective supplies materialise in India. Where imports cannot be allowed, several other industries, which might be relying on supplies from licensed production, are handicapped in their progress. The cost of servicing capital invested, but not effectively used in production, is passed on to the purchaser under present conditions of a closed economy. Finally, there is the loss of tax revenue to the State and Centre."

There would appear to be a good deal of confused thinking on the subject of small-scale 'versus' large-scale industries. Even to put it this way, I feel, is admittedly inappropriate, in that it brings to one's mind the existence of a seeming conflict between the two. In the present stage of our industrialisation, however, we have to think in terms of integrating or harnessing the

services of both. As the outgoing-President of the B.C.C.I. said, small-scale industries have certainly a very useful role to play, but this purpose cannot be achieved if they think in terms of direct competition with large-scale industries. It is also idle to think that subsidies or special allotments doled out by the Government will help small-scale industries. There is a specific field where small-scale industries can operate to their advantage as well as the advantage of the country and this is the sphere of ancillary production. It is only as satellites to large-scale industries that small-scale industries can hope to grow and prosper. It is only in this way again that they can really help to keep the cost of production down to the lowest level possible, "particularly now that we simply must export at a much higher level if the Third Plan is to survive".

One other observation of Mr. Wagle requires to be highlighted, namely that "the present approach to labour problems is a little out of tune with the realities of the situation". From this it does not follow that he is anti-labour, for he has himself stated: "No entrepreneur of any standing questions the moral as well as the political necessity of giving labour a fair deal, and of bringing about a real improvement in the worker's standard of living." But his thesis is—and rightly—that this cannot be secured merely by legislation, which hands out more and more benefits to the worker regardless of the profitability and competitive position of the industry. Hence his insistance that the present tendency to pick on the best run units for yet heavier burdens of wages and dearness allowance and fringe benefits like bonus, gratuity, provident fund, etc. must be controlled. More particularly, he has urged restraint with regard to increase in paid holidays which reduce productivity of labour without increasing the worker's earnings. This is especially appropriate at a time when even sober trade unionists like Mr. V. V. Giri have started proposing a further reduction in the weekly hours of work. Let me conclude the reference to this with the quotation from Mr. Krushchev which Mr. Wagle himself gave at the meeting in support of his statement that the question of labour productivity is one that agitates not merely the minds of private 'entrepreneurs' in this country but leaders even in Communist countries: "Labour productivity must be always one jump ahead of the growth of wages....it is clear that the correlation of wages as between truck drivers and tractor drivers is wrong, but we cannot now agree to an upward levelling of wages—first for truck drivers, then for tractor drivers, and then again for truck drivers. The question of wages is a big State question. Their level depends entirely on the output of produce, on the productivity of labour in a given society".

Business Notes

Jute Exports

GROWING THREAT FROM PAKISTAN

THE SPEECH of the I.J.M.A. Chairman, Mr. D. C. B. Pilkington, at the Association's annual general meeting in Calcutta last week, brings within focus once again the problems of the Indian jute mill industry. Primarily these problems emanate from the growing threat in the export market from Pakistan which is developing its industry at a rapid pace. As Mr. Pilkington has pointed out, the addition of another 6,000 looms to the present 8,000 looms in operation in Pakistan by 1965, will threaten ousting of India in sacking goods export trade unless steps are taken in advance to counter it. Pakistan's competitive position in this trade is better due to two factors: (1) the availability of raw material at cheaper rates and (ii) the most modern machinery that the industry there has set up. Of course, the bonus scheme gives an added advantage to the Pakistani exporter, but its growing impact on the country's finances can be expected to lead to some modifications in it at none-too-distant a day.

To meet this competition effectively, the Indian industry has obviously to be enabled to maintain its production costs at a reasonable level. It is, therefore, only in the fitness of things that steps are being taken to build buffer stocks of raw jute in years of bumper harvest, through the constitution of the Jute Buffer Stock Association. The assurance of a reasonable return to the agriculturist for his efforts to raise raw jute should play an important role in stepping up fibre output over a number of years so that the industry can be put on a stable and sound footing. It is indeed encouraging that side by side with the stepping up raw jute output, increasing attention is being paid to improve the quality of the fibre as well. The efforts of the Special Jute Development Section of the IJMA in this respect would be watched with interest. They need to be supplemented wholeheartedly by the State Governments concerned.

The growing competition in the world jute goods market also calls for concerted attempts at greater modernisation and rationalisation of the industry in this country. Although quite a lot has been done in this regard over the past few years, modernisation and rationalisation is a process that has no end. The IJMA Chief's plea for assistance from the N.I.D.C. in the task of incorporation in the Indian industry of the latest technological development in the weaving department deserves careful attention on the part of the authorities. It is hoped that the Union Finance Minister, Mr. Morarji Desai, who for the first time attended the Jute Mills Association's meeting, will be in a position to do something in this regard.

Along with the availability of adequate supplies of raw jute at reasonable prices and modernisation and rationalisation of the industry, another important point that deserves mention in the interest of reduction of costs of this industry is the raising productivity of labour. Whatever may be the justification of labour being paid on time basis, there is much to be said in favour of payment by results. That there is considerable scope for increasing productivity of labour in this industry has been eminently demonstrated by the fall in the consumption of raw jute last year to a lesser extent than was warranted by curtailment of working hours.

It is indeed gratifying that the Indian Jute Mills Association is appreciating more than ever before the necessity of keeping prices of jute goods at competitive levels. What it intends to do in respect of the notorious manipulation that is indulged in by some sections of the industry in periods of shortages is not yet clear. It is time that greater thought is paid to this aspect of the problem. The close co-ordination that had been witnessed amongst the various units of the industry over the past 1½years should augur well for the formulation of measures to eradicate this unhealthy practice of a minority amongst the jute manufacturers for whose misdoings the industry as a whole has sometimes to suffer.

Maharashtra

PRAKASA'S PARTING PLEA

REVIEWING THE past performance and underlining the basic policies and programmes of the State for the coming years, the Governor of Maharashtra, Mr. Sri Prakasa, in his inaugural address to the newly constituted Assembly—incidentally also his valedictory address to the Maharashtra Legislature—observed that the State had not only successfully completed the Second Plan, but had made considerable gains in the first year of the Third Plan too, despite the fact that the year was one of much strains and stresses because of natural calamities. In concrete terms, as per the address, during 1961-62, over Rs. 55 crores out of the States' total Third Plan outlay of Rs. 390.20 crores has been expended, and it is estimated that as much as Rs. 66 crores would be spent in the coming year. Mr. Sri Prakasa expressed the hope that the Maharashtra Legislature would continue to maintain its high traditions.

The Governor of Maharashtra made a fairly lengthy reference to the problems of land and agriculture and pointed out that, while waste lands would be allotted for the purpose of rehabilitating landless labour, the additional land accruing to the State as a result of the Ceiling on Holdings Act would be distributed on an equitable basis. An area of some 90,000 acres, it is estimated, would become available from the various sugar factories in the State, and the Governor said joint farming co-operatives would be formed from the ranks of workers of the aforesaid factories and tenants to manage the surplus lands. In the meanwhile, these farms are to be taken over by the Government itself and an autonomous State Corporation, to be formed for the purpose, is to manage them. This decision, in the face of the failure of co-operative farming even in Communist countries, is more a display of bravado than the sincere implementation of a practicable ideal. Evidently not even the recent pronouncements of the Soviet Premier Khrushchev on the debacle of the collective farms have had any effect on our leaders. Nearer home, Dr. C. D. Deshmukh, Vice-Chancellor of Delhi University, also made the disturbing disclosure that as many as 40 per cent of the 3,000 co-operative farms in the country were running at a loss and another 40 per cent. were making only a negligible profit. In other words, just about 20 per cent only of these farms are being run on proper lines.

The Governor of Maharashtra further observed that, with the increase in the production of electricity in the State, as many as 20,000 additional pumping sets would be run on electric power and 250 more villages would be electrified by the end of the current Plan Period. A notable disclosure in the Governor's address was that an area of over one lakh acres has been covered by cashewnut, a dollar-earner, by the grant of loans and free distribution of seeds in Ratnagiri, Kolaba and Kolhapur Districts The move is pregnant with potentialities.

Banking

WIDENING SCOPE

BANKS IN India have played increasingly important role in the general industrial expansion of the country. It is evident from the fact that during the decade 1951-1961 industrial credit provided by the banking system increased by Rs. 410 crores, which has also raised its share from 32 per cent of the total to 51 per cent. Advances of all scheduled banks in 1951 were Rs. 580 crores, of which 33.5 per cent were for industry. By 1956 the advances rose to Rs. 794 crores of which 38.5 per cent were for industry. In 1960 the advances touched the massive figure of 1,100 crores. Shri Lalitchandra C. D. Nanjee, Chairman of the Devkaran Nanjee Bank at its annual general meeting stressed the fact that the growing tempo of industrial activity in the country was assisted to a large extent by this increasing banking performance. The banking system had, therefore, risen to the occasion and made significant contribution. The Chairman further indicated that as compared to the rate of rising demand for bank credit the rate of growth in deposits was not adequate, especially in relation to the increasing pressure on the banking system from the industrial sector. This stagnation, however, disappeared in 1961 and there was a general improvement in the deposits of all scheduled banks.

The Chairman proposed that there was the need of a co-operative approach on the part of the banking system for a sustained drive for initiating banking habits among the people. It is true that in the face of the present backwardness and static habits of the people, it was not easy to penetrate into the countryside, but effort had to be made to break the barriers of habits. It is significant to note that the ratio of bank offices to population had not very much changed and remained at 1 to 88,000 in India. In this connection, Mr. Nanjee's suggestion, that smaller banks should be allowed to stay because only they could afford to function in smaller towns, was quite sound. It was of utmost importance, he said, because the requirements of different areas were fully known and local knowledge was easily available to smaller regional banks and they were in a better position to mobolise the deposits for the areas they served and could meet the credit requirements in an appropriate manner.

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FOUR COMPANIES are approaching the public for subscription to their share capital in the next fortnight.

Lodna Colliery Company is entering the capital market on March 23 with an issue of 2,30,000 equity shares of Rs. 10 each for subscription at a premium of Rs. 7.50 nP. per share. The list closes on March 30 or earlier at the discretion of the directors, but not before March 26. The new shares will rank pari passu with the existing ordinary shares, except that they will not entitle the holders to any dividend that may be declared in respect of the year ending December 31, 1961.

The company was formed in 1920 and has since then been carrying on business as colliery proprietors. It is at present working five large collieries—two in the Jharia field and three in the Raniganje field. Ancillary to its Jharia collieries, it is operating a bye-products coke oven plant and a coal washing plant.

Proceeds of the issue are to be utilised for further developing the company's collieries. It is envisaged to increase the company's output to 24,00,000/25,00,000 metric tons of coal per annum by the end of 1965. The development programme is estimated to cost Rs. 1.26 crores. The new issue will be making available Rs. 40.25 lakhs. The balance of Rs. 85.75 lakhs is proposed to be raised by loans (Rs. 40 lakhs) available from the appropriate Government agency for aerial ropeways and stowing equipment the installation of which at two of the company's collieries is an integral part of the development plans, and by ploughing back Rs. 45.75 from the company's own resources.

The company made a net profit of Rs. 15.14 lakhs (unaudited) in the first half of 1961 (after allowing for taxation and depreciation), Rs. 18.25 lakhs in the whole of 1960, Rs. 23.13 lakhs in 1959, Rs. 31.84 lakhs in 1958, Rs. 23.78 lakhs in 1957 and Rs. 15.62 lakhs in 1956. The company has no mortgages, debentures or other loan capital outstanding, but has overdraft facilities with the National and Grindlays Bank. The amount owing to the bank on this account amounted to Rs. 25 lakhs on March 5, 1962.

The authorised capital of the company is Rs. 1.2 crores, of which the issued, subscribed and fully-paid capital amounts to Rs. 87 lakhs.

TAK MACHINERY

TAK MACHINERY, Bombay, is offering to the public capital worth Rs. 24.50 lakhs, all in the form of equity shares of Rs. 100 each, to be issued at par. The list opens

on March 29 and closes on April 4 or earlier at the discretion of the directors, but not before March 31. The authorised capital of the company is Rs. 1 crore, of which the issued capital, including the present offer, is Rs. 50 lakhs. The directors and their friends have already subscribed capital to the tune of Rs. 7.56 lakhs; they are further taking up shares worth Rs. 17.94 lakhs.

The company is setting a plant in Maharashtra State to undertake the manufacture of 24 electric overhead travelling cranes, 1,600 electric hoists blocks, 980 chain pully blocks, 600 portable floor cranes and conveyors (capacity yet to be determined) per annum. Electric hoists are not currently manufactured in India and the production of cranes, chain blocks and conveyors is said to be small. With imports restricted, there is, thus, a considerable blacklog of demand for this equipment. The company will also undertake structural fabrication work.

Technical collaboration for the project has been arranged with the U.K. from Fellow Brothers for the manufacture of electric cranes, hoists and chain blocks. Negotiations with well-known foreign firms for collaboration in the manufacture of conveying equipment are underway.

SARDESAI BROTHERS

Sardesai Brothers, Bombay, is offering to the public 17,500 equity shares of Rs. 100 each. The list opens on April 29. The authorised capital of the company is Rs. 100 lakhs, of which capital to the tune of Rs. 50 lakhs is issued. The directors and their friends have already taken up shares worth Rs. 10 lakhs; they are further subscribing to shares worth Rs. 22.50 lakhs.

The proceeds of the issue are to be utilised for raising the present capacity of the company for the manufacture of carboxy methyl cellulose (commonly known as C.M.C.) from 600 tons a year to 2,000 tons and that of various other items substantially. After the expansion has been completed, the company's present annual turnover of about Rs. 50 lakhs is expected to go up to Rs. 100 lakhs. The directors claim that they will be able to pay a reasonable dividend on the new shares from the very first year of entitlement because the company is already operating quite remuneratively.

For its products other than C.M.C., the company has entered into a technical assistance agreement with the U.S. firm NOPCO Chemical Company, which is well-known in the field of manufacture of chemical auxiliaries for rayon, leather, paper, paints, rubber, etc., industries. The agreement covers the progressive manufacture of NOPCO products in India for internal consumption as well as for exports to Burma and Ceylon.

HINDUSTAN KOKOKU WIRE LTD.

THE HINDUSTAN KOKOKU WIRE LIMITED is approaching the public on March 29, with an offer of 9,995 9.3 per cent (free of company's income-tax, but subject to deduction at source at the prescribed rates) redeemable preference shares of Rs. 100 each to be issued at par. The list closes on April 2. The issue, if fully subscribed, will raise the issued and paid up capital of the company to Rs. 30 lakhs; capital worth Rs. 20.015 lakhs (Rs. 18 lakhs in equity shares and Rs. 2.015 lakhs in preference shares) has already been subscribed by the directors, their friends and associates and the foreign collaborators. The authorised capital of the company is Rs. 50 lakhs, divided into 30,000 equity shares of Rs. 100 each and 20,000 preference shares also of Rs. 100 each.

The proceeds of the issue are to be utilised for meeting part of the expenses of the factory of the company that is being set up about 12 miles from Delhi to undertake the manufacture of all kinds and classes of wires, cables, ropes and cords, including high tensile galvanised steel wires, whether for use in ACSR cables wires, ropes, M.S. wires, P.C. wires or for any other purpose.

Technical collaboration has been arranged with two Japanese concerns—the Kokoku Iron and Steel Wire Manufacturing Company Limited and the Gosho Company Limited. The total cost of the project is estimated at Rs. 45 lakhs. Since the share capital will be making available only Rs. 30 lakhs, a medium-term loan of Rs. 18 lakhs has been secured from the Refinance Corporation of Private Industries Limited, through Devkaran Nanjee Banking Company.

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The shares being offered shall rank for dividend from the date of allotment on the amount for the time being paid up thereon. They are redeemable at par at the expiry of 10 years from the date of issue or earlier at the discretion of the directors after giving due notice.

When this undertaking goes into full production, it is estimated that a sum of Rs. 30 lakhs in foreign exchange would be saved per year. Production is expected to start in another three months' time.

Ashok Leyland

IMPRESSIVE PROGRESS

FROM THE speech of the Chairman, Sir A Ramaswami Mudaliar, delivered at the thirteenth annual general meeting of the company, it is clear that the company has really made impressive progress. It may, for instance, be noted that the value of sales in nine months in 1961 nearly equalled to that of twelve months in 1960. And this was achieved mainly by increasing the output of comet chassis, the average output per month being 170 in 1960 as against 195 during the nine month period in 1961, an increase of nearly 15 per cent. Additional buildings to a value of approximately Rs. 40 lakhs have been erected and additional plant and machinery of a value exceeding Rs. 56 lakhs have been installed during the year under review. These additions represent partly the provision of plant and machinery to carry forward the phased manufacturing programme, and partly the building, plant, and machinery required for the expansion programme. The expansion programme is likely to be completed in 1963 and it is expected that then the output of comet chassis will be at the rate of 5,000 per annum with a 20 per cent excess capacity for the production of spare parts. Engine output will also increase to provide not only the comet engines, but also the heavier 600 and 680 types required for chassis and industrial applications.

Then again, it is no small satisfaction that with plant and machinery designed to produce 1,000 vehicles per annum with single-shift working, the factory was able to produce nearly 2,400 in 1961 and will probably produce over 3,000 in 1962 with double shift working. Ennore Foundaries Ltd. has also made good progress. It is expected that by the end of March, 1962, it will supply all the castings required by Ashoka Leyland Ltd. which would help from April to discontinue the import of castings including the cylinder blocks and heads. Progressively surplus capacity is also likely to be available for the supply of quality castings to users other than the company. Sponge raw materials may also be produced soon and this will be useful not only to iron foundries, but also to steel works. All this tends to show the rapid growth of the company which is expected to accelerate further in the years to come.

Sen Raleigh

SALES UP, PROFITS DOWN

IF OVERALL sales of Sen Raleigh have increased and profits have declined, there are various reasons for that. The entire situation was discussed at length by Mr. Abhijit Sen, Chairman of Sen-Raleigh Industries of India Ltd., at the 12th annual general meeting of the company. The reduction in profit was due to the failure of individual indigenous supplies to meet commitments, which resulted in an imbalance of stocks and in turn led to higher inventories with consequent higher financing charges, poor material utilisation, than had been anticipated as in many cases, as a result of changing import policies, materials had to be obtained from unknown and untested sources both within the country or abroad; high rectification costs where these non-standard materials had to be consumed, the higher cost of materials where indigenous or DLF buying from America replaced buying from usual sources in Europe and lastly, the impact of unabsorbed overheads on a turnover, much smaller than planned. The factors that affected bicycle production were a cut in import licence ceilings and the failure of some indigenous manufacturers to meet commitments for supply of semi-finished components that could no longer be imported. Since the promoters of this industry would like the industry to develop fast the attention of Mr. Abhijit Sen was obviously devoted to cut on import licence ceilings linked with export performance. He underlined that it was not understandable why the policy makers too readily agreed to deletion of items when indigenous manufacture was only in the air.

There is, however, one redeeming feature that inspite of the many bottlenecks, the future of bicycle industry appears to be assured. With rising income there was every likelihood of people buying more cycles. So far as expansion plans of the industry are concerned, they envisaged the expansion of bicycle and chain production and diversification into the manufacture of dynamo lamps and house service meters. A sanction has been received for a further issue of the capital. While all this is welcome, the success of the schemes can only take place on the availability of foreign exchange for the import of plant through further foreign participation in the capital of the company.

Flour Mills

PROBLEMS OF INDUSTRY

THE CHAIRMAN of Calcutta Flour Mills Association, at the annual general meeting, highlighted certain basic problems that the industry faced during 1961. Most glaring of these evidently was that of power shortage, which affected the industry considerably. The Chairman pointed out that the Calcutta Electric Supply Corporation wanted the consumers to reduce electricity load during peak period of the day. The flour industry could avoid this cut for some time on the basis that flour milling was a continuous process. Towards the middle of the year, however, the power position deteriorated further and flour mills had no alternative but to accept the cut in the supply of electricity. This naturally reduced the output considerably. Shortage of power supply in the Calcutta region has been chronic and many other areas too were not free from this problem. It would be advisable on the part of the Government, therefore, to face the problem of power shortage squarely and solve it in a composite manner.

Another problem faced by the industry was in respect of supply of wheat products in the Calcutta region. The import of flour which had to be executed as a stop-gap arrangement, continued even after the resumption of work by the five major mills in the region. These mills faced a challenge from their labour that refused to accept advances stipulated to be paid before Puja against bonus. This advance was subjected to adjustment after the publication of the Omnibus Tribunal's Award. The labour refused to accept the quantum of bonus and adopted go-slow tactics and the management was compelled to close the mills. Eventually an agreement was reached after the intervention of the Chief Minister. But flour was not stopped from being imported which was necessary only during the period of stoppages. This hit the sales of wheat products and the Association had to fight against a downward spiral in prices of flour in the market. It may be added that the Government of India has recently introduced statutorily fixed maximum prices of wheat products. Prices of suji, maida, wholemeal atta are uniform in all the mills in the country. In the case of atta, the products of mills in West Bengal, Assam, Orissa and Greater Bombay, are higher in prices by 25 nP. per maund than those of the mills in other parts of the country. This higher price has been found necessary because of local conditions in these areas.

Tourism

BETTER FACILITIES NEEDED

TOURIST TRAFFIC during the last few years has been on the increase. It is partly because of the concerted efforts of the Tourist Department and partly due to the publicity campaign that puts India in the eyes of the foreigner in a somewhat better perspective. The total number of arrivals into India in January and December 31, 1961 was 1,38,804 bettering the record for 1960 by 13.6 per cent. Those who came from Europe numbered 44,034 and from South and South-East Asia numbered 34,573. The number of tourists from U.S.A. and Canada was 38,268, from Africa 17,313, from West Asia, 5,880, from Oceania that in Australia, New Zealand and Fiji 2,903 and from Latin America and West Indies 1,833. The number of tourists from North America in 1960 had been up by 23.9 per cent over the previous year, while in 1961 the percentage of increase was 18 over 1960.

The increase in the number of tourists from U.S.A. alone was 15.3 per cent in 1961 while it had been 25.2 per cent in 1960. From the European countries there was a total increase of 18.7 per cent in 1961, improving the previous year's record of 12 per cent. Tourists from the United Kingdom alone increased by 18.4 per cent in 1961. Tourists from the Commonwealth countries in 1961 formed 47 per cent of the total. Tourists from neighbouring countries of Burma, Ceylon, Malaya, Singapore, together with African countries numbered 42,416 forming 30.3 per cent of the total. From Ceylon alone came 14,823 tourists making up 10.6 per cent of the total.

Various reasons can be assigned for the tourists coming over to this country. They may be classified as pleasure trips, business or study tours or just because they happened to pass through this country and chose to stay here a few days. So far as tourists' stay is involved they spent in all in 1961, 5.53 million days compared to 4.35 million in 1960. The average stay of tourist was 39.6 days in 1961.

Although Tourist Department deserves its due share of praise for attracting more tourists in this country, however, things have not reached a stage when they can be said to be completely satisfactory. Better facilities to attract more tourists is need of the hour and it is here that we must concentrate our attention. The building of more hotels and better service there perhaps might improve the situation to a certain degree.

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FROM THE CAPITAL'S CORRIDORS

MORE FROM FINANCE COMMISSION'S REPORT

THE Third Finance Commission has given some hard knocks to the administrative set-up in the States and their indifference to raising of additional revenues. It says:

"Secure in the knowledge that the annual budgetary gap would be fully covered by devolution of Union resources and grants-in-aid, the States are tending to develop an allergy to tap resources in the rural sector on many considerations and also a disinclination to make up the leeway in others. They do not also attach the same importance to a proper and adequate control on expenditure in the matter of services and supplies as before. Cadres expand, pay-scales get revised upwards, negligence develops in the procurement of supplies and execution of projects in the absence of proper cost control. While there is a close scrutiny of, and consultation on, the contents of the Plan, there is hardly any on the contents of the annual estimates; there is no counterpart at the national level in regard to non-Plan expenditure which is progressively increasing as a result of planning itself."

"A disturbing feature is not only the effect of unsound financial policies of a State on its own development, but its impact on neighbouring States also. We have noticed that in one State the pay-scales of one of the services were being substantially increased, backed by the recommendations of a high-powered commission, even when the scales were one of the highest in India. Sufficient thought does not seem to have been given to the effect of this pay revision on other departments of the State itself, much less on its impact on the neighbouring States."

"A similar situation obtains in the field of taxation and considerable disparities exist in the fields of land revenue, sales-tax, motor vehicles tax, etc. Though it is generally accepted that the rural sector could make a greater contribution to national economy, there is an understandable reluctance to revise even the rates of land revenue in operation, even when they have not been reviewed in the last 30 to 60 years. In one State, when a limited operation indicated that the rates could be raised considerably on old accepted and established principles of assessment, the Government considered it inadvisable to continue the settlement operations. In another State, in real need of resources, the collection of betterment levy already introduced had to be suspended just because the neighbouring State had done so in a more prosperous contiguous area. All these induce a chain reaction of enforced under-taxation on the one hand, and avoidable increase in public expenditure on the other."

"It is becoming increasingly evident that there should be arrangements for national or, at least, zonal economic co-ordination, both of tax levies and expenditure programmes, to introduce a measure of uniformity. It should ensure optimum mobilisation of resources and re-introduce a greater sense of responsibility in expenditure control. It is not our intention to suggest that absolute uniformity in various tax levies could be effected even on a zonal basis. The tax potential of even contiguous states is not always the same and their tax structure may need differing degrees of adjustments."

"We consider that a comprehensive examination should now be undertaken to assess the tax potential of each State, to review its tax structure and to recommend rates under different heads of levies in the State list. This examination should appropriately be entrusted to an independent Commission which would naturally take note of the widening gap between resources and functions of the State brought about mainly by the planning process and consider what adjustments, if any, should be made in Union-State financial relations which would add strength both to the Union and the States."

"Another important matter, which deserves a mention, is the need for overhauling the administrative, technical and executing agencies to make them more efficient, quick in movement and effective in execution. We have noticed that in their natural anxiety to obtain larger State plans, there is a tendency to overstate resources, current and additional, and promise economies which are not susceptible of realisation. We should like to stress the importance of 'non-Plan' expenditure pertaining, more particularly, to administration, even in a planned economy. Unless a balance is struck between Plan and non-Plan outlays and the need is recognised of refashioning the machinery of government, we fear that the Plan itself will be in jeopardy. In any event, it will be difficult to secure completion of projects to schedule or to obtain value for money expended."

The Finance Commission has also objected to large-scale grants now given under cover of the Article 282 of the Constitution. It observes: "It has also been urged that article 282 is outside the provisions of the Constitution governing 'Distribution of Revenues between the Union and the States', and is one of the several 'Miscellaneous Financial Provisions'; that it only a permissible provision to meet a possible contingency and is not intended to be used in the manner it is now being used." If this contention of the Commission were accepted, knowledgeable circles opine, all the Ministries trading in State subjects, such as Education, Health, Irrigation, Agriculture and Community Development, would have to be liquidated!

GRANTS TO STATES

A sum of Rs. 25 crores was provided in the Budget for granting ways and means advances to States. Several States faced acute ways and means difficulties during the year due to enhanced demands following increased tempo of developmental expenditure. It, therefore, became necessary to allow them larger short-term advances from time to time. These advances carry interest at 3 per cent per annum and are adjusted in the year itself against the amounts due to the States as their share of Central taxes, duties and statutory grants. The total requirements on this account are now estimated at Rs. 46.5 crores necessitating a supplementary appropriation of Rs. 21.5 crores. Despite these grants of substantial ways and means assistance, some of the State Governments have continued to face acute difficulties. The resources have not kept pace with the rising developmental demands. The States had, as a consequence, to run heavy overdrafts with the Reserve Bank.

The matter was considered in all its aspects in consultation with the State Governments and it was decided to grant 10-year loans to the States concerned to clear their overdrafts with the Reserve Bank at the end of the Second Plan period which would enable them to start the Third Plan with a clean balance. The total amount of these ad hoc loans granted during the year is Rs. 30 crores. Except during the first two years, when interest alone would be recovered, the loans are proposed to be repaid in annual equated instalments of principal and interest. No budget provision was made for this purpose as the decision to grant the special assistance was a post-budget development.

A provision of Rs. 258.62 crores was made in the Budget for payment of loans to State Governments for their Centrally aided Third Plan Schemes. Loans under specific heads of development amount to Rs. 173.57 crores and Loans for Miscellaneous Development schemes come to Rs. 85.05 crores.

As a result of the Planning Commission's discussions with the States in regard to their annual plans, the pattern of loan assistance in respect of the current year was further modified. Loans under specific heads of development are to be Rs. 165.77 crores and Loans for Miscellaneous Development schemes are to be Rs. 104.75 crores.

The latest assessment indicates that the provision for loans under specific heads of development is likely to show a further saving of Rs. 1.79 crores, and the provision for loans for Miscellaneous Development schemes is likely to exceed by Rs. 19.70 crores. In addition, a provision of Rs. 8.04 crores is required for making arrear payments to States for their Miscellaneous Development Schemes relating to the Second Plan period.

CENTRAL ASSISTANCE TO THE STATES

The provision of Rs. 405 crores, as assistance to the States, in the Budget for 1962-63 was made before the additional allocations, such as for power, were agreed to by the Planning Commission. This estimate at present is placed at Rs. 435 crores. This provision was also made before the Third Finance Commission had been made available. It also does not take into account the taxation effort the States have promised to make, and which, according to certain sources may be of the order of Rs. 70 crores during 1962-63. It has, therefore, been decided to make a fresh appraisal of the Central assistance to the States by May next and seek Parliament's vote for any additional amount so needed.

MANGALORE AND TUTICORIN PORTS

The experiments conducted by the Central Water and Power Research Station, Poona, have shown that Mangalore port can be developed to receive vessels of 34 feet draft. Detailed designs and estimates will be prepared on the completion of the investigations regarding borings and penetrometer tests and necessary surveys.

Tests for the purposes of providing silting embankments and evolving of designs for break-waters in connection with Tuticorin port are also being conducted. A Field Division is proposed to be established which could undertake local studies. On completion of these investigations, detailed designs and estimates for this port will be prepared.

Development of Mangalore and Tuticorin as major ports, it may be recalled, has been included in the Third Five-Year Plan and a sum of Rs. 10 crores has been allocated in the Central sector for the purpose. Mangalore is proposed to be developed primarily to handle about 2 million tons of iron ore expected to be available from Chitaldrug (Mysore) and other mining areas in the region. The development of an all-weather port at Tuticorin is also considered necessary in order to enable the port to handle the existing traffic efficiently and to provide capacity for increase in traffic, which at present consists mainly of commodities entering into the coastal trade.

The overall capital expenditure on the development of Mangalore and Tuticorin ports is estimated at Rs. 12.70 crores and Rs. 10.27 crores respectively.

SECOND SHIPYARD

Two British firms, Production Engineering Limited and Babtie Shaw and Morton of Glasgow, are interested in assisting India in building its second shipyard at Cochin. Their representatives are here at present, bidding against each other for a consultancy agreement. A meeting with the Government is scheduled for Monday next.

In case either of the firms get the contract, it will have the financial support of the British Government in building the shipyard.

MANY NEW LINES OF PRODUCTION IN 1961

Production of a number of new items commenced during 1961 for the first time in the country, according to the Report of the Ministry of Commerce and Industry for 1961-62. Among these were hydraulic presses, gas cutting machines, sintered bearings, time-pieces, watches, radio valves, compressors (sealed unit), field cameras, reduction gear units, potassium permangase, argon gas, ammonium phosphate and calcium ammonium nitrate fertilisers, butyl alcohol, butyl acetate, plasticisers, polyvinyl chloride, methyl violets, vitamin B6 and C and carboxy methyl cellulose.

The Report observes that, despite a sizeable fall in imports during the first eight months of 1961-62, necessitated by foreign exchange difficulties, industrial production recorded considerable increase. There is a general keenness to take advantage of the expanding opportunities for industrial growth and foreign collaboration, and to contribute to the building up of new industries. New items are being constantly added to the export list and new markets are being cultivated. The number of new enterprises and expansion of existing industrial units is continuously and rapidly increasing.

The average of the monthly indices of production for the first six months of 1961 was 181.4 as compared to 166.6 during the corresponding period of the previous year, showing an increase of 8.8 per cent. While nearly all industries recorded an increase, the improvement was particularly marked in the case of power transformers, power cables, machine tools, electric motors, grinding wheels, soda ash, caustic soda, sulphuric acid and oxygen gas. Cloth and yarn also shared in the buoyant trend, and tea, coffee, rubber and raw jute registered appreciable improvement.

The jute industry, however, had to go through a period of strain during the major portion of the year due to successive crop failures of raw jute during the previous two years, but signs of stabilization were apparent towards the end of the year.

PROJECT REPORT FOR KOYALI REFINERY

A team of nine Indian engineers has left for Moscow to participate in the preparation of the project report for the 2-million-ton refinery to be set up at Koyali near Baroda in Gujarat. A contract for the preparation of this project report and the working drawings for the Koyali refinery was signed here recently between the Oil and Natural Gas Commission and 'Tjazhpromexport', of the U.S.S.R.

This is for the first time that Indian engineers are actually participating in the preparation of a detailed project and design calculation. The project report will be signed both by the Soviet and Indian engineers.

The team, which is led by Mr. M. S. Pathak, Senior Electrical Engineer of the Indian Refineries Limited, will stay in Moscow for nearly 8 months. Other members of the team are: Mr. M. Gopal, Executive Engineer (Instruments); Mr. D. K. Palit, Executive Engineer (Chemical); Mr. S. K. N. S. Dikshit, Executive Engineer (Public Health); Mr. N. B. Sidhwa, Executive Engineer, (Civil); Mr. K. S. Raghvan, Executive Engineer (Mech.); Mr. C. Govinda, Assistant Engineer (Mech.) and Mr. L. K. Chandhok, Senior Design Engineer. The Koyali refinery will be built in two stages, each of one million tons capacity. The first stage is expected to be completed during the second half of 1964 and the second stage 6 to 9 months later. Equipment and material for the first stage will start coming from the Soviet Union next year.

Under the contract, the designing of a number of units within the refinery has been made the responsibility of the Indian side which will also, in due course,



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be responsible for preparing the working drawings for some of the units initially designed by the Soviet organisation. Provision has also been made in the contract for the use of Indian equipment and material to the maximum possible extent to enable the Indian engineers to undertake increasing responsibility for the designing and execution of refinery projects in the future.

SMALL CAR

The plans to manufacture small car in India again figured in the Lok Sabha last week. The Union Minister for Industries, Mr. Manubhai Shah, disclosed that a firm decision in this respect was expected to be taken within the next four to six weeks.

The following questions put to the Minister and the replies he gave to them would be read with interest:

Mr. Tyagi: Have the present manufacturers of cars in India made any representation to the effect that if this car comes into the market, they will lose their business ?

Mr. Manubhai Shah: Not in those terms; but the Federation, as well as the automobile manufacturers, as the House is fully aware, have been protesting against this project for a long time. But we have taken all matters into consideration, and, as the House knows, Government have decided that the car project will be considered, if at all, in the public sector, that is, the project for the manufacture of a small car.

Mr. Joachim Alva: Is it the combination of the vested interests which has prevented this idea from being fulfilled at a very early stage ?

Mr. Manubhai Shah: It is not quite that. But there have been protests from all quarters. We have examined the project from all angles, and we hope that a decision will be taken very soon on this project. I shall only say that I am fully confident that a small car will be manufactured in this country in the public sector during the Third Five-Year Plan.

Mr. Joachim Alva: Small and cheap car ?

Mr. Manubhai Shah: We shall try to see that the decision is expedited. There is no reason to believe that this country can do without a small car of this size. The Hon. Member is right in his surmise that a country like ours does need a people's car of this size.

Mrs. Renuka Ray: May I know the reasons why the decision has been delayed ?

Mr. Manubhai Shah: The resources question is there. The foreign exchange question is there. Then, the technical feasibility of the car is there. Then there are all sorts of representations from different interests in this country. All these have combined to make the project a slow-moving one.

With the foreign exchange position continuing to be tight and the Government looking for more and more aid from friendly countries, it is a bit surprising that the Minister for Industries should still be toying with the idea of manufacturing the small car. This project, moreover, is not included in the Third Plan.

CREDIT FACILITIES FOR INDUSTRIAL CO-OPERATIVES

For making available adequate credit facilities to the industrial co-operative societies in areas where co-operative banks are unable to accommodate such societies, the Government of India has drawn up a scheme under societies, the Government of India has drawn up a scheme under which the State Bank of India will give advance working capital loans to industrial co-operatives. These advances would be normally against Government guarantee. The State Governments are accordingly being requested to extend to the State Bank and its subsidiaries the guarantee scheme.

The State Bank will charge the industrial co-operatives interest at the same rate as it charges for similar advances from small-scale units. The State Governments may have to subsidise the State Bank to some extent so as to bring its interest rate on these loans at

The scheme also envisages the offer by the State Bank of medium-term loan facilities and term advances of reasonable amount for purposes of expansion, renovation and modernisation of those industrial co-operatives which have borrowing arrangements with it.

EMPLOYEES' PROVIDENT FUND

The Government of India has taken a decision to aply from April 30, 1962, the Employees Provident Fund Act to trading and commercial establishment engaged in the purchase, sale or storage of any goods provided they employ 20 persons or more. These establishments include those of exporters, importers, advertisers, commission agents and brokers and commodity and stock exchanges. Banks or wherehouses established under a Central or State Act are excluded.

Interest on provident fund accounts for the next year is being increased to 4 per cent from the current level of 3¾ per cent.

CENTRAL ADVISORY COUNCIL FOR P & T

With a view to enabling the various interests directly connected with the functioning of the communication services to be associated with the policy direction, the Government of India has constituted a Central Advisory Council for the Posts and Telegraphs Department under the Chairmanship of the Minister of Transport and Communications.

The Council will deal with all-India matters, especially those pertaining to the development of postal, telegraph and telecommunication facilities in the interests of industry, commerce, transport, the Press and other services. Besides developmental matters, the Council will also review and discuss the functioning of the communication services.

Among others, 15 representatives of the State Governments, four Members of the Rajya Sabha and five Members of the Lok Sabha have been nominated to this Council. The Council will also have as its members a few representatives of the Central Ministries.

INDIA-DANISH COLLABORATION

Collaboration arrangements with the following Danish firms had been concluded for the manufacture of various industrial products upto December 31, 1961:

	Danish Firm	Products to be Manufactured
1)	Hydor Ltd., Haderslev.	Air Compressors.
2	Silkborg Maskinfabrik, A/S. Ltd., Silkeborg.	HTST Plate Pasturisers and other Dairy equipments.
3)	Laur, Knudsen Electrical Manufacturing Co., 53, Haraldskade, Copenhagen.	Low-tension switchgear, Motor Starters and Instrument and Control Panels.
4)	Nordisk Insulinlaboratrium, 2, Ved Station, Gentofte.	N. P. H. Insulin.
5)	Niro Atomiser Ltd., 12, Aurehojvej, Copenhagen — Hellerup.	Spray Drying Plants.
6)	Kosangas Ltd., 1, Vester Farimsgsgade Copenhagen V.	Filling of Bottle Gas Cylinders for distribution to households and industry.
7)	Kosangas Ltd., A. Jespersen and Sons A/S. Nyropsgade 18, Copenhagen. and	Bottle Gas Cylinders.
8)	J. Saabye & O. Lerche Ltd. 19, Nyropsgade, Copenhagen V.	Design and construction of wet dock at Madras Harbour.
9)	Hempel's Marine Paints, Copenhagen K.	Marine Paints.
10)	F. L. Smidth & Co. A/S., Copenhagen Valby.	Cement Machinery.

Collaboration arrangements with the following Danish firms are being negotiated for producing goods mentioned in the second column.

Danish Firm	Products to be Manufactured
1) Danfoss Manufacturing Co., Nordborg.	Evaporator Thermo. stats, Strainers and Dehyrators.
2) Roskilde Medical Co. Ltd., Roskilde.	Iron Dextron.
3) Danish Machine Co. Ltd., Aabyhoj.	Machine Tools.
4) Brdr. Simonsgaard, 155B, Jagtvej, Copenhagen N.	B. S. Lift Trucks.
5) Vilh, Pedersen Ltd., Hong.	Milling Machines.
6) Dansk Frugttorreri, Hjallese.	Fruit drying, Canning and Deep Freezing Equipments.
7) Atlas Ltd., Copenhagen.	Industrial Compressors.
8) A/S Teknova, Copenhagen.	Valves & Regulators.
9) Red Rotary International Corporation, Copenhagen.	Adding Machines.
10) Effort Maskinfabrik.	Whipping Machines.

INDIA'S TRADE WITH NEW ZEALAND

Mr. J. R. Marshall, Deputy Prime Minister of New Zealand, told newsman here on Monday that New Zealand did not favour formation of trade blocs which discriminate against countries that are not members of such blocs. New Zealand's basic trade policy, he said, was multilateral trade without discrimination.

Mr. Marshall was on a short visit to Delhi after attending the ECAFE session in Tokyo. During his stay here, he met the Prime Minister, Mr. Nehru, the Finance Minister, Mr. Morarji Desai, and the Commerce & Industry Minister, Mr. K. C. Reddy. Besides exchanging views on the impact of Britain's possible entry into the European Economic Community, he had discussions with Mr. Reddy on the possibility of increasing trade between India and New Zealand.

India at present imports from New Zealand goods worth about Rs. 1 crores, while she exports to New Zealand goods worth over Rs. 7 crores. New Zealand can supply India on competitive prices such goods and commodities as milk powder, wool, wood pulp, newsprint and mutton tallow. Mr. Marshall observed that India's requirements of milk powder were bound to increase. He added that New Zealand could well take a large share of it.

New Zealand offers good opportunities for stepping up exports of jute goods and tea from India, A significant observation made by Mr. Marshall in regard to India's trade with New Zealand was that India could import from New Zealand more mutton tallow and spare some of its vegetable fats, now used for domestic consumption, for export purposes.

Mr. Marshall also indicated that New Zealand could help India further in the development of dairy industry. She is already doing so under the Colombo Plan and is actively associated with the Delhi Milk Supply Scheme. New Zealand, he said, was not in competition with the Indian dairy industry and was assisting it to expand by supplying the supplementary quantities of skimmed milk powder which are essential for the development of public demand for milk.

MANGANESE EXPORTS

With a view to stepping up exports of manganese ore, the Union Government has decided to extend the incentive scheme meant for exporter-mine-owners to exports canalised through the State Trading Corporation. This will obviate the need for a mine-owner to export directly. He will now be ensured of the benefits of the incentive scheme even if he offers his ore for export through the STC. The step will also enable the STC to bargain for reasonable export prices in lieu of the incentives offered.

Under the incentive scheme which has been in operation since July last, exporters of manganese ore are permitted to import mining equipment and machinery, for the improvement of their mines, to the extent of 5 per cent of the foreign exchange earned by them, in case of straight exports against cash. Higher import entitlement not exceeding an additional 5 per cent, 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 under barter system, the import of machinery would be allowed to the extent possible under the scheme on the condition that the value of imports under the barter agreement is reduced to the extent of machinery entitlements.

IRON ORE EXPORTS

Japan continued to be the biggest importer of Indian Iron ore during 1961. Country-wise, exports of Indian iron ore during this year were as follows: Japan 16.33 lakh tons, Czechoslovakia 5.63 lakh tons, Italy 1.48 lakh tons, Poland 1.18 lakh tons, Hungary 86,000 tons, West Germany 58,000 tons, East Germany 24,000 tons, Austria 19,000 tons, Rumania 2.95 lakh tons and Yugoslavia 1.44 lakh tons. Total exports amounted to 30.88 lakh tons.

INDO-PAKISTAN TRADE

The Government of India has issued an Open General Licence, covering five items, for imports from Pakistan. The five items are: live tortoise; fish, not otherwise specified; fish salted and wet; hides and skins, raw or salted; and kapok.

Payments for two items, viz., live tortoise and kapok, under this Open General Licence will be made in non-convertible Indian rupees as provided for in protocol No. 1 between the Governments of India and Pakistan, signed on March 21, 1960.

The Open General Licence will be invalid until May 20, 1962.

IN BRIEF....

The second session of the Madhya Pradesh Organisation of Industrial Employers is scheduled to be held on April 1, 1962. It will be inaugurated by the Chief Minister of the State. Among the items on the agenda are a number of resolutions on the new industrial policy and various problems facing the industrial community.

•

Mr. A. R. Ramanathan, Chairman of the Travancore Rayon Ltd., has been re-nominated by the Union Government to serve as Chairman of the re-constituted Development Council for Art and Silk Industry. Mr. Ramanathan has also been elected as the President of the Association of Man-made Fibre Industry.

•

Bomas, the second largest advertising agency in India, has opened a new office at Calcutta. With the opening of this office, Bomas now offer an all-India network of national advertisers. Its service chain now includes Bombay, Calcutta, Delhi and Madras. S. H. Benson International Ltd., the parent company of Bomas, has on hand plans to expand its activities further by opening offices in many more countries. With its headquarters at London, it is already operating in Australia, Canada, Ghana, Nigeria, Kenya, Tanganyika, India, Singapore, Malaya, Hong Kong and Italy.

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The Coal Industry has made a representation to the Union Government pointing out that the present price structure of coal is uneconomic and that a general increase in these prices is warranted. The matter, it is understood, is receiving the attention of the Government. Decision is expected to be taken soon.

•

The Bhilai Steel Plant fulfilled its target of 7½ lakh tons ingot steel output for the current financial year on March 16 — 15 days ahead of the scheduled time. The steel melting shop of this plant achieved its full rated production capacity in January last.



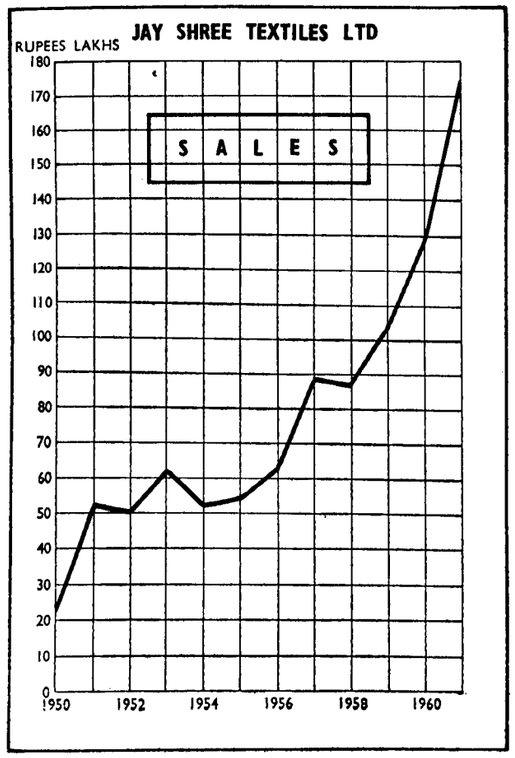
COMPANY AFFAIRS

JAY SHREE TEXTILES

As the graph below indicates, Jay Shree Textiles have recorded a continuous increase in their sales. During the last five years the sale proceeds more than doubled. During the year 1961, for which the report is now available, sale proceeds were around Rs. 173 lakhs—36 per cent higher than the previous year's sales of Rs. 128.4 lakhs. The gross profits too have increased in line with the sales. After providing for depreciation, the balance was Rs. 27.92 lakhs, which was comparatively higher than last year's figure of Rs. 18.64 lakhs. The Directors have proposed the transfer of Rs. 10 lakhs to Development Rebate Reserve. They have recommended the payment of dividend on old equity shares at the rate of Re. 1 per share of Rs. 10 each subject to deduction of tax which absorbs Rs. 4.92 lakhs.

The Directors believe that the results of the current year could have been still better but for certain serious handicaps, the most important being the inadequate import licences made available for raw materials especially wool tops and flax fibre and spare parts. Reduction and interruption in the power supply also hampered production. There was recorded an increase in wages and the prices of coal.

The Directors believe that the company can expand its activity and its cotton spinning plant of 15,200 spindles, a new scheme, is making progress. The erection of machinery has already started and production is likely to start during the third quarter of 1962. Provisional orders for the plant, that will manufacture high tension electric insulators, has also been placed. The company received permission for the issue of new equity capital to the extent of Rs. 24.59 lakhs. These shares have been offered to the existing shareholders on the basis of one right share for every two existing equity shares.



NEW ISSUES

Hindustan Lever Ltd., has been granted consent to the issue of Rs. 267.36 lakhs in bonus shares of Rs. 10 each on capitalisation of reserves to be offered in the ratio of 12 bonus shares for every 25 held.

The Nangdala Tea Company Ltd., will issue 24,000 bonus shares of Rs. 10 each on capitalisation of reserves. The existing paid-up capital of the company is Rs. 12 lakhs.

Hindustan Construction Co. Ltd., will issue bonus shares of the value of Rs. 36 lakhs divided into 36,000 equity shares of Rs. 100 each to be made in the ratio of one bonus share for every equity share held.

The New Monkhoosi Tea Co. Ltd., has obtained the CCI's permission to issue 72,000 bonus shares of Rs. 7.50 each on capitalisation of its reserves. The existing capital of the company is Rs. 9 lakhs.

The Binod Mills Co. Ltd., will raise further capital of Rs. 55 lakhs divided into equity of Rs. 40 lakhs to be issued as 'right' for cash at a premium of Rs. 10 per share and preference of Rs. 15 lakhs at par.

Dalhousie Hotels Ltd., a company proposed to be incorporated in West Bengal, has been allowed to issue capital of Rs. 1 crore divided into 8 lakh equity shares of Rs. 10 each and 20,000 cumulative redeemable preference shares of Rs. 100 each.

Particle Boards India Ltd., a new company, will issue capital of Rs. 40 lakhs divided into Rs. 32 lakhs in equity and Rs. 8 lakhs in preference. The firm plans to manufacture particle boards and by-products.

Modi Sugar Mills Ltd., has obtained Government approval to raise further capital of Rs. 73,38,960 divided into equity shares of Rs. 10 each at par.

TAK Machinery Ltd. will raise fresh capital of Rs. 50 lakhs in equity shares of Rs. 100 each at par.

Hindustan Organic Chemicals Ltd., a Government company, will raise further capital of Rs. 45 lakhs divided into 4,500 equity shares of Rs. 1,000 each at par.

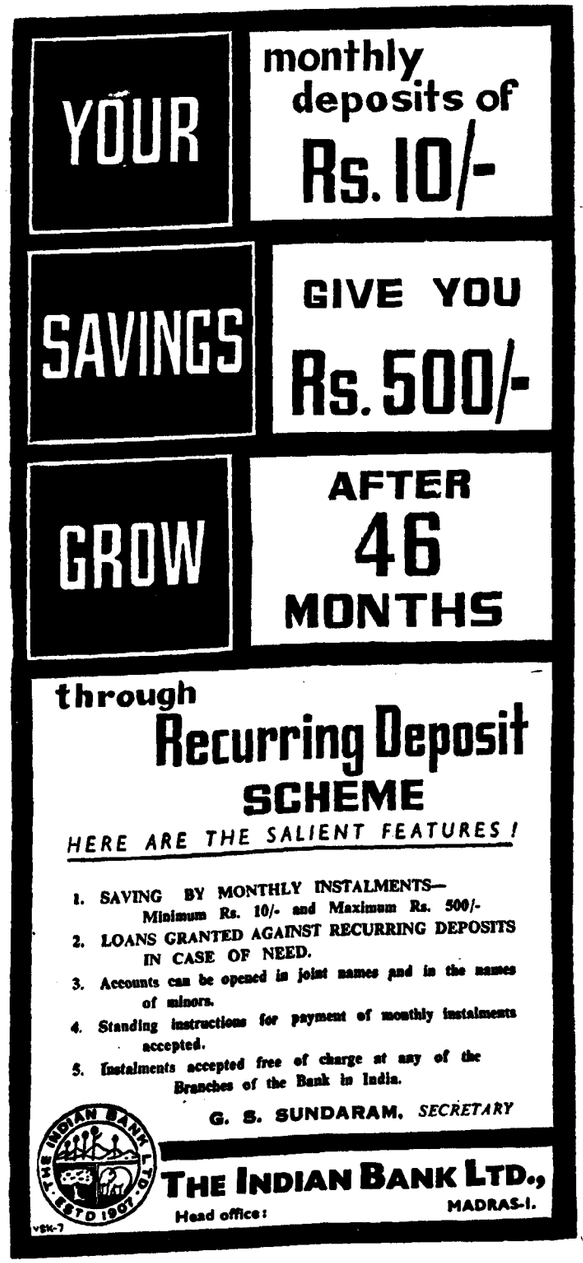
Nanubhai Industries (Private) Ltd. is to issue Rs. 29.12 lakhs capital divided into equity shares of Rs. 1,000 each at par.

Bharati Pulp and Paper Products Ltd., has been granted consent to issue capital of Rs. 22.88 lakhs in equity shares of Rs. 100 each at par.

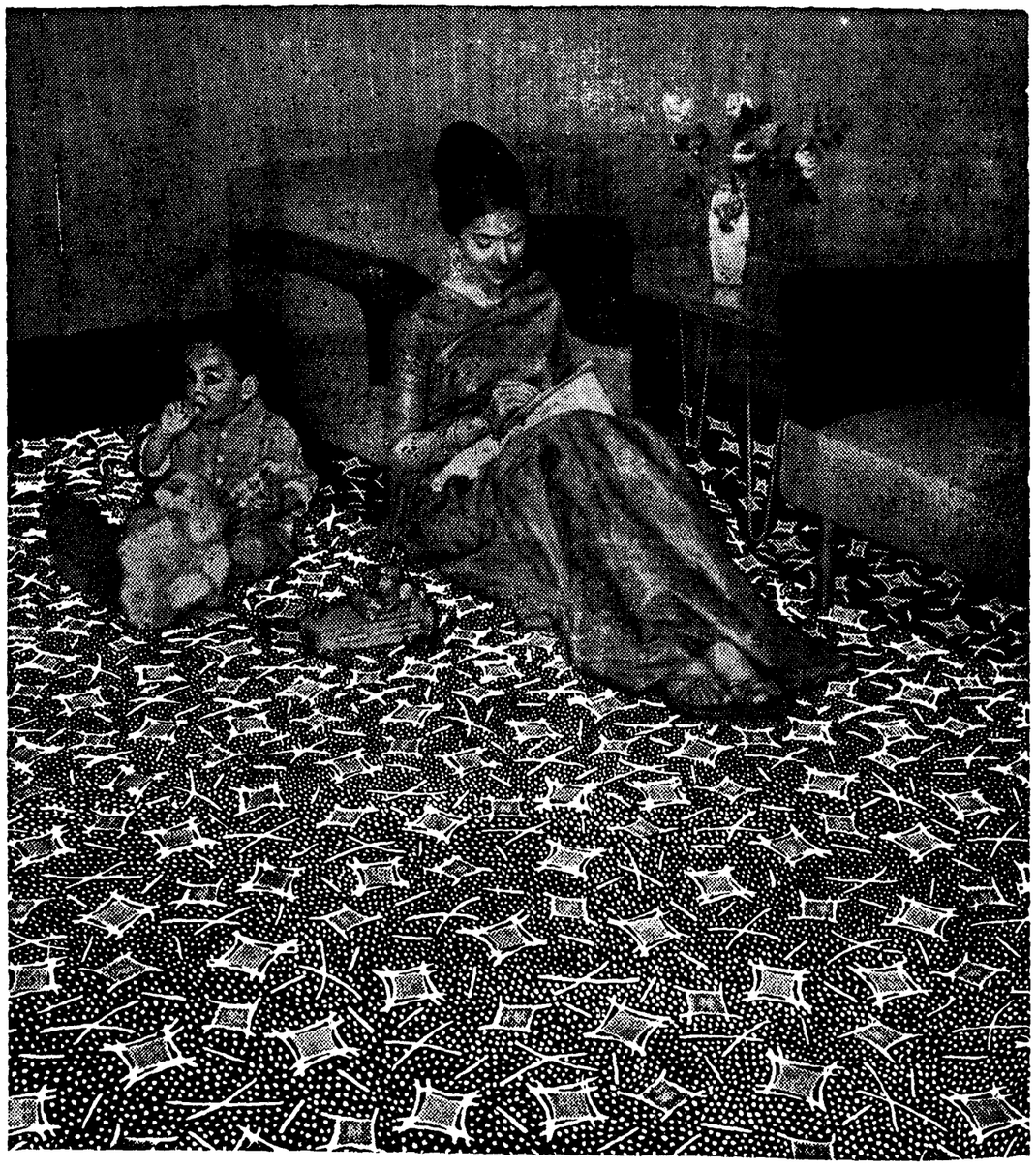
Kothari and Co. (Private) Ltd. will issue 50,000 equity shares of Rs. 10 each for cash.

Swadeshi Ayat Niryat Ltd., Calcutta, has obtained the CCI's permission to issue five lakhs equity shares of Rs. 19 each at par for the establishment of a spinning mill in U.P.

The Woriur Commercial Bank Ltd., has been granted consent to the issue of capital of Rs. 20,500 divided into 2,050 shares of Rs. 10 each fully paid-up to be issued at par. The paid-up capital of the bank is Rs. 29,500.



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Company Meetings

ASHOK LEYLAND LTD., MADRAS

Thirteenth Annual General Meeting

CHAIRMAN'S REVIEW

Speech delivered by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), Chairman, Ashok Leyland Limited, to the Shareholders at the Thirteenth Annual General Meeting of the Company held on 12th March, 1962, at Ennore, Madras.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Thirteenth Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and Profit and Loss Account for the period from 1st January to 30th September 1961 have been circulated to you and with your permission I shall take them as read.

At the last Annual General Meeting I referred to the change in the financial year which the Directors decided to make. This is reflected in the Balance Sheet and Profit and Loss Account before you which cover a nine-month period only from 1st January to 30th September 1961 and the future financial years will run from 1st October to 30th September inclusive.

As the Profit and Loss Account shows, the sales for the nine-month period at Rs. 8,11,93,053 are a little less than the figure of Rs. 8,32,66,909 representing sales in the previous twelve months. It is gratifying to note that the value of sales in nine months this year has nearly equalled that in 12 months last year, a result which was achieved mainly by increasing the output of Comet Chassis, the average output per month being 170 in 1960 as against 195 during the nine-month period in 1961, an increase of nearly 15 per cent.

The continuous expansion of the Factory is the result of the investment of funds mainly raised by additional Share Capital and to some extent by external credit. There has been only a negligible contribution of funds from the profits of the Company. In an expanding industrial unit, where plant and machinery have been added and additional buildings have been constructed to accommodate the plant and machinery and the increased activities of the Company, it must be obvious that after providing for depreciation, development rebate and taxation reserve, there will be little left for ploughing profits into the concern. The small surplus remaining after these expenditures have been appropriated for a reasonable dividend. Your directors are considering ways and means by which there might be a reasonable amount of profit which could be ploughed back into the concern for further expansion.

The progress of your Company during the last five years must be recognised to have been impressive. The rapidly expanding assets have been appropriately depreciated so that the total depreciation up to 30th September, 1961, exceed Rs. 98 lakhs. The Development Rebate stands at Rs. 37.25 lakhs. With a Paid-up Capital of approximately Rs. 3.45 crores, the gross block on 30th September, 1961, was over Rs. 3.76 crores and the total assets on that date included stocks valued at Rs. 3.21 crores. I may mention here that the price charged by the Company for your Comets is the same today as it was in 1955, the difference in selling price being accounted for by the additional Customs or Excise Duties imposed in successive Finance Acts. I am not aware of any other Automobile Company which has maintained its price at the same level during the last seven years.

Additional buildings to a value of approximately Rs. 40 lakhs have been erected and additional plant and machinery of a value exceeding Rs. 56 lakhs have been installed during the year under review. These additions represent partly the provision of plant and machinery to carry forward the Phased Manufacturing Programme and partly the buildings, plant and machinery required for the expansion programme to which I referred last year. Buildings required for the expansion of production are nearing completion and the installation of plant and machinery has commenced. I hope that by the end of the current financial year, i.e., by 1st October, 1962, nearly all the machine tools will have been installed and most of the jigs and tooling required for the production of components in accordance with the phased planning will have been supplied. We look forward to the production and sales continuing to increase during 1962 and I trust that in 1963 the expansion programme having been completed, our output of Comet Chassis will be at the rate of 5,000 per annum with a 20 per cent excess capacity for the production of Spare Parts. In addition, Engine output will have been increased to provide not only the Comet Engines, but also the heavier '600' and '680' types required for Chassis and industrial applications.

It will not be inappropriate if at this stage of our development I attempt to review the task we have undertaken during the last few years. As I stated, its magnitude is impressive. In 1956, at the commencement of the phased Manufacturing Programme, it seemed an optimistic estimate that we might within five years reach an output of 1,000 Comets per annum; and with restrictions on gross laden weights in most States, preventing the operation of our Goods Vehicles, it appeared a most formidable task to sell 1,000 Vehicles per annum. However, by the end of 1957, it was clear that demands for our vehicles would exceed our ability to supply. Pending the practicability of a major expansion project, it was decided to introduce double-shift working with the object of increasing production to 2,000 vehicles per annum. It is no small satisfaction to the Board and myself that with plant and machinery designed to produce 1,000 vehicles per annum with single-shift working, the Factory was able to produce nearly 2,400 in 1961 and will probably produce over 3,000 in 1962 with double-shift working. Coincident with the task of increasing production with the plant and machinery currently available and with the progressive deletion of imported components, planning has been in progress since 1959 to give effect to the decision to increase production capacity to 6,000 'Comets' and in addition 1,200 Heavy Duty Engines per annum.

Ennore Foundries Ltd. has made good progress since your last Annual General Meeting. Production commenced in November 1961 and by the end of March, 1962, it will supply all the castings required by Ashok Leyland Ltd. which from April 1962 will discontinue the import of castings, including cylinder blocks and heads. From May 1962 progressively surplus capacity will be available for the supply of quality castings to users other than your Company. There are, nevertheless, certain difficulties which Ennore Foundries Ltd. have to face. Steel scrap is in short supply and is expensive, while pig iron available in the country has too high a phosphorous content. These difficulties may

be overcome in due course, but while they persist the price of high quality grey iron castings will remain higher than it might otherwise be. Until these difficulties are overcome, it is unlikely that it will be possible to produce iron castings appreciably more cheaply than the landed cost of imported castings. It is hoped that before too long there may be definite plans to produce "Sponge" iron in India as this would provide an ideal raw material, as an alternative to steel scrap, at an economic price. "Sponge" iron is obtained by the direct reduction of iron ore by suitable carbonaceous matter; and considerable progress has been made in this new technique, particularly in Germany. Madras has iron ore available at Salem and lignite at Neyveli, which could provide an ideal combination for the production of "Sponge" iron, which would be very useful not only to Iron Foundries but also to Steel Works.

There have been from time to time discussions about the competition of road transport with rail transport and opinions have been expressed in some quarters that the railway earnings must be protected and that they ought not to be eroded by road transport earnings. A review of present conditions of traffic on rail and road and a reasonable forecast for the future must leave one under no delusion about the necessity for road traffic developing and indeed side by side with the development of rail traffic. It must be clear in the light of recent experience that road and all other forms of transport must continue to expand and that in no other way can the success of India's agricultural and industrial development be assured. This expansion will during the next ten years not only result in the demand for Commercial Vehicles equalling the combined output of manufacturers but also in increased demand to a figure which may well be a 100 per cent more than the existing maximum production targets. The Board has, therefore, decided to go forward with the expansion project with confidence and be ready for such further developments as time and circumstance may demand.

You will be interested to know that, following requests received from a number of shareholders, we have come to an arrangement with our Bankers whereby they will charge us a concessional rate of 1/64 per cent on the total payments to shareholders who encash Dividend Warrants at any Branch of our Bank; and this charge will be paid by the Company. This will obviate shareholders having to pay bank charges of 65 nP. per warrant in order to encash them at outstations.

Since your last Annual General Meeting, we have had several visits from senior officials of Messrs. Leyland Motors Limited. Mr. West, Deputy Chairman of Leyland, accompanied by Mr. Grimshaw, Leyland's Engineering Consultant, came in November 1961; and Mr. Robinson, Leyland's Planning Controller in January 1962. In February 1962, we had the pleasure of welcoming Sir Henry Spurrier, Chairman of the Leyland Group, who visited us accompanied by Mr. West and Mr. Grimshaw. I must once more place on record not only our appreciation of the readiness with which our British Associates come to India to assist our efforts, but also of the invaluable advice which we receive from them. I am sure you will wish me to convey to them, and particularly to Sir Henry Spurrier, our thanks for all their assistance.

As Chairman I feel I must refer to one of my colleagues on the Board whose contribution to the progress of your Company has been outstanding. I refer to the Managing Director, Mr. Collins. His initiative and drive combined with his suavity — an invaluable asset to both in the Factory and in relations with Governments — has been a great factor in all our progress.

I must also record the enthusiastic help and cooperation which the Officers, Staff and Workers of your Factory have extended to your Directors. This cooperation has been readily given, indicating the interest of all employees in the development of the Factory and the cordial relations which exist. I should like to convey our thanks to them all.

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

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RRAZING SOLDERS

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And other Non-ferrous Alloys & Castings to B.S.S., I.R. Specifications, etc.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	112.0
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	124.9
November 1960 ..	120.2	116.8	120.1	148.0	131.6	124.7	125.6	126.0
December „ ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
January 1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
November 1961 ..	120.2	98.3	122.4	136.9	140.2	124.1	126.4	124.2
December „ ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
January 1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
27-1-1962 ..	119.5	97.3	122.6	138.3	137.2	124.2	126.1	124.0
3-2-1962 ..	120.2	98.6	122.6	138.2	137.9	124.1	126.0	124.3
10-2-1962 ..	120.6	99.1	122.6	138.5	139.1	124.0	126.1	124.6
17-2-1962 ..	119.0	99.5	122.4	138.8	137.5	124.6	126.4	123.9
24-2-1962 ..	120.3	98.8	122.8	138.5	136.7	124.5	126.2	124.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	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	—	—	—
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*	412	431	300	167	400	486	495	—	478	173	170	173
1961 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	304	171	406	482	498	166	480	172	168	173
August	419	438	302	171	410	491	501	167	481	171	171	175
September	417	436	302	169	410	491	499	169	479	171	171	175
October	415	434	302	168	417	499	501	172	480	176	177	175
November	415	434	302	170	417	508	497	174	481	180	178	175
December	416	435	302	171	410	499	493	—	481	178	178	175
1962 January	417	436	—	170	—	513	495	—	482	—	—	—
February	—	—	—	—	—	513	—	—	480	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 9-3-1962			2-3-1962			23-2-1962			16-2-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	122.40	121.65	121.89	122.75	121.15	121.86	122.35	120.25	121.35	121.45	119.50	120.38
Silver (per kilogram)	216.50	215.10	215.82	215.30	212.60	213.55	213.30	212.25	212.71	212.50	211.20	212.12

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: 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	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										
Dec. 1960 ..	1,855,90	16,59	1,872,48	177,76	127,01	244,76	13.07	127,66	1,500,06	1,872,48
Jan. 1961 ..	1,911,58	16,83	1,928,41	117,76	128,01	245,17	12.75	124,35	1,558,29	1,928,41
Feb. „ ..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12,58	121,75	1,587,28	1,954,79
Dec. 1961 ..	1,937,46	14,76	1,952,22	117,76	116,86	234,62	12.02	122,78	1,594,82	1,952,22
Jan. 1962 ..	1,981,87	17,71	1,999,58	117,76	126,86	244,62	12.23	121,17	1,633,80	1,999,58
Feb. „ ..	2,022,55	18,29	2,040,83	117,76	126,11	243,87	11.95	119,51	1,677,45	2,040,83
Week-Ending										
2-2-1962 ..	1,993,68	11,09	2,004,76	117,76	126,86	244,62	12.20	120,94	1,639,20	2,004,76
9-2-1962 ..	2,034,79	17,77	2,052,56	117,76	126,86	244,62	11.92	118,74	1,689,20	2,052,56
16-2-1962 ..	2,034,31	18,46	2,052,77	117,76	126,86	244,62	11.91	118,95	1,689,20	2,052,77
23-2-1962 ..	2,027,42	25,82	2,053,24	117,76	123,86	241,62	11.77	11,942	1,692,20	2,053,24
2-3-1962 ..	2,040,33	11,49	2,051,82	117,76	123,86	241,62	11.78	118,01	1,692,20	2,051,82

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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														
Dec. 1960 ..	60.20	15,71	95,20	91,78	26,295	104.08	452,03	16,69	19,53	26,35	37,78	135,04	198,94	16,70
Jan. 1961 ..	53,48	19,71	79,57	93,82	246,58	110,37	441,93	16,91	57,41	19,54	41,17	145,25	144,11	17,55
Feb. „ ..	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,07
Dec. 1961 ..	56,83	20,23	82,90	147,22	307,18	120,02	512,20	14,81	28,61	31,95	66,61	136,85	207,67	21,70
Jan. 1962 ..	58,92	20,79	79,27	149,78	304,76	133,74	522,90	17,76	37,10	13,23	59,90	146,60	221,91	26,41
Feb. „ ..	57,52	16,38	77,10	147,85	298,75	137,30	521,05	18,34	31,16	10,68	61,15	162,63	207,44	29,64
Week-Ending														
2-2-1962 ..	68,10	17,29	75,61	149,03	310,03	136,13	531,16	11,15	20,21	11,16	60,76	158,86	241,92	27,11
9-2-1962 ..	49,94	21,52	75,53	147,53	294,13	132,73	511,86	17,82	31,66	9,59	58,18	168,64	196,68	29,30
16-2-1962 ..	59,33	15,52	76,17	146,85	297,87	138,36	521,24	18,52	43,27	10,00	59,10	162,26	197,21	30,86
23-2-1962 ..	52,70	11,20	81,10	147,97	292,97	141,97	519,93	25,86	29,50	11,96	66,65	160,75	193,93	31,28
2-3-1962 ..	53,78	10,28	76,73	148,85	289,64	139,40	514,03	11,55	30,64	10,86	67,91	167,72	193,23	32,11

* 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: Demand	Time	Total (2+3)	Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Government Securities in India
(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	3.58	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										
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
Dec. 1961	847,91	1,156,07	2,003,98	48,00	78,75	6.32	1,073,18	183,83	62.72	604,47
Jan. 1962	860,39	1,163,12	2,023,51	46,98	77,15	6.39	1,114,63	197,12	64.82	590,41
Feb. 1962	860,03	1,178,14	2,038,18	47,01	74,44	5.96	1,150,03	205,77	66.51	588,57
Week Ending										
16-2-1962	862,64	1,178,07	2,040,71	47,98	73,86	5.97	1,153,66	207,30	66.69	581,80
23-2-1962	868,06	1,184,66	2,052,72	48,42	75,11	6.02	1,153,54	209,86	66.42	587,40
2-3-1962	868,34	1,180,59	2,048,93	47,50	75,66	6.01	1,165,01	211,84	67.19	599,51
9-3-1962	868,10	1,178,66	2,046,76	51,21	77,02	6.27	1,169,11	217,69	67.75	589,70

† Including foreign bills purchased and discounted.

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	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
June 1961 ..	2,872,22	1,969,63	902.60	877.78	24,82	— 38
July „ ..	2,808,73	1,937,50	871,22	850,07	21,15	— 63.49
August „ ..	2,798,56	1,921,03	877,53	857,04*	20.49	— 10,17
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*
November „ ..	2,829,21*	1,944,51*	884,70*	864,08*	20,62	+ 21,53*
December „ ..	2,877,75*	1,983 52*	894.23*	875.32*	18,92	+ 46,92*
January 1962 ..	2,926,38*	2,028,58*	897,79*	877,70*	20,10	+ 49,85*

* Provisional

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank

NET NATIONAL OUTPUT AT CURRENT PRICES

Period	Agriculture, animal husbandry and ancillary activities (a)	Mining, Manufacturing and small enterprises	Commerce, transport and communications	Other Services (b)	Net domestic product at factor cost	Net earned income from abroad	National Income
1948-49	42.5	14.8	16.0	13.4	86.7	—0.2	86.5
1949-50	44.9	15.0	16.6	13.8	90.3	—0.2	90.1
1950-51	48.9	15.3	16.9	14.4	95.5	—0.2	95.3
1951-52	50.2	16.8	17.9	15.0	99.9	—0.2	99.7
1952-53	48.1	17.0	17.8	15.4	98.3	—0.1	98.2
1953-54	53.1	17.7	18.0	16.0	104.8	0.0	104.8
1954-55	43.5	18.0	18.1	16.5	96.1	0.0	96.1
1955-56	45.2	18.5	18.8	17.3	99.8	0.0	99.8
1956-57	55.2	20.0	19.6	18.2	113.0	0.1	113.1
1957-58	52.8	21.2	20.7	19.3	114.0	—0.1	113.9
1958-59	62.4	21.7	21.5	20.6	126.2	—0.2	126.0
1959-60	62.1	23.3	22.4	21.9	129.7	—0.3	129.4
1960-61**	68.6	26.4	23.6	23.8	142.4	—0.4	142.0

(a) Including forestry and fishery.
(b) Comprising professions and liberal arts, Government services (administration), domestic service and house property.
** Preliminary.

SHARE OF PRIVATE AND PUBLIC* SECTORS IN NET DOMESTIC PRODUCT
(At Current Prices)

(Percentage.) (Rs. Billion)

Period	Net Output of: Government Enterprises	Government Administration	Private Sector	Net domestic Product
1948-49	2.8	4.6	92.6	100.0
1949-50	3.0	4.5	92.5	100.0
1950-51	3.0	4.5	92.5	100.0
1951-52	3.2	4.5	92.3	100.0
1952-53	3.1	4.7	92.2	100.0
1953-54	3.0	4.7	92.3	100.0
1954-55	3.8	5.4	90.8	100.0
1955-56	4.2	5.7	90.1	100.0
1956-57	4.2	5.4	90.4	100.0
1957-58	4.5	5.8	89.7	100.0
1958-59	4.1	5.8	90.1	100.0
1959-60	3.9	6.1	90.0	100.0
1960-61**	4.0	6.3	89.7	100.0

Period	Net Output of: Government Enterprises	Government Administration	Private Sector	Net domestic Product
1948-49	2.4	4.0	80.3	86.7
1949-50	2.7	4.1	83.5	90.3
1950-51	2.9	4.3	88.3	95.5
1951-52	3.2	4.5	92.2	99.9
1952-53	3.1	4.6	90.6	98.3
1953-54	3.2	4.9	96.7	104.8
1954-55	3.6	5.2	87.3	96.1
1955-56	4.2	5.7	89.9	99.8
1956-57	4.8	6.1	102.1	113.0
1957-58	5.1	6.6	102.3	114.0
1958-59	5.2	7.3	113.7	126.2
1959-60	5.1	7.9	116.7	129.7
1960-61**	5.7	9.0	127.7	142.4

* Central, State and Local. 1 Billion: 1,000,000,000.

RATES OF GROWTH OF NATIONAL INCOME AND PER CAPITA INCOME

NATIONAL INCOME

(Base: 1950-51 = 100)

Period	At 1948-49 Prices	At Current Prices
1950-51 ..	100.0	100.0
1951-52 ..	102.8	104.6
1952-53 ..	106.9	103.0
1953-54 ..	113.3	110.0
1954-55 ..	116.2	100.8
1955-56 ..	118.4	104.7
1956-57 ..	124.3	118.7
1957-58 ..	123.0	119.5
1958-59 ..	131.6	132.2
1959-60 ..	133.9	135.8
1960-61 ..	143.4	149.0

PER CAPITA INCOME

(Based on 1941, 1951 and 1961 Census Figures)
(Base: 1950-51 = 100)

Period	At 1948-49 Prices	At Current Prices
1950-51 ..	100.0	100.0
1951-52 ..	101.1	102.9
1952-53 ..	103.3	99.6
1953-54 ..	107.6	104.4
1954-55 ..	108.2	93.9
1955-56 ..	108.2	95.7
1956-57 ..	111.4	106.3
1957-58 ..	111.7	104.9
1958-59 ..	113.2	113.7
1959-60 ..	112.7	114.3
1960-61 ..	118.2	122.8

NET NATIONAL OUTPUT AT 1948-49 PRICES: 1948-49 — 1960-61

(Rs. Billion)

Period	Agriculture, animal husbandry and ancillary activities(a)	Mining, manufacturing and small enterprises	Commerce, transport and communications	Other Services (b)	Net domestic product at factor cost	Net earned income from abroad	National Income
1948-49	42.5	14.8	16.0	13.4	86.7	— 0.2	86.5
1949-50	43.6	14.6	16.4	13.8	88.4	— 0.2	88.2
1950-51	43.4	14.8	16.6	13.9	88.7	— 0.2	88.5
1951-52	44.4	15.2	17.3	14.3	91.2	— 0.2	91.0
1952-53	46.0	15.8	17.9	15.0	94.7	— 0.1	94.6
1953-54	49.8	16.5	18.3	15.7	100.3	0.0	100.3
1954-55	50.3	17.0	19.1	16.4	102.8	0.0	102.8
1955-56	50.2	17.6	19.7	17.3	104.8	0.0	104.8
1956-57	52.5	18.4	20.8	18.2	109.9	0.1	110.0
1957-58	50.1	18.6	21.1	19.2	109.0	— 0.1	108.9
1958-59	55.6	18.8	21.9	20.4	116.7	— 0.2	116.5
1959-60	55.0	19.7	22.7	21.4	118.8	— 0.3	118.5
1960-61*	58.6	21.1	24.5	23.1	127.3	— 0.4	126.9

NET NATIONAL OUTPUT AT 1948-49 PRICES
(Percentage Distribution)

Period	Agriculture, animal husbandry and ancillary activities(a)	Mining, manufacturing and small enterprises	Commerce, transport and communications	Other Services (b)	Net domestic product at factor cost	Net earned income from abroad	National Income
1948-49	49.1	17.1	18.5	15.5	100.2	— 0.2	100.0
1949-50	49.4	16.6	18.6	15.6	100.2	— 0.2	100.0
1950-51	49.0	16.7	18.8	15.7	100.2	— 0.2	100.0
1951-52	48.8	16.7	19.0	15.7	100.2	— 0.2	100.0
1952-53	48.6	16.7	18.9	15.9	100.1	— 0.1	100.0
1953-54	49.7	16.4	18.2	15.7	100.0	0.0	100.0
1954-55	48.9	16.5	18.6	16.0	100.0	0.0	100.0
1955-56	47.9	16.8	18.8	16.5	100.0	0.0	100.0
1956-57	47.7	16.7	18.9	16.6	99.9	0.1	100.0
1957-58	46.0	17.1	19.4	17.6	100.1	— 0.1	100.0
1958-59	47.7	16.2	18.8	17.5	100.2	— 0.2	100.0
1959-60	46.4	16.6	19.2	18.1	100.3	— 0.3	100.0
1960-61*	46.2	16.6	19.3	18.2	100.3	— 0.3	100.0

* Preliminary.
(a) Including forestry and fishery; (b) Comprising professions and liberal arts, Government services (administration), domestic service and house property.
1 Billion — 1,000,000,000.

NATIONAL INCOME: 1950-51 — 1960-61

(Rs. Billion)

	At 1948-49 prices	At Current prices
1950-51	88.5	95.3
1951-52	91.0	99.7
1952-53	94.6	98.2
1953-54	100.3	104.8
1954-55	102.8	96.1
1955-56	104.8	99.8
1956-57	110.0	113.1
1957-58	108.9	113.9
1958-59	116.5	126.0
1959-60	118.5	129.4
1960-61	126.9	142.0

PER CAPITA INCOME: 1950-51 — 1960-61

(Based on 1941, 1951 and 1961 census figures)
(Rs.)

	At 1948-49 prices	At Current prices
1950-51	247.5	266.5
1951-52	250.3	274.2
1952-53	255.7	265.4
1953-54	266.2	278.1
1954-55	267.8	250.3
1955-56	267.8	255.0
1956-57	275.6	283.4
1957-58	276.4	279.6
1958-59	280.2	303.0
1959-60	279.0	304.7
1960-61	292.5	327.3

Source: National Income Division, C.S.O.

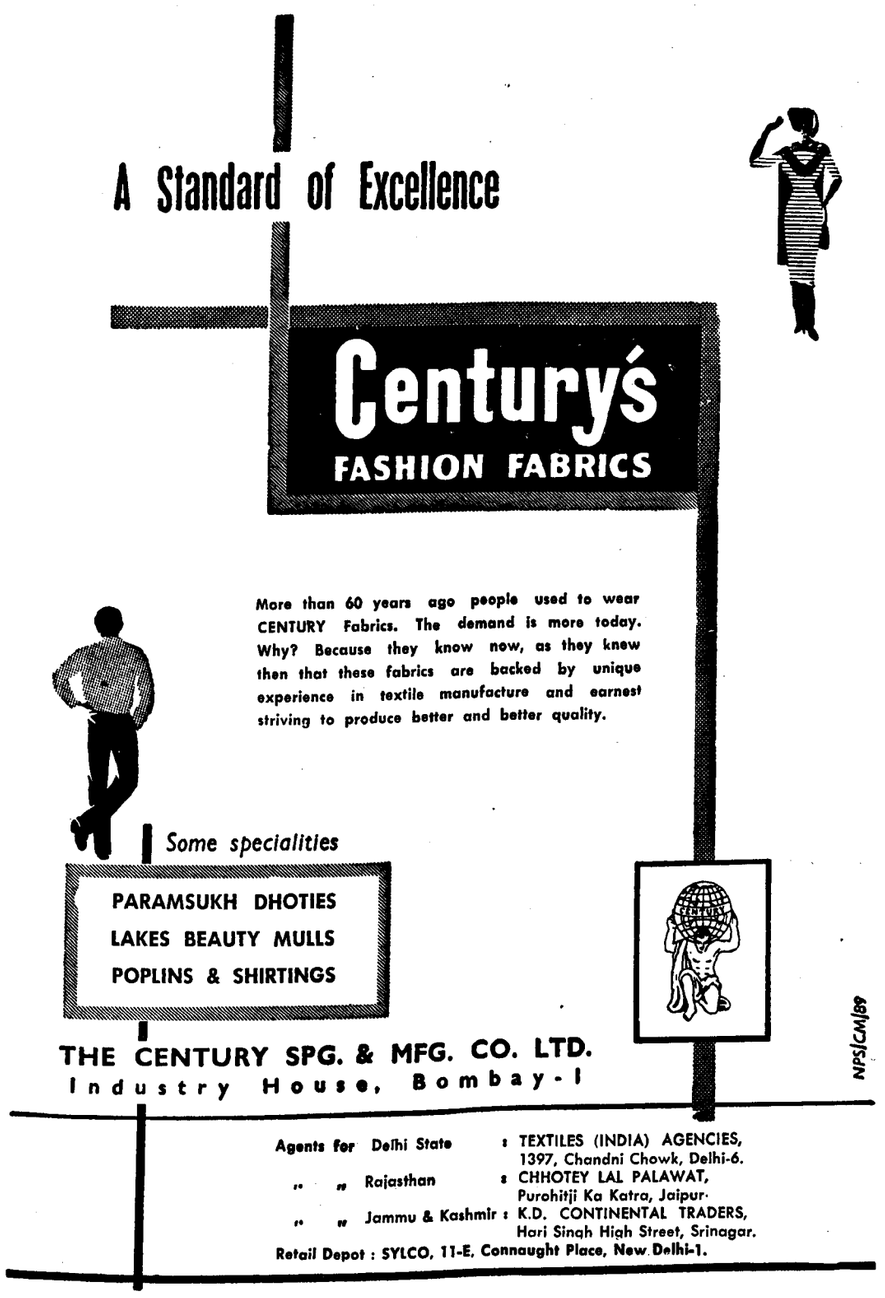
RAILWAY FINANCES : 1950-51 — 1962-63

(Rs. Crores)

Heads	1950-51 (Accts.)	1955-56 (Accts.)	1956-57 (Accts.)	1957-58 (Accts.)	1958-59 (Accts.)	1960-61 (Accts.)	1961-62 (Revised)	1962-63 (Budget)
1. Capital at charge	827.04	968.98	1,071.71	1,222.44	1,356.59	1,520.87	1,707.43	1,903.93
2. Gross Traffic Receipts	263.01	316.29	347.57	379.78	396.21	456.80	501.24	524.10
(a) Passenger	97.84	107.71	116.33	119.10	116.74	131.58	154.00	155.00
(i) Upper	13.75	12.85	13.52	13.38	14.52	15.18	17.22	17.53
(ii) Third	84.09	94.86	102.81	105.72	102.22	116.40	136.78	137.47
(b) Other Coaching	16.64	20.87	21.09	24.23	23.59	27.21	29.00	29.00
(c) Goods	143.01	180.28	203.96	229.67	240.82	286.14	305.25	327.75
(d) Other Earnings*	5.52	7.43	6.19	6.78	9.06	11.86	12.99	12.35
3. Total Expenses	215.45	265.95	289.19	321.99	330.89	368.93	409.06	429.09
(a) Ordinary Working Expenses	180.23	212.95	233.94	264.17	276.33	313.15	330.39	345.60
(i) Administration	23.36	31.52	34.74	32.17	34.30	37.51	38.37	40.07
(ii) Repairs and maintenance	57.11	78.67	86.00	90.62	91.59	99.75	104.05	109.21
(iii) Operating staff	35.41	49.73	52.80	53.82	57.14	63.45	64.85	67.64
(iv) Operation (fuel)	30.72	23.58	27.28	48.03	52.47	62.80	67.77	72.12
(v) Operation (other than staff and fuel)	13.35	10.19	10.65	14.86	15.65	18.30	18.83	20.74
(vi) Miscellaneous	19.39	14.97	16.47	18.29	19.14	23.85	26.51	24.82
(vii) Labour Welfare	3.19	5.03	5.83	6.96	7.94	9.68	10.77	11.59
(viii) Suspense	—2.30	—0.74	0.17	—0.58	—1.90	—2.17	—0.75	—0.60
(b) Depreciation	30.00	45.00	45.00	45.00	45.00	45.00	65.00	67.00
(c) Payments to Worked Lines	0.25	0.26	0.33	0.26	0.11	0.09	0.16	0.14
(d) Miscellaneous Expenses	4.97	7.74	9.92	12.56	9.45	10.69	13.51	16.35
(i) Open line works	3.93	5.97	8.05	10.42	10.76	11.50	11.65	12.50
(ii) Others (net)	1.04	1.77	1.87	2.14	—1.31	—0.81	1.86	3.85
4. Net Revenue (2—3)	47.56	50.34	58.38	57.78	59.32	87.87	92.17	95.01
5. (i) Dividend to General Revenues	32.51	36.12	38.16	44.40	50.39	55.86	63.20	69.35
(ii) Dividend to General Revenues in lieu of tax on railway passenger fares	—	—	—	—	—	—	12.50	12.50
6. Profit for the year (4—5)	15.05	14.22	20.22	13.38	8.93	32.01	16.47	13.16
7. Ratio of net revenue to Capital-at-charge	5.8	5.2	5.5	4.7	4.4	5.8	5.4	5.0
8. Operating Ratio**	80.0	81.6	80.3	81.5	82.4	78.4	78.9	78.8

* Includes suspense.

** Defined as the ratio of total expenses (excluding miscellaneous expenses) to gross traffic receipts.



ATUL

• DYES

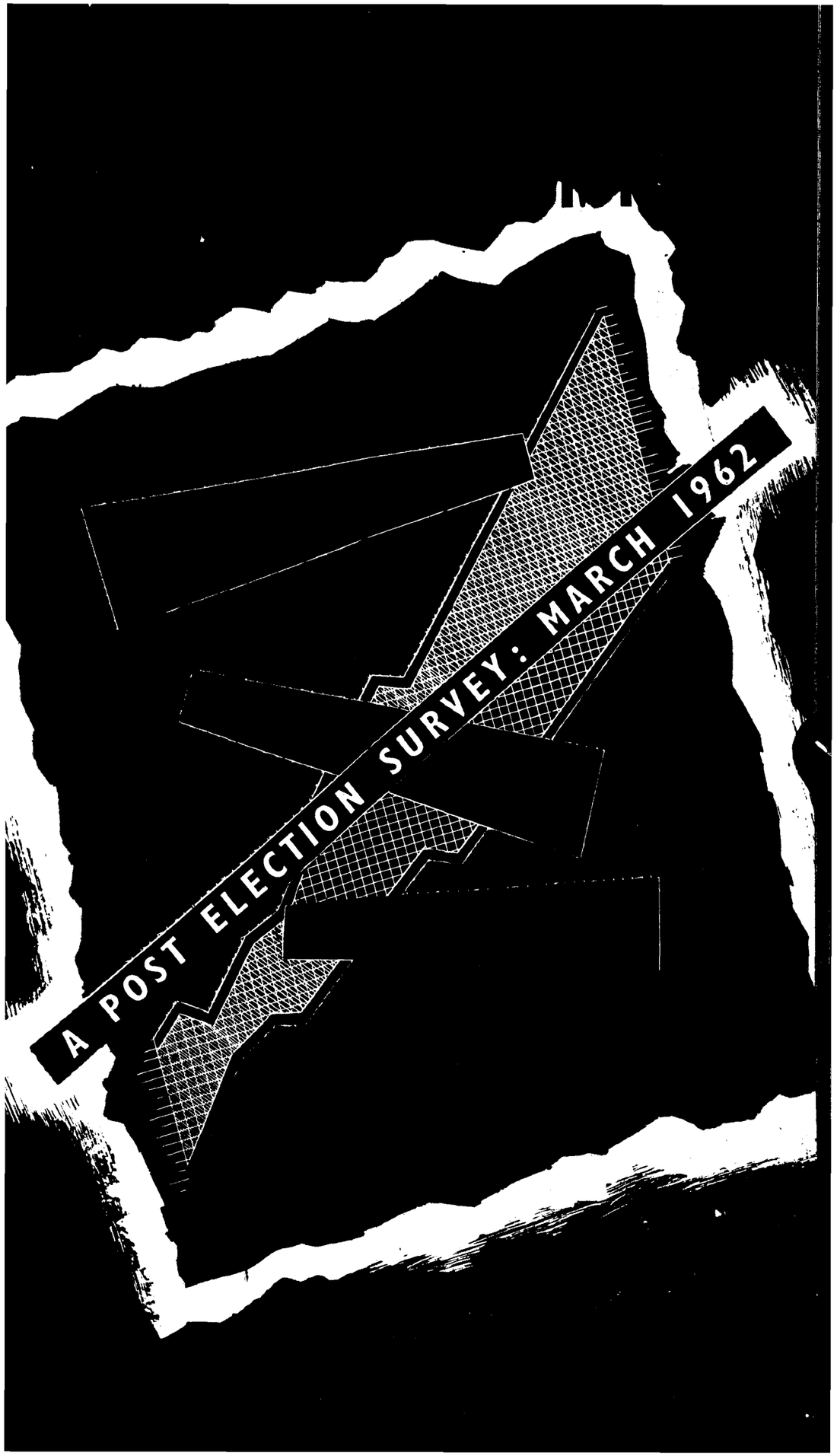
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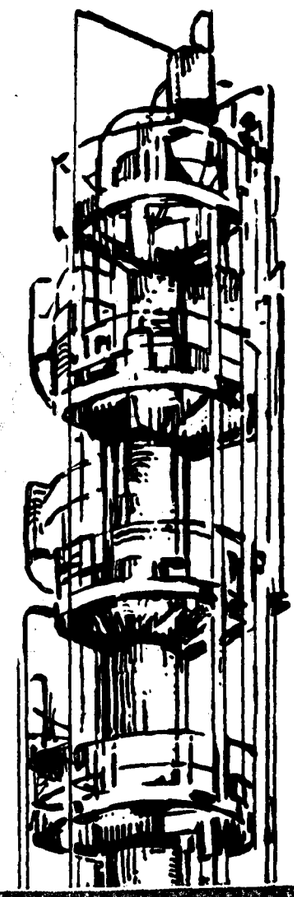
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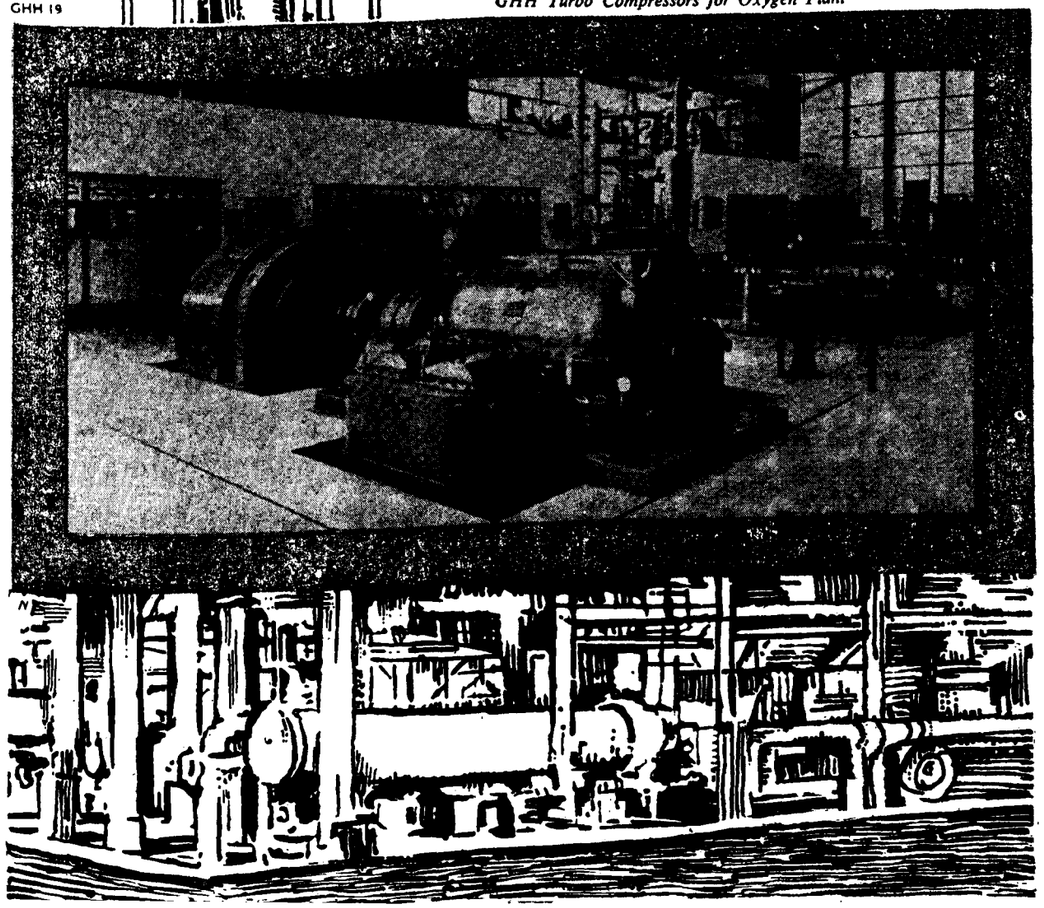
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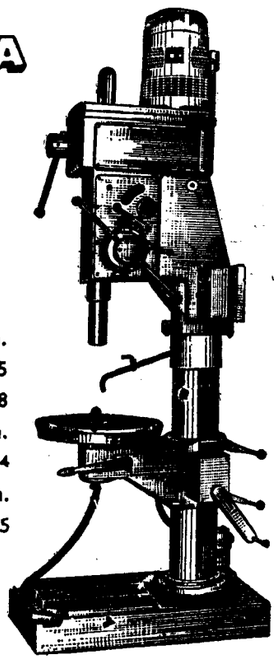
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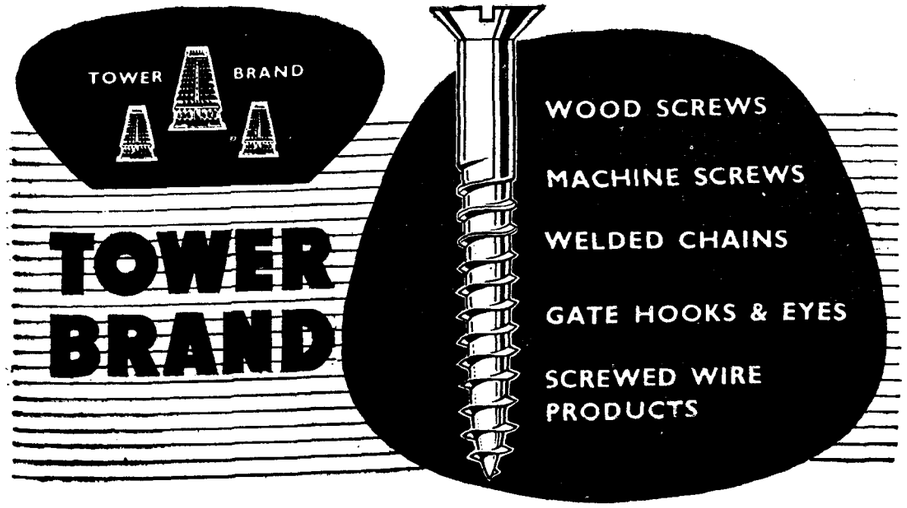
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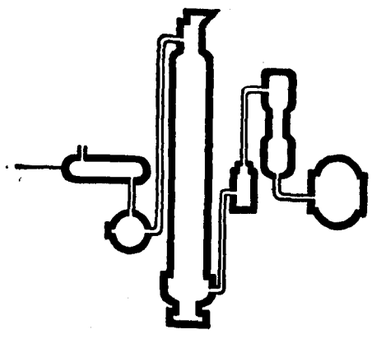
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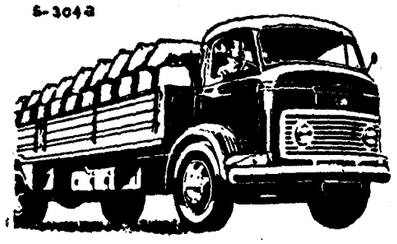
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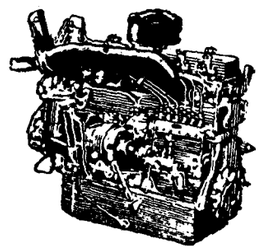
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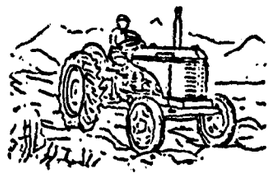
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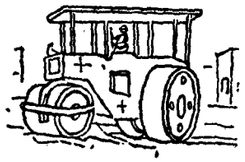


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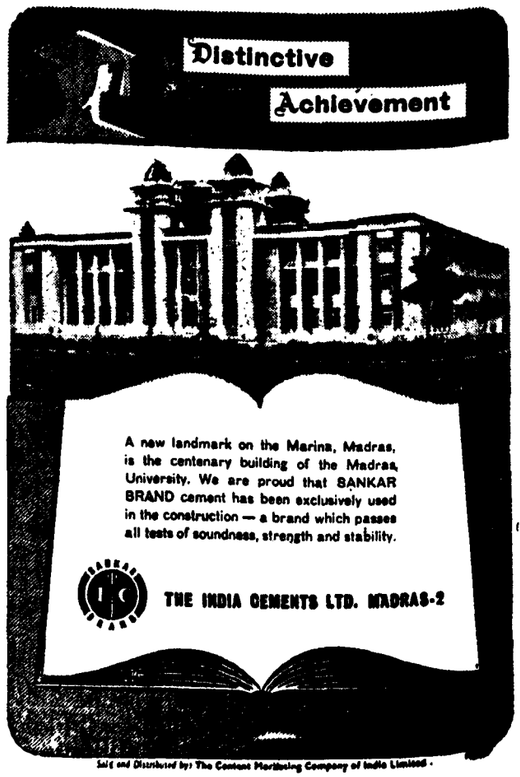
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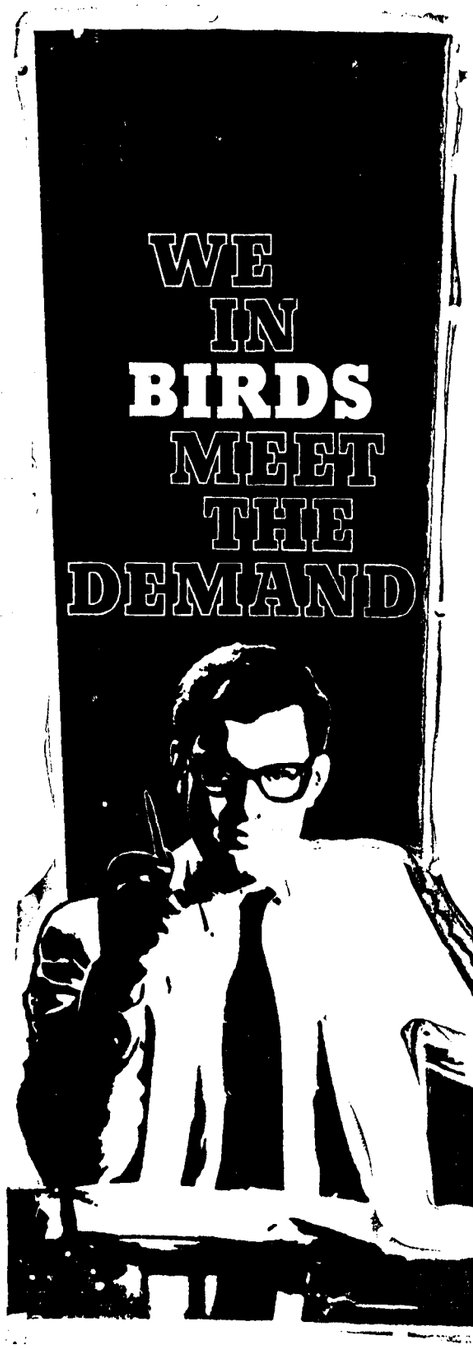
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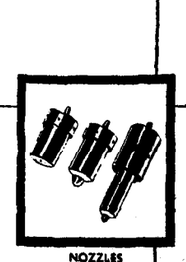
T. R. BHAGAVAT,
General Manager.

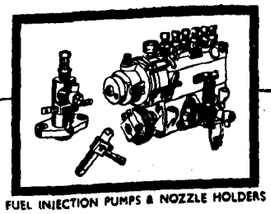
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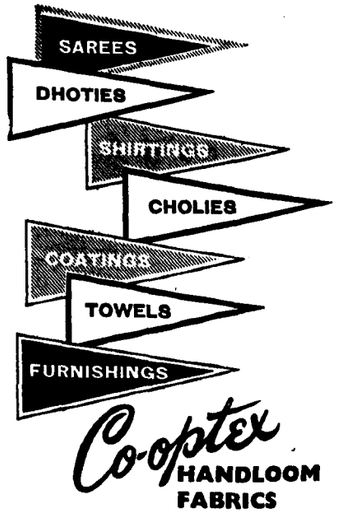
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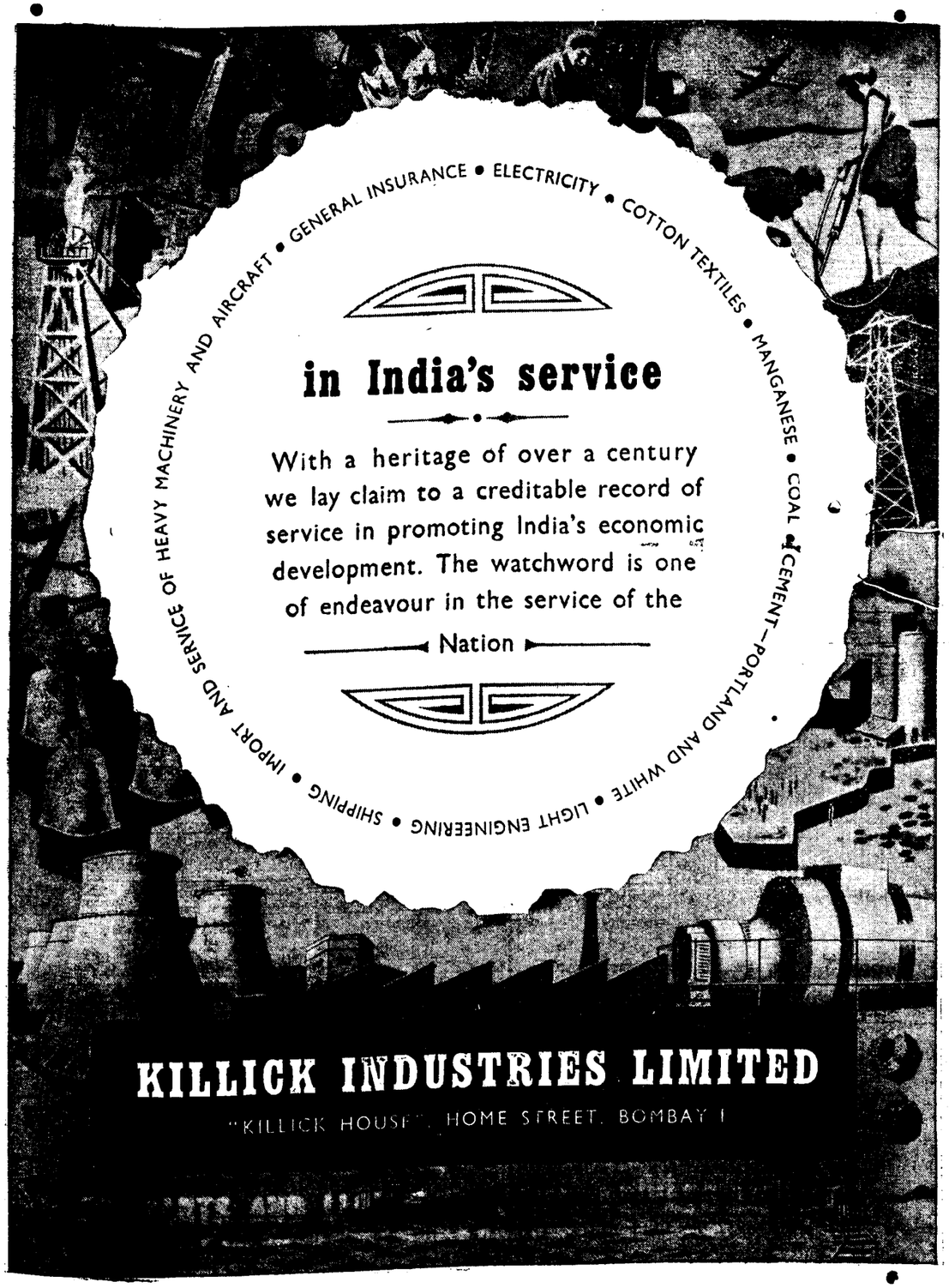
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THE EASTERN ECONOMIST

A POST-ELECTION SURVEY

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With a Supplement on

PROBLEMS OF ECONOMIC DISCONTENT

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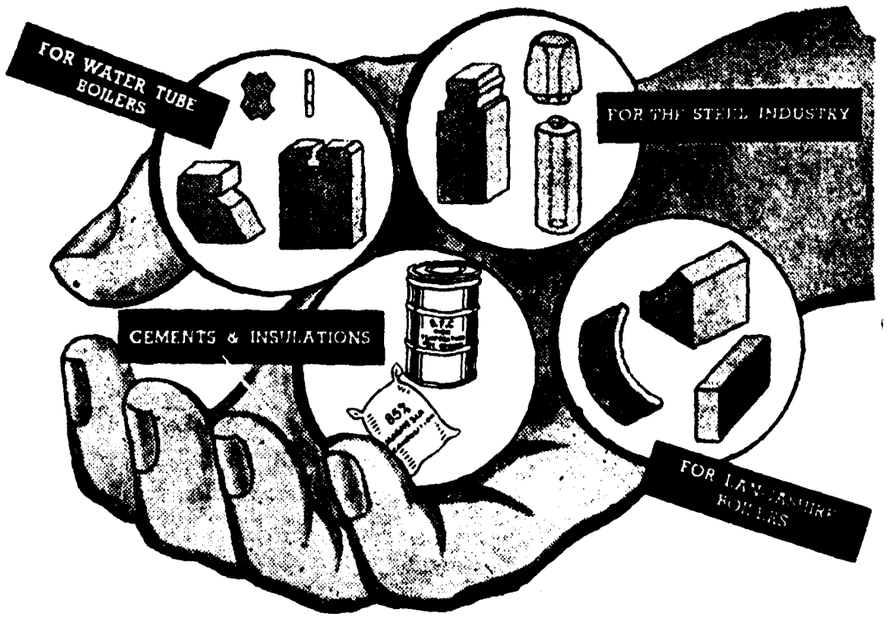
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Preface

THE current issue of *The Eastern Economist* attempts to provide a benchmark from which the Indian people can look over the last decade — the Decade of Hope — and then forward to what is often believed to be a decade of fulfilment. It is appropriate that this month should be chosen for a review of this kind. The second Lok Sabha has just been adjourned *sine die*, and a new Lok Sabha will take charge of the governance of the people at the Centre, as new Legislatures have already taken charge in the States. The General Elections of 1962 present what might be described as the political reflection of the mind of the Indian people at this turning point in their long and arduous journey towards a better and a fuller life. They have expressed themselves somewhat ambiguously. It is, therefore, necessary to interpret their answer both in political and economic terms. Perhaps it is even more necessary to give form and expression to the unspoken discontent which is only partly reflected in the political vote which, in many States of the Indian Union, is certainly critical. Apart from the major decision in politics that the country has made, there are four pressing years of the Third Plan for which economic decisions have still to be formulated and much internal content given to the basic targets of the Third Plan. This is the appropriate time when one should ask where the country stands today; where it should stand, and where emphasis needs to be changed.

THE DECADE OF HOPE

The last two Plans, as well as the last two elections, have coincided with the fifties which all the world over has been a decade of remarkable change. In Europe this decade has seen the arrival of the European Common Market and the great strengthening of the Atlantic Alliance. In the Communist Bloc it has seen a new confidence in technical research and a military and industrial power which was wholly absent in 1950 before Russia had the atom bomb and before her economy had been proved in the hard struggle for international markets. In this same decade over most of Africa the lights of freedom have been going on one by one, culminating in this month with an agreement which concedes the substance of freedom to Algeria — France's most prized colony. All the world over, the currents of change, restless and unceasing, have been working at top speed exceeding that of any decade in world history. There have been shots at the moon and numerous satellites round the earth. Technology has found a new threshold of revolutionary activity based on atomic power. The future is unpredictable but the opportunities are certainly greater than ever before.

During this period, the Indian people have been largely absorbed in themselves. How in the ferment all the world over have they been affected? When the First Five-Year Plan first took form, the country was in a different and hesitant mood. In spite of the fact that the sterling balances were at the peak, the First Plan contained no steel plant, and it was believed that India could afford no more than a rate of rise of national income which, subsequent events have shown, because of population growth involved no real rise in the per capita standard of living. By contrast, the Third Five-Year Plan, on which we are now embarked, provides in absolute terms investment more than four times as large in spite of the absence of sterling balances and a foreign exchange gap nearly ten times the figure it was at that time. These are some small indications of the extent to which the diffidence at the threshold of the Third Plan has given rise to ambitious confidence in it. The face of the country has been changed in the interval, not merely by hundreds of factories and by thousands of new institutions multiplying everywhere under the impetus of planned development and much greater public initiative, but also by a cast of mind which is becoming increasingly adventurous and assured. Both in the short and in the long periods, this revolution in the Indian capacity for self-help and for an economic adventure will undoubtedly be ranked as the largest achievement of the decade that ended with the Second Five-Year Plan.

THE DECADE OF FULFILMENT

If the fifties were a decade of hope the next decade will need to provide at least some measure of fulfilment. This is largely because hope, although it is a condition of economic progress, cannot be self-sustaining. It must be reinforced from time to time at the fount of reality which is fulfilment. By and large, the First and the Second Plans contained a large element of statistical fulfilment. On the other hand, the price that was paid was rather greater than was expected and the material resources of this country were strained both by running down the rupee and foreign exchange resources and the rise of internal prices by about 25 per cent within the decade. Thus, fulfilment in an objective sense was qualified by subjective discontent, and over large areas of the country there has been undoubtedly a feeling of frustration either because hopes were unduly high or fulfilment unduly low. Where, indeed, should a true balance lie? The next two articles attempt to present a picture of the two decades in what might be described as appropriate perspective.

THE CHANGING INDIAN REVOLUTION

Although this was not expressed positively in these elections, it is clear that the legend of the Congress Party has itself undergone some considerable recession. The ideals of Mahatma Gandhi have become clouded with the years and even the glamour of India's great leader, Jawaharlal Nehru, is increasingly ineffective against the current restlessness and somewhat frustrated criticism. The need for fulfilment in the next decade is all the greater because the great elements which induced patience in the Indian people are beginning to wear down. There needs to be, therefore, both a new political as well as an economic approach to the challenges of the decade. The Third and Fourth Plans by themselves are not enough either to justify the Congress Government or to maintain stability in the body politic. Nor is the socialistic pattern of society a talisman or an enduring faith.

The articles which follow attempt to set a framework in which the pattern of change of the next ten years might be made more acceptable to the Indian people. It is as well that we should recognise now before it is too late that if the pattern of change is not made acceptable in this period, revolutionary movements, which have been splendidly stayed by the ascendency of the Congress Party, might sway an electorate out of the path of moderation into the path of extremism. Indeed, at this time there is nothing so disturbing as the emergence of militant extremism as a factor of great potential moment in Indian political life.

The Decade of Hope: Unhappy Ending?

WHY has the decade of hope, covered by the First and the Second Plans, ended in so much discontent? This surely should be one of the questions which the results of the General Elections pose. During this period, India has made, in terms of economics, greater progress than she made in the fifty years preceding. Agricultural production has been up by about 40 per cent and industry has more than doubled, if one employs a sound weighting of the new indices of industrial production. The national income has moved up at an average rate of nearly 4 per cent since 1952 and the country's industrial structure is now based on the heavy industries in a manner totally unknown ten years ago. These are substantial achievements for any country in the world. One might, therefore, have anticipated that, instead of a vote of limited confidence and even of some bitter opposition, there should have been clear and unambiguous verdict of approval. The economic answer to the problem of political discontent is reserved for the Blue Supplement in this issue. Here only some political reflections are presented.

There are some who would argue that it is a vote of supreme confidence in the Congress Party. *The Eastern Economist* does not entertain this view. It holds the view that the Congress Party has claimed a high percentage — 45 per cent in the Lok Sabha — of votes, largely on the face of no alternative government and on the magnificent organisation which still works miracles at election time. It is in the seats that the Congress Party has lost in the States that a vote of discontent, and even anger, expresses itself. In some respects, the discontent is not entirely economic. It is partly racial, as with the D.M.K. in Madras; partly religious, as with the Jan Sangh in the Hindi areas. But the source of militancy of these parties is the fundamental unrest which hopes to explain the new perspectives that these parties present. The character of economic discontent is widespread over a large portion of the Hindi area and Madhya Pradesh, Rajasthan, Punjab and Uttar Pradesh have borne ample evidence to the powerful force of the opposition at this time. It is significant that, while the overall vote of the Congress Party is 45 per cent in the Indian Union, it polled only 40 per cent votes in the States. In Uttar Pradesh, the vote in the State Assembly has dropped below 35 per cent, containing within itself a warning the significance of which cannot be lost on any tried political observer. A piece of supreme political good fortune has kept the Congress in power in Uttar Pradesh and has given it 63 seats in the Lok Sabha out of 86 with a vote of less than 40 per cent. Such good fortunes through the accidents of the electoral machinery cannot be repeated. Thus, in the decade which has commenced, undoubtedly the Congress Party faces four greater challenges than it has faced in the decade which has ended.

There can be little doubt that whatever the improvement of the economic conditions, the Indian people as a whole have not been stirred by the fruit of the first two Plans. An All-India Political Poll by the Indian Institute of (Gallup) Public Opinion shows only 26.1 per cent answered in the affirmative the question, "Has your economic condition improved or deteriorated since the 1952 General Election?" 26.3 per cent thought their situation had deteriorated; 36.5 per cent it was the same; 11.1 per cent could not judge. The corresponding figure in 1957 was: 'improved' 25.8 per cent, 'deteriorated,' 30.0 per cent and 'about the same' 34.0 per cent. The conditions are somewhat better in urban, as against rural, areas. But then urban population is only one-fifth of the rural population and this cannot change the general picture. Only about a fifth of the Indian people feel that their economic condition has improved. If this has happened in a period of such a remarkable development, one might ask the question how Indian Governments of future are to face the challenge involved in the critical electorate which they serve.

Nothwithstanding the fact that the electorate is very apt to blame Government for all shortages, the failures are primarily the consequences of 'external' pressures in India's economic problem. The first of these is certainly population which is rising at the rate of nearly 2 per cent per year and has eliminated substantial gains of real income expected when population rise was computed at only 1.25 per cent per year. The same growth in population has made the improvement in employment, which has been substantial both in agriculture and in industry, much less dramatic than it should have been. Finally, the rise in prices in the interval has eliminated at least, in the minds of a very large number of people, the feeling that their standard of living has improved. Of the 26.3 per cent who said their standard of living had deteriorated, 85 per cent said that prices had risen more than their income, which was the reason of the reverses they had suffered. To the question, 'Has your standard of living achieved your expectations or not?', only 17.2 per cent answered in the affirmative, 52.2 had a negative answer and 30.6 had no opinion. These are serious reflections on the capacity of the Indian administration to satisfy the Indian people. If after ten years of arduous work in the decade of hope less than 20 per cent of the people believe that their standard of living has achieved their expectations, it is obvious that something much more substantial has to be done in the following decade to provide a corrective to the disappointment of the majority with which the decade of hope has ended.

It is one of the arguments of the articles that follow that there is no easy correlation in India between economic discontent and political change. In some States notably in Kerala and Orissa, they were once closely correlated but there are others in which political, religious, moral, or factional forces are more powerful than economic fulfilment or economic discontent. Policies in the changing Indian revolution have thus to be many-pronged providing to the Indian people not merely political satisfaction and economic progress, but quite often a deep emotional satisfaction in the current democratic pattern and the individual freedom of expression and living which they are intended to perpetuate.

The Decade of Fulfilment: 1960-1970?

IT has been fashionable, particularly in official presentations of the Third and Fourth Plans, to argue that India will 'take off' in the next decade. This has been designed to impress students of economic history imbued by W. W. Rostow's 'Stages of Economic Growth'. The argument seems to be that it does not matter how much absolute progress you are making; it is of vital interest that you develop 'a self-generating economy', implying a stable balance of payments position and a capacity to advance henceforward predominantly on one's own resources. In other words, the promise of fulfilment in the Third and Fourth Plans is a promise of fulfilment to our foreign creditors that, after ten years, we shall no longer be a burden on them seeking assistance, particularly in the form of grants. This prospect of fulfilment is not by any means an answer to the feeling of political uncertainty in the Indian mind.

The doctrine that India is seeking an economic 'take off', like the doctrine of the continued rise of national income, may be satisfying to the pride of those who are building the economy as active agents and, indeed, by reflection to the nation as a whole, but it is no specific answer to the individuals visited by stress and strain to know that, while they endure burdens which, from time to time, look unbearable, the economy is achieving a position of steady flight. The metaphor of birds in flight might be satisfying to the birds themselves no less than to those who observe them from afar, but they are hardly convincing if flight is not a universal characteristic or can be seen as such in a comparatively short time. In other words, the doctrine of a 'take off' is primarily designed for fulfilment of those who are seeking to gear the economy at the higher level thus obtained. It is very necessary, therefore, to break down the problem of fulfilment in terms of individuals, and to describe it not in the economy as a whole, or of the components of payments, national income, industrial production, heavy industry and so forth. One of the great errors of the economists, shared considerably by politicians, is the attempt to describe achievements in terms of abstract or 'average' statistics. If the Indian problem, presented by the general elections recently concluded, has any immediate lesson, it is to be found in the fact that the subjective assessment of economic progress is very different from the recorded testimony of those operating the economic system whether here or abroad. In other words, there must be a subjective approach which can be translated into removal of political discontent if fulfilment is to arrive.

In the Third Five-Year Plan, more than in the First and Second combined, there will be a substantial improvement in the distribution of incomes and a much greater impact on unemployment. Nevertheless, as will be indicated in the Blue Supplement in this issue, there will be a residue of primary poverty both in particular States and at particular income levels in every State. Poverty and destitution will not be abolished and the discontents which arise from comparative inequalities will, between the States, hardly be less great at the end of the Third Plan than they are today. A uniform upward movement, if it applied to every income group, would still lead to economic discontent of a subjective kind. This is inevitable in any economic system and nothing can be done to abolish the pangs of relative inequality. But something can and should be done to abolish destitution which is still a terrible blot on the Indian economic system. If ten years from now people should continue to die of starvation and of cold as they did in Delhi last winter, one might argue that the 'take off' of the economy in a mechanical economic sense will be of no avail.

This suggests that fulfilment in the Third and Fourth Plans will need to be directed primarily to the weaker sections of the community. The argument that the waves of economic progress are certain to bring deliverance will not, in the next two elections, be decisive in retaining political stability. This would apply even if economics were the dominant element in producing the kind of fulfilment that the Indian people desire. There is, however, some evidence that in most States of the Indian Union this is not the case. In the current elections, the factors which influenced the vote away from the Congress Party have certainly not been economic only. In the State of Kerala, where standards of living are substantially above those in Maharashtra, the Communist vote continues to rise. In the State of Rajasthan, economic discontent is allied to a predilection in favour of former rulers of the State and takes on an emotional attachment to a bygone age rather than a relation to the capacity to improve economic conditions. The success of the Swatantra Party in Rajasthan is thus not an association with its effective economic policy. In the great State of Uttar Pradesh where the Jan Sangh has been markedly successful in making a dent in the Congress political power, the poll has some deep emotional quality in Hindu India, entrenched in the great spiritual centres of Hardwar, Prayag and Varanasi, all of which by a conspiracy of history, strengthen Hindu political influences in what might well come to be known as India's problem State. The sources of political fulfilment and the source of economic progress are now moving very differently in the States of the Indian Union. Undoubtedly, the factors which make for instability for the Punjab and Uttar Pradesh are different. So, indeed, are those which separate Rajasthan from Kerala. Therefore, the suggestion that the Third Plan contains fulfilment for all people in all States is an absurd over-simplification which it is hoped that the last general elections have finally dispelled. A great campaign of political persuasion needs to be allied in each particular State with a particular policy to suit the conditions of that State. All that can be said is that economic progress, if associated with a campaign of political persuasion, might be more effective than if the political persuasion is sought alone.

The danger in this situation is that the Congress Party, badly equipped in terms of experience to carry through a managerial revolution in the public sector which will generate income on a greatly increased scale, may be even more handicapped by the fact that it is in this process secular, socialist and committed to other policies of an unpopular kind. The Secular State has not been synonymous with national integration. There are large areas of Hindu India to which integration is only a word. There are some areas covered largely by minorities — the Punjab is notably one — in which the problem of integration is visited by an equal demand for separation. The D.M.K. probably stands betwixt and between, although it attempts in an extreme form to raise the cry of secession which cannot seriously be entertained by any thinking section of the Indian Union. But the answer to the problem of secession raised by the D.M.K. as well as the separate State raised by Punjabi Suba, cannot be effectively dealt with on the basis of current policies which are solely negative. It must be obvious that so far as both the Punjab and Madras are concerned, the policies of the last ten years have strengthened the Sikhs and strengthened the D.M.K. National integration under these circumstances calls for quite new and unfamiliar methods of political persuasion. The elections should prove that old wine cannot be put into these new bottles.

The Changing Indian Revolution

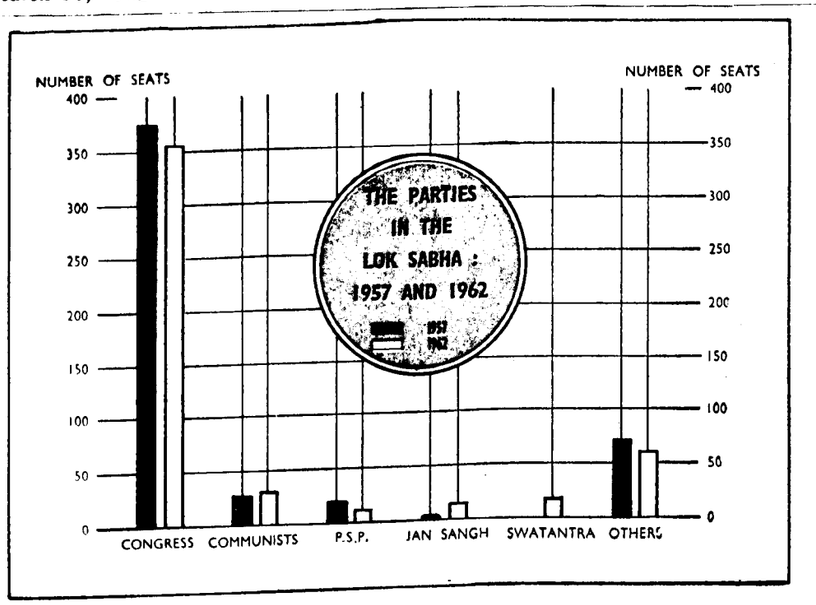
IT should be clear from these simple illustrations of the complexity of the Indian political problem, as revealed in these articles that the Third and Fourth Plans cannot be effective so far as changing the political opposition to the Party in power, unless some radical departure is made to meet the deep emotional opposition to certain elements in the Congress Party. Time itself will remove some of this opposition, but, unhappily time will even be more effective in removing Congress leadership. Most, of the Congress leaders — and this is particularly true of those at the Centre — are advanced in years, whereas the opposition leaders are substantially younger, except in respect of Mr. C. Rajagopalachari, who is the oldest campaigner of them all. By and large, age and time are on the side of the Opposition and against the Congress. This makes it all the more necessary that, while leaders of the Congress are still alive, some instrument by which their personal prestige can be passed on to an impersonal party, should be invented. Over the last ten years, nothing has been more disconcerting as the fact that, far from becoming more impersonal, Congress leadership attaches itself more and more around particular leaders in the Centre and in the States. The monolithic structure of the Congress Party is one of the factors which is leading to its decline. Once the present leadership of the Party is removed in particular States, there is no assurance that party loyalties will remain where they are today. It is vital, therefore, that the Congress Party should now drop its legend and woo the electorate on some different grounds than the leadership of Jawarharlal Nehru and the top circle of Congress politicians. It is difficult at this time to find out the base on which any personal structure can be raised. This, however, can be said that the promise of economic progress by itself will not be sufficient to stem the growing tide of political discontent. Therein lies the challenge as well as the opportunity of a younger group inside the Congress Party. The question is whether it will be equal in its response to the tremendous difficulties with which it is encompassed. The Ginger Group of the Congress does not contain much promise that, within the next ten years, great Congress leadership will arise to replace the generals who must necessarily fade away.

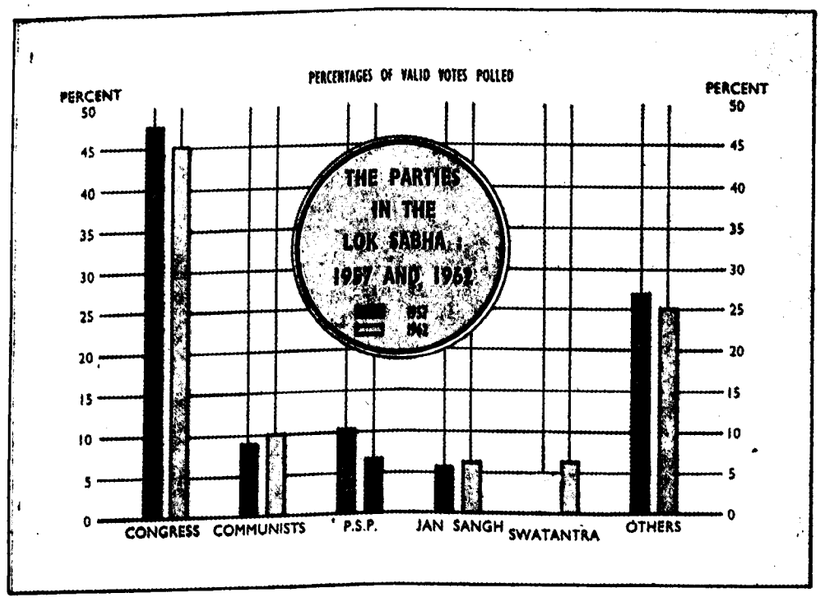
The elections of 1962 seem to suggest that the Congress is not the Party of the future. Its popular vote has not declined significantly at the Centre, but it has in the States, particularly Madhya Pradesh, Rajasthan, Uttar Pradesh and the Punjab. It is not, however, in the decline of the popular vote that the most serious challenge is presented. It is in the fact that, except in Uttar Pradesh where the Congress has received many more seats than on the basis of a proportional vote, the Opposition seems to be benefiting as much as the Congress by small majorities, increasing its seats without a very substantial improvement in its popular vote. The arithmetic of election varies from country to country. Until 1957 it looked as though the Congress Party which has never had a majority vote was always favoured in terms of seats, but, for the first time, in the general elections of 1962, the tide has moved away, and the character of the majorities that the Congress Party has received in the present elections suggests that there will be worse to come in 1967.

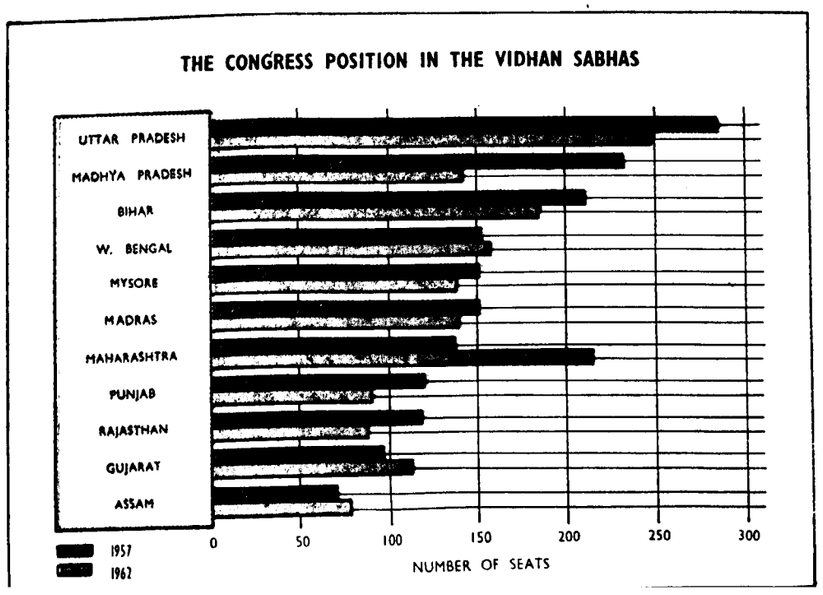
It would be a fair conclusion from the results of the elections that the legend that the Congress Party is the only party which can govern the country in the States, has already disappeared. Five States of the Indian Union may pass from the Congress in 1967. This could not have happened if the country as a whole was wedded to the Central doctrines of the Congress Party, namely Secularism, Socialism, and all that they connote. There is no justification for the assumption that the Indian people are largely socialist in their outlook. There is much more in the results of 1962 elections to suggest that there is a reaction from socialism, and particularly that variety which involves some considerable official machinery with the possible corruption that this entails. There is also evidence to show that had the Congress not been in the administration, its losses in some States, particularly, the Punjab and Uttar Pradesh, would have been more severe. The country is not, therefore, wedded to the Congress policies, and if it should happen that the tide should turn and other parties take charge of the administration, the decline might be swifter by reason of the fact that they may also use the official machinery as the Congress has sometimes done for its own purposes.

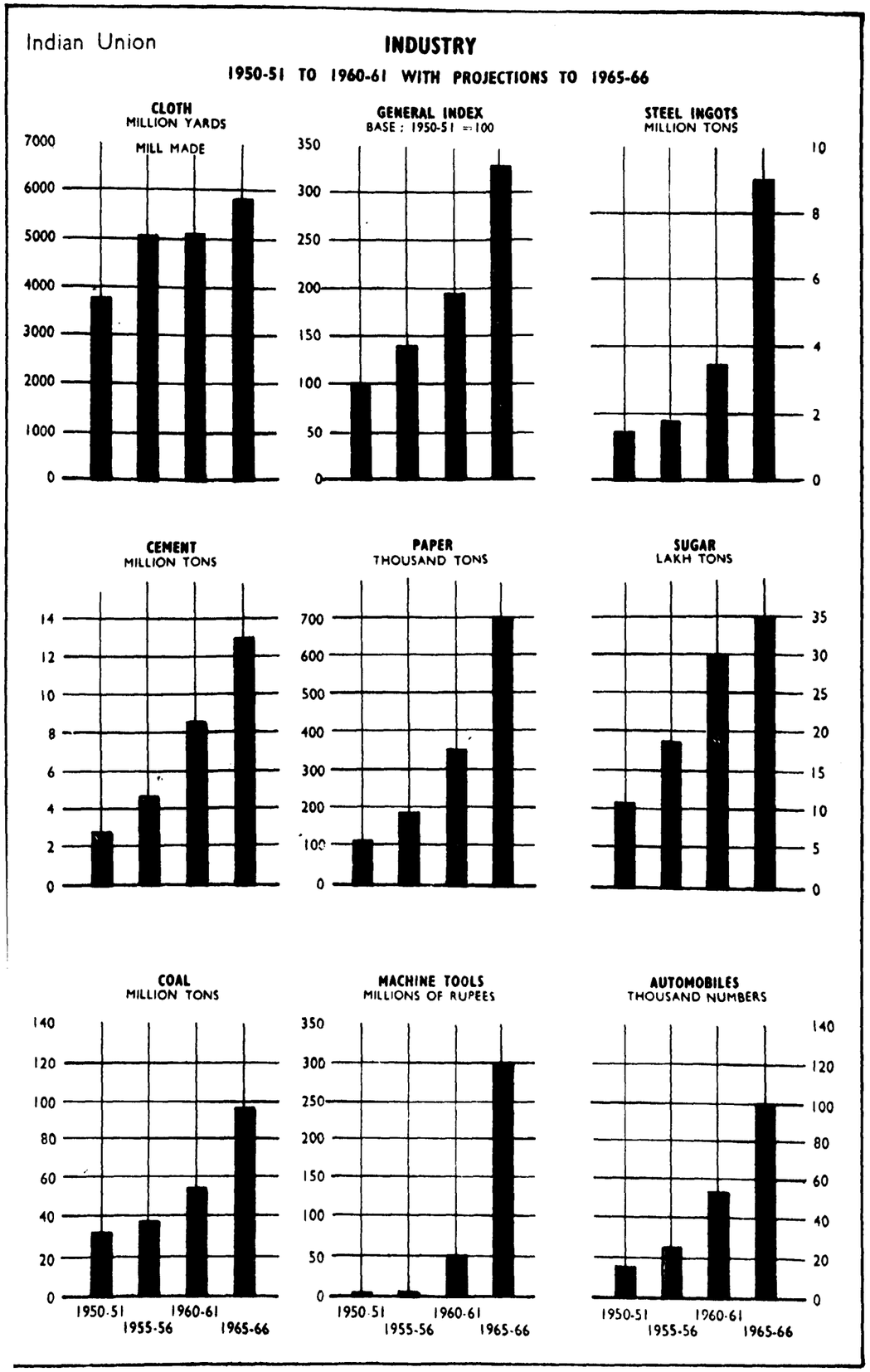
However this may be, the Congress Party itself will need new policies in order to carry added conviction in several States of the Indian Union. It is believed, it will also need new economic policies to buttress itself against the discontent in the lowest income groups and to distribute welfare more pointedly towards the economic base of the lowest income groups. The attempt to correct inequalities has been half-hearted, and, while this is to some extent inevitable in a free society, it is clear that the country as a whole will not be convinced about the effectiveness of the socialist policies of the Government unless something more tangible is produced in the direction of the raising of the lower income groups. Production is the great leveller, and it may well be that much the best course of action would be to promote production by every conceivable means rather than to develop the public sector even when it is inefficient.

The elections suggest that the Indian people are not primarily interested in ideologies, but are seeking a centre party which will accomplish a higher standard of living, less inequality and redress of the great grievances of the lowest income groups. A much more vigorous campaign in the villages is necessary to provide some of the defences that Wage Awards provide to industrial labour. It is difficult at this moment to see how this would be accomplished, but price supports may well be the only means of translating the policy of protection of the weakest income groups in the villages of the country. There would also have to be a rural bias where most of the lowest income groups still reside. Whether or not all this can be done without the erosion of income by a rising price level and by the stresses and strains seen in the Second Plan is a question which it is difficult now to answer. Much will depend on the course of the rains. If these are fairly good, as they were in the Second Five-Year Plan, perhaps the political crisis at the end of the Third Plan will be no greater than it is today. That in itself would be a substantial victory to the Congress. *The Eastern Economist* believes this unlikely and considers that the tide is moving away from the Party that gave us Independence. All this implies is that the Indian political system has moved away from its initial revolutionary objective. **The Indian Revolution is, in fact, moving in the direction of what might be called a normal balance between democratic parties in the Union.**









THE PARTYWISE PATTERN OF LOK SABHA VOTING

(Percentages of valid votes polled by the parties to total votes polled)

Total Number of seats: 494
Declared Results: 489

State	Congress		Communist		P.S.P.		Jan Sangh		Swatantra	Other parties and Independents	
	1957	1962	1957	1962	1957	1962	1957	1962	1962	1957	1962
Andhra Pradesh ..	51.47	47.95	12.01	21.05	3.63	0.07	0.04	1.17	14.91	32.85	14.85
Assam	51.68	45.18	10.24	7.08	20.00	19.14	—	—	—	18.10	28.60
Bihar	44.47	44.66	5.20	6.49	21.64	12.92	0.08	2.37	18.52	28.79	15.04
Kerala	34.75	34.28	37.48	35.46	7.24	9.89	—	0.68	0.17	20.50	19.52
Madhya Pradesh ..	52.10	39.61	0.41	0.90	16.10	12.32	13.96	17.89	0.73	17.43	28.55
Madras	46.52	45.26	10.06	10.24	3.65	1.54	—	0.04	—	39.77	42.92
Maharashtra	48.66)	52.90)	6.30)	4.05)	8.66)	5.36)	3.38)	4.40)	0.27)	33.00)	33.02
Gujarat	)	52.56)	)	—)	)	7.10)	)	1.45)	26.54)	)	12.35
Mysore	55.52	54.82	1.47	1.54	18.67	14.49	2.48	2.68	7.81	21.86	18.66
Orissa	40.01	55.53	4.84	5.11	15.40	15.50	—	—	1.16	39.74	10.40
Punjab	51.25	41.34*	16.81	4.31	0.57	—	16.04	15.54	—	15.33	38.81
Rajasthan	53.60	37.57	4.80	2.99	1.30	—	11.10	9.29	16.56	29.20	33.59
U.P.	46.29	39.11	1.67	3.57	15.34	10.42	14.79	17.51	4.97	21.91	24.42
West Bengal	48.20	46.78	19.01	29.38	5.66	4.54	1.43	1.05	1.02	25.70	17.23
Union Territories											
Delhi	54.32	50.68	4.71	2.14	3.53	0.12	19.72	32.66	—	17.72	14.40
Himachal Pradesh ..	47.30	**	2.80	**	11.80	**	—	**	**	38.10	**
Tripura	46.01	42.81	45.31	51.27	—	1.98	—	—	—	8.84	3.94
Manipur	27.96	30.93	11.08	8.13	7.29	4.12	—	—	—	53.65	56.82
TOTAL	47.78	45.02	8.92	9.96	10.41	6.84	5.93	6.44	6.50	26.96	25.24

*Except Kangra constituency, where polling is to be held on April 21, 1962.
**Polling in the four constituencies will take place on April 27 and 29, 1962.

AN ANALYSIS OF LOK SABHA ELECTION RESULTS

Name of Party	1952		1957		1962	
	Valid Votes Polled	Percentage	Valid Votes Polled	Percentage	Valid Votes Polled	Percentage
Congress ..	47,665,875	45.0	57,579,593	47.8	51,512,225	45.0
P.S.P.* ..	17,373,337	16.4	12,542,666	10.4	7,829,997	6.8
Communist ..	3,484,401	3.3	10,754,075	8.9	11,399,268	10.0
Jan Sangh ..	3,246,288	3.1	7,149,824	5.9	7,363,722	6.4
Swatantra ..	—	—	—	—	7,442,031	6.5
Other Parties and Independents ..	34,174,594	32.2	32,487,757	27.0	28,868,605	25.3
Total (All-India) ..	105,944,495	100.0	120,513,915	100.0	114,415,848	100.0

* Figures for 1952 Elections represent Socialists and K.M.P.P.

SEATS WON BY THE POLITICAL PARTIES IN 1957 & 1962 LOK SABHA ELECTIONS

State	Total	Congress		Communist		P.S.P.		Jan Sangh		Swatantra	Other parties and Independents	
	No. of Seats	1957	1962	1957	1962	1957	1962	1957	1962	1962	1957	1962
Andhra Pradesh	43	37	34	2	7	..	..	..	..	1	4	1
Assam	12	9	9	..	..	2	2	..	..	..	1	1
Bihar	53	41	39	..	1	2	2	..	..	7	10	4
Kerala	18	6	6	9	6	1	..	..	..	..	2	6
Madhya Pradesh	36	35	24	..	..	..	3	..	3	..	1	6
Madras	41	31	31	2	2	..	..	..	..	..	8	8
Maharashtra	44)	38	41)	4	..)	5	1)	2	..)	..)	17	2
Gujarat	22)		16)		..)		1)		..)	4)		1
Mysore	26	23	25	..	..	1	..	..	..	..	2	1
Orissa	20	7	14	1	..	2	1	..	..	..	10	5
Punjab	22**	21	13	1	..	..	..	..	3	..	..	5
Rajasthan	22	19	14	..	..	..	..	..	1	3	3	4
Uttar Pradesh	86	70	62	1	2	4	2	2	7	3	9	10
West Bengal	36	23	22	6	9	2	..	..	..	..	5	5
Union Territories												
Delhi	5	5	5	..	..	..	..	..	..	..	..	..
Manipur	2	1	1	..	..	..	..	..	..	..	1	1
Tripura	2	1	..	1	2	..	..	..	..	..	..	..
Himachal Pradesh	4	4	*	..	*	..	*	..	*	*	..	*
TOTAL	494	371	356	27	29	19	12	4	14	18	73	60

Declared Results (489)
(for 1962)

*Polling in the four constituencies will take place on April 27 and 29, 1962.
**Polling in Kangra constituency will be held on April 21, 1962.

SEATS WON BY THE POLITICAL PARTIES IN VIDHAN SABHA ELECTIONS

State	Total	Congress		Communist		P.S.P.		Jan Sangh		Swatantra	Other parties and Independents	
	No. of Seats	1957	1962	1957	1962	1957	1962	1957	1962	1962	1957	1962
Andhra Pradesh	300	68*	177	..	51	1	..	..	..	19	36	53
Assam	105	71	79	4	..	8	6	..	..	..	25	20
Bihar	318	210	185	7	12	31	29	..	3	50	70	39
Madhya Pradesh	288	232	142	2	1	12	33	10	41	2	32	69
Madras	206	151	139	4	2	2	..	..	..	6	48	59
Maharashtra	264	137	215)	13	6)	33	9)	4	..	..)	77	34
Gujarat	154	97	113)	..	..)	3	7)	..	..	26)	32	8
Mysore	208	151	138	..	3	18	20	..	..	9	39	38
Punjab	154	120	90	6	9	1	..	9	8	3	18	42
Rajasthan	176	119	88	1	5	1	2	6	15	36	49	30
Uttar Pradesh	430	286	249	9	14	44	38	17	49	15	74	65
West Bengal	252	152	157	46	50	21	5	..	..	..	33	40

* Partial elections.

Note: The total number of seats in Assam, Madras and Gujerat Vidhan Sabhas in 1957 were 108, 205, and 132 respectively.

GENERAL ELECTIONS (LOK SABHA) : 1957

Total Electorate, Valid Votes Polled and Percentage

State/Union Territory	Total Electorate	Valid Votes Polled*	Percentage
Andhra Pradesh	1,76,68,716	95,31,373	42.99
Assam	44,95,359	22,92,612	46.14
Bihar	1,95,14,567	1,00,07,876	42.01
Bombay	2,44,58,672	1,67,60,285	54.99
Kerala	75,14,626	80,50,246	66.04
Madhya Pradesh	1,40,10,137	76,14,222	36.77
Madras	1,75,14,993	1,09,50,841	47.75
Mysore	1,00,06,926	57,98,440	52.58
Orissa	79,83,915	44,40,490	34.88
Punjab	92,08,926	71,83 830	53.76
Rajasthan	87,45,726	46,49,083	39.00
Uttar Pradesh	3,49,01,603	2,26,96,103	46.02
West Bengal	1,52,16,532	1,04,40,100	47.67
Union Territories			
Delhi	9,76,352	8,11,344	57.29
Himachal Pradesh	6,71,906	3,62,641	36.52
Manipur	3,30,211	1.74,091	52.72
Tripura	4,32,902	5,50,338	63.56
Total	**19,36,52,069**	**12,05,13,915**	**46.60**
General Elections — 1952	**17,32,13,635**	**10,59,44,495**	**45.7**

* In 1957 and 1952, there were a number of two-member constituencies where a voter had two votes, one for the general seat and the other for the reserved. But the percentage shown is based on one person one vote.

GENERAL ELECTIONS (LOK SABHA) : 1962

Total Electorate, Valid Votes Polled and Percentage

State/Union Territory	Total Electorate	Valid Votes Polled	Percentage of valid votes Polled
Andhra Pradesh	1,90,11,417	1,19,05,815	62.62
Assam	49,34,302	24,98 261	50.63
Bihar	2,20,58,168	97,74,919	44.31
Gujarat	95,40,946	52 82,677	55.37
Kerala	79,96,363	55,28,983	69.14
Madhya Pradesh	1,58,56,404	66,94,315	42.22
Madras	1,82,08,487*	1,24,23,746	68.23
Maharashtra	1,93,65,587	1,11,46,602	57.56
Mysore	1,13,51,529	64,19,142	56.55
Orissa	79,97,684*	19,68,965	24.62
Punjab	1,02,83,546‡	66,01,603	64.12
Rajasthan	1,03,24,654	51,90,455	50.27
Uttar Pradesh	3,62,47,681*	1,77 69,322	49.02
West Bengal	1,79,73,157	97,33,211	54.15
Union Territory			
Delhi	13,43,640	8,94,120	66.54
Tripura	4,74,902	3,19,085	67.19
Manipur	4,05,301	2,64,627	65.29
Total	**21,33,73,768**	**11,44,15,848**	**53.62**

* Electorate of contested constituencies only.

‡ Electorate of constituencies where results have not been declared are not included.

INVALID VOTES

(Lok Sabha Only)

S. No.	Name of the State	1962 General Elections: Total Votes Polled	1962 General Elections: No. of Votes declared invalid	1962 General Elections: Percentage	1957 General Elections*: Percentage of invalid votes
1.	Andhra Pradesh ..	1,22 91,168	3,85,353	3.14	4.00
2.	Assam ..	26 10,534	1,12,273	4.30	2.17
3.	Bihar ..	1,02,10,011	4,35,092	4.26	4.73
4.	Gujarat ..	55,17,441	2,34,764	4.25	‡
5.	Kerala ..	56.45,826	1,16,843	2.07	2.20
6.	Madhya Pradesh ..	70 98 733	4,04,418	5.70	4.86
7.	Madras ..	1,28.37,971	4,14,225	3.23	5.36
8.	Maharashtra ..	1,17 18,042	5,71,440	4.88	‡
9.	Mysore ..	67 22 473	3,03,331	4.51	3.90
10.	Orissa ..	20,70,084	1,01,119	4.88	4.07
11.	Punjab ..	68 38,235	2,36,632	3.46	4.18
12.	Rajasthan ..	54,12,705	2,22,250	4.11	7.50
13.	Uttar Pradesh ..	1,85 46,454	7,77,132	4.20	5.62
14.	West Bengal ..	1,00,38,440	3,05,229	3.04	3.15
	Union Territories				
1.	Delhi ..	9,24 814	30,694	3.32	2.63
2.	Tripura ..	3,26,605	7,520	2.30	1.87
	Total ..	**11,88 09,536**	**46,58,315**	**3.92**	—

* In 1957 there were a number of two member constituencies where a voter had two votes, one for the general seat and the other for the reserved. But the percentage shown is based on one person one vote.

‡ 1957 percentage of Bombay is 3.28.

Economic Growth

RETROSPECT: 1951 - 1961

WHILE national income is the best index of the health and growth of an economy, the most helpful indicator for level of living is per capita income, though it must be supplemented by certain other information such as health (including demographic conditions), food and nutrition, education, conditions of work, employment situation, housing, clothing, recreation, social security, human freedom etc. It is to be conceded that a mere rise in per capita income does not imply a rise in level of living but if the rate of capital formation does not take a sharp rise or fall, the trend in consumer expenditure follows approximately the same path as traced by per capita income and, therefore, it does indicate, by and large, the manner of growth in the level of living.

The Central Statistical Organisation has published its estimates of national income at constant prices as well at as current prices after interpolating population for each year between 1951 and 1961 on the basis of the results of the latest census. Earlier estimates had underestimated the rate of rise in population as they were based on the 1941-51 periods and had therefore given a little distorted picture of the rise in per capita income. The table below shows in index numbers the growth in national income as well as per capita income, both at 1948-49 prices and at current prices. It will be seen that during the last decade national income rose by 43.4 per cent as compared to the earlier estimate by the Planning Commission at 42.0 per cent. At current prices, the rise was of the order of 49.0 per cent, the increase by 5.6 percentage points being due to the inflationary impact of rising prices. What is noteworthy is that national income (both at current and constant prices) received a greater raise in the Second Five-Year Plan than in the First. Whereas the overall increase in the two Plans was of the order of 43.4 per cent, the First Plan's contribution was not more than 18.4 per cent. In per capita terms, the growth over the decade was 18.2 per cent, indicating a simple rate of growth of 1.8 per cent per annum.

The rate of growth of the Indian economy indicated by these figures compares very unfavourable with the rates of growth in the advanced countries and even in some of the developing countries. Iran, for example, has recorded a rise of 9 per cent per annum; Burma, our neighbour, registered an increase double that of India and as the table below shows, there are many others which have had better experience in economic growth than the Indian Union. The only other areas which lie in the same group of slow economic growth are Ceylon, Egypt and Argentina.

TABLE II

RATES OF ECONOMIC GROWTH: 1950-59

(Percentage per annum)

Country	Annual Rate of Growth in Real Gross Domestic Product
I. **Industrially Advanced Countries:**	
Japan	9.1
Germany, West	7.5
Italy	5.7
France	4.0
Canada	3.9
United States	3.3
Sweden	3.3
United Kingdom	2.5
II. **Developing Countries:**	
Iraq	9.0
Burma	6.0
Brazil	6.0
Philippines	6.0
Turkey	6.0
Spain	5.0
Union of South Africa	5.0
Ghana	5.0
Thailand	4.0
Indonesia	4.0
U.A.R. (Egypt)	3.0
India	**3.0**
Ceylon	3.0
Argentina	2.0

TABLE I.

RATES OF GROWTH OF NATIONAL INCOME AND PER CAPITA INCOME

NATIONAL INCOME

(Base: 1950-51=100)

Period	At 1948-49 Prices	At current Prices
1950-51	100.0	100.0
1951-52	102.8	104.6
1952-53	106.9	103 0
1953-54	113.3	110.0
1954-55	116.2	100.8
1955-56	118.4	104.7
1956-57	124.3	118.7
1957-58	123.0	119 5
1958-59	131.6	132 2
1959-60	133.9	135 8
1960-61	143.4	149.0

PER CAPITA INCOME

(Based on 1941, 1951 & 1961 Census Figures)

(Base: 1950-51=100)

Period	At 1948-49 Prices	At current Prices
1950-51	100.0	100.0
1951-52	101.1	102.9
1952-53	103.3	99.6
1953-54	107.6	104.4
1954-55	108.2	93 9
1955-56	108.2	95 7
1956-57	111.4	106.3
1957-58	111.7	104 9
1958-59	113.2	113.7
1959-60	112.7	114 3
1960-61	118.2	122.8

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All these facts lead one to the conclusion that the Indian economy has still to march to the "take-off" stage. Unless the economy attains the self-sustaining character so as to be able to propel itself through its own internal forces, it will continue to move at a sluggish rate. The next decade will surely lay down the foundations for speedy growth. The Third Five-Year Plan in financial terms is bigger than the first two Plans taken together. And the Fourth Plan will be much bigger than the Third Plan.

PROSPECTS: 1961-71

The tempo of growth will without doubt get accelerated during the next decade. The foundations of industrialisation were laid during the Second Five-Year Plan with the result that the Third and the Fourth Five-Year Plans will accelerate the pace of development in such a manner that the rate of growth of the Indian economy will compare favourably with the industrially advanced nations of the world. As against 43 per cent rise in national income during the last decade, the Third Five-Year Plan envisages an increase of about 34 per cent in national income. The growth is likely to be balanced though some sectors will, in percentage terms, grow faster than others. The mining and factory establishments sector will lead with a rise of about 82 per cent in five years or a little more than 16 per cent per annum. Agriculture is anticipated to increase by 25 per cent. The tertiary sector is likely to rise by 32 per cent. In per capita terms, the Third Five-Year Plan is likely to yield nearly 20 per cent increase or at least equivalent to 18 per cent — an increase which was achieved during the last decade.

It is pretty certain that the increase in national income in the Fourth Plan will be much larger than what is likely to be achieved during the Third Five-Year Plan. In other words, the growth in national income during the next decade will be around 65 to 70 per cent—more than 50 per cent above the level achieved during the first two Plans. The end of the Fourth Five-Year Plan will also witness a structural shift in the national income of the country. Hitherto the share of the agricultural sector has shown only a marginal fall from 49 per cent to 46 per cent. With the hastening of industrialisation, the share of industry and tertiary activities is likely to rise much ahead of agriculture with the result that the long-awaited shift in favour of industry will emerge around 1970-71. According to the indications available currently, it is expected that the share of agriculture in 1970-71 will be around 40 per cent of the national income. The agricultural sector, however, in absolute terms will continue to march in a progressive manner so as to satisfy the increasing demands of the agricultural as well as non-agricultural population. The new demands will emerge under the pressure of rising incomes all round. These forecasts assume that the capital output ratio which has been at a high level (3.29 : 1 in the Second Plan) would be reduced to a little above 2 as a result of larger increases in income through the primary sector. The investments made during the Second Five-Year Plan in the industrial sector failed to yield their complete results during the Plan period and their contribution will inflate output in the Third Five-Year Plan, and thus help in increasing the volume of national income without corresponding strain on financial resources.

While it is certain that the per capita income by 1970-71 will have increased beyond the 100 dollar mark (Rs. 500), the revolution of rising expectations will generate some other pressures. The basic necessities, of course, will have been provided. Vast sections of society which currently live below the poverty line will be able to rise above the level of subsistance and will obtain elementary necessities in terms of food and clothing which will be sufficient to keep body and soul together. The demand for comforts will increase. This aspect has been discussed in detail in the Blue Supplement.

The Population Mix

IN the United States and other industrially advanced countries the "baby booms" are welcome. The "Census Clock" of the Commerce Department of U.S. indicated early this year that its population had exceeded the level of 185 million, indicating a rise in population by one person every 11 seconds. The millions in the United States are arriving much faster, and this fact is deemed to be an asset for the economy. A rise of 30 millions in population in the U.S. took 29 years between 1857 and 1886. The span has been considerably reduced now. The corresponding increase of 30 millions in population in the United States is likely to emerge in 12 years between 1958 and 1970. It is estimated that this accelerated rate will take the population of the United States to 210 million in 1970.

The "baby booms" are not so welcome in the Indian Union, though they continue to arrive. The low standards of living which prevail in the country get pushed down further with the fresh arrivals of babies. The census of population taken last year recorded a rise in population beyond expectations during the last decade. As against a rise of 13.3 per cent in the decade 1941-51, the latest census indicated that the rise in population between 1951-61 was of the order of 21.5 per cent. Table I shows that every decade during the last sixty years brought accelerated millions.

Projections attempted for the next fifteen years indicate that India's population will reach 492 millions in 1966, 555 millions in 1971 and 625 millions in 1976. This explosive rate of rise in population has alarmed the planners; the financial allocation for popularising family planning techniques in the country has been enhanced in the Third Plan. In December last year Mr D. P. Karmarkar, Minister for Health indicated that the family planning programme had developed to such an extent that there was a feeling that a new Ministry of Population and Family Planning should be formed at the Centre. In urban areas as well as rural areas family planning clinics are being opened and even financial incentives are being offered in order to encourage people to avail of the facilities. The vast net work of clinics which has been

TABLE I

	Population Millions	Decennial growth Millions	%
1901	235.0	..	..
1911	250.7	14.3	5.7
1921	250.0	— 0.7	— 0.3
1931	277.4	27.4	11.0
1941	316.9	39.5	14.2
1951	359.2	42.3	13.3
1961	436.4	77.2	21.5

set-up in this country needs to be explained with facts and figures. The Second Plan started with only 20 clinics in rural areas. By the end of the last year there were 3,124 centres in rural areas. This includes 1260 regular clinics providing all family-planning services. Sterilization is slowly gaining ground and in some districts the response has been beyond expectations. However, old prejudices die hard; in view of the unmanagable size of the problem, it is feared that progress in this direction may be halting and hesitant.

The statistics in regard to the size and distribution of the working force in 1961 are not yet available and therefore, by way of illustration, only 1951 figures are given below (Table II). It will be seen that out of a population of 359 millions in 1951, the working force consisted of 143 millions constituting nearly 45 per cent of the total population. Agricultural classes predominated with a total of 100 millions; the earning dependents were also the largest in this class. Estimates have, however, been made in regard to the probable strength of the working force in 1961 and the table below (Table II) shows that the increase during 1951-61 in the working force was of the order of 28 millions as against a rise of 79 millions in population. The largest increase, in percentage terms, occurred in the case of the services, followed by industry and agriculture. It shows that during the last decade the strength of the blue collar workers rose by 3 million while that of the white collar workers increased by 9 millions. There is no element of surprise in this proportion between the increase in blue collar workers and the white collar workers. In other advanced countries also which have industrialised at a fast rate (such as Japan) the tertiary sector always scored over the secondary sector.

What is acting as a drag on the Indian economy is the addition to the working force in agriculture. Out of the total increment of 28 millions to the working force during the last decade; more than 50 per cent were added to agriculture. Living standards in agriculture are already very poor; falling death rates ne ped to swell the ranks of the poor classes in agriculture. The only solution lies in initiating new skills and tools in cultivation so as to raise productivity.

TABLE III

DISTRIBUTION OF THE ADDITIONS TO THE WORKING FORCE: 1951 AND 1961

Occupational activity	1951	1961	Percentage increase
	(Millions)		
Agriculture ..	100	116	16.0
Industry, mining etc.	17	20	17.6
Services	26	35	34.6
TOTAL	143	171	—

TABLE II.

SIZE AND DISTRIBUTION OF THE WORKING FORCE, 1951

(In million)

dents Occupation Activity	Self-supporting Persons			Earning depen-dents	Total
	Male	Females	Total		
Agricultural classes	59.3	12.7	72.0	28.3	100.3
Workers engaged in production other than cultivation	10.5	1.8	12.3	4.4	16.7
Workers engaged in commerce and transport	7.1	0.6	7.7	1.6	9.3
Workers engaged in other services and miscellaneous sources	10.8	2.0	12.8	4.1	16.9
TOTAL	87.7	17.1	104.8	38.4	143.2

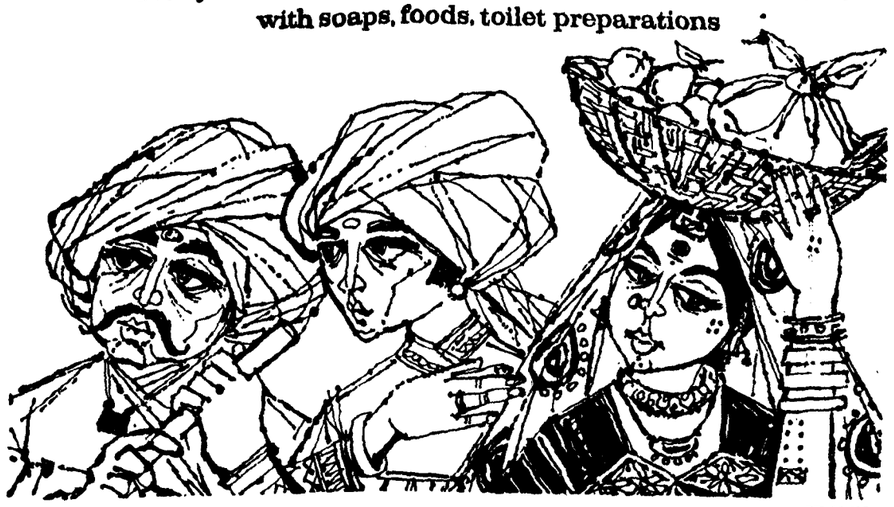


It takes the patience of untiring men to make the land yield a golden harvest. So with a nation.

And so with a company like HINDUSTAN LEVER.
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Working up new methods to help the national economy.

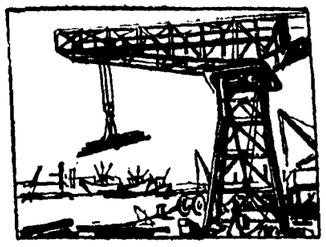
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Today and tomorrow...Hindustan Lever serves the home with soaps, foods, toilet preparations



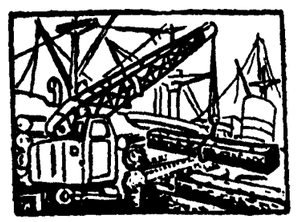
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Planning TOWARDS A BETTER PORT

As the life-line of Eastern India's trade and commerce, the Calcutta Port faces recurring problems every year. The emphasis on industrial progress in the Second Five-Year Plan period has considerably changed the type of cargo to be handled. Steel and mechanical equipment, heavy machinery and huge plant form a considerable bulk of the import. On the export front it is coal or ore.



To-day's well-equipped Port needs be made into a better Port to-morrow. But this is possible not by more equipments alone. The Calcutta Port needs most the whole-hearted co-operaton from all fronts,—from those who use and also from those who serve it.

MEN & MACHINES MAKE A BETTER PORT

CALCUTTA PORT COMMISSIONERS

Issued by the Commissioners for the Port of Calcutta

The Challenges for the New Parliament

Transport

WITH his characteristic frankness, the Prime Minister forthright conceded at the inauguration of the recent annual session of the Federation of the Indian Chambers of Commerce and Industry that transport, coal and power have created serious crises and that the failures in this behalf represent failures on the part of the Government in planning and organisation. This outright admission of the triple failure sets at rest any possible controversy about them. But it is sad to reflect that the Railway Minister has not shown the candidness to admit the primary and fundamental failure in transport leading to serious difficulties in industry. The controversy between the Ministries of Railways and Fuel and Power over the failure of coal supplies, arising from the crisis of coal distribution, has not yet faded out of public memory. It is, of course, right that responsibility should be allocated where it rests in order to rectify the lapses, but where the failure is of the different Ministries concerned, a searching enquiry needs to be made why the basic failure of co-ordination has at all been allowed to occur.

In the recent coal crisis there is the irrebuttable evidence of mounting accumulations at the pitheads, which only means that transport is the villian of the piece. It is rather astonishing that in this situation Mr. Jagjivan Ram had not even a word to say about the transport crisis directly leading to the coal crisis in the course of his statement-cum-speech accompanying the presentation of the interim budget. This attitude of resentment at the exposure of the shortcomings of the Railway Ministry is not only not conducive to an attitude of open mind for correcting mistakes of omission and commission but it is definitely an impediment to a realistic solution. It is only to be hoped that the Railway Minister and the Railway Board will take criticism of the lapses in railway performance in the spirit in which it is made and examine the suggestions offered for overcoming the crisis as a helpful way out.

Sometimes there is a saving grace in our own failures. This has reference to certain noticeable shortfalls in the output of important industries. Finished steel lagged much behind expectations, fertilisers could not reach the production target, there were underfulfilments in the scheduled levels of the production of textiles, machinery, chemicals, newsprint, and cement which demand a heavy share of the available railway transport capacity — all this in the recent months. If these shortcomings had not occurred and production would have been carried to the anticipated levels, the crisis of transport, which was visibly in evidence in coal movements, would have manifested itself in respect of the movements of the carriage of these finished products. But the shortfalls in these important industries have only served to conceal the potential failures of the railways on a full scale.

Coal undoubtedly is the one single commodity which demands the maximum allocation of rail capacity for its transport and that too as a matter of priority. If there has been expansion in the despatches by rail of coal (which is not the same thing as expansion commensurate with the raisings of coal), it is only consistent with the minimum normal demands of a growing economy. The monthly despatches of coal by rail increased from 2.5 million tons in the first year of the Second Plan to 4 million tons as recently as June 1961. This performance cannot be held up as proof of the readiness of the railways to undertake greater loads of traffic. What precisely is expected of them is to respond to the demand for transport capacity at the time and in the direction in which that capacity is needed. This is the final test of the flexibility of the nation's premier transport organisation. At the end of the current Plan and again at the end of the Fourth Plan there will be significant increases in the volume of coal. The targets are pitched at a modest level to answer the requirements of industry for fuel and thermal energy. It is thus clear that the railways in the first instance and the other modes of transport as complementary agencies have to provide the carrying capacity.

The case of coal is in no sense an isolated or exceptional case. It ought to be taken as a test case. In the recent past the cotton textile mills in Ahmedabad had to scrape through with nominal stocks of coal hardly enough for consumption requirements of a day or two and it was only with the help of a few mills which could manage to have larger stocks in hand that an arrangement of mutual accommodation proved effective in averting the crisis of complete closures of mills.

As production gathers speed in the Third Plan, there will undoubtedly be continuous headaches for the railways to adjust and readjust allocation of wagon capacity between the competing demands in order to ensure that the wheels of industry are kept moving. It is easy to appreciate the difficulties of the Railway Board which is called upon to plan for a demand on a magnanimous scale with allocation of barely sufficient funds estimated on conservative calculations of demand. But provision of capacity is not entirely a matter of proportionately rising outlays. With rationalisation of the equipment, like the installation of bogie wagons in the coal-steel belt, this strategic area will be well supplied with wagon capacity. But obviously rationalisation has its practical limits. The alternative must be fully exploited in raising the wagon turn-round. It will be remembered that during the last war much of the railway rolling stock and equipment was in a dilapidated condition and even so the emergency requirements of military traffic (which were its normal requirements at that time) were not impeded and no one heard of serious bottlenecks. It is true that there is a positive element of the extraordinary in the war-time operation of the economy. But something of that dynamism and sense of urgency must be imparted to the railways, since on their functioning hinges the working of the other sectors.

It is obvious that rail transport capacity can be stretched up to certain limits, but not beyond. That clearly means that the full magnitude of the transport requirements of the Third Plan period has not been properly assessed and some pressure demands are being made on the railways. But this sort of analysis does not help the situation. The apparent conclusion is that there has been a failure in realising the futility of suppressing the growth of road transport to its legitimate stature. In some measure the railways themselves are responsible for this wrong policy, because, only two years back, when there was some decline in their revenues as a consequence of the competition of the motor transport, they succeeded in securing the appointment of the Committee on Transport Policy and Co-ordination. The genesis of the appointment of this Committee will hardly be controverted. But with the first year of the Third Plan, it is becoming quite clearly evident that a quick decision must be made to ensure that the railways are not deprived of the essential high-

cost traffic and further strains are not produced on their finances. This is the type of co-ordination that is required.

But otherwise the manifold restrictions on the operation of road transport must be dismantled because road transport is the only potential mode which can effectively supplement rail transport. The Neogy Committee has, perhaps, consumed too long a time in preparing a well-drawn-out plan of transport co-ordination policy. That may be useful in the longer perspective, but the Third Plan cannot wait for it. It is of the utmost importance that pragmatic decisions should be made on the short-term transport policy up to 1966, as an interim policy, and the Neogy Committee should be asked to expedite its final report.

Power: The Engine of Industrialisation

OPINIONS may differ on the seriousness of the current power crisis in the country, but it is recognised in all quarters that power shortage is acting as a drag on India's industrial development at the present juncture. The issue is under constant review in the Planning Commission and speaker after speaker at the recent meetings of the Federation of Indian Chambers of Commerce and Industry and the Central Advisory Council for Industries dwelt at some length on the problems created by power shortages. Devising of measures to mitigate the rigors of power shortage in the immediate future and development of power resources over the long-term period pose a serious challenge for the ingenuity and resourcefulness of the new administration which is to take over the reins of Government next month.

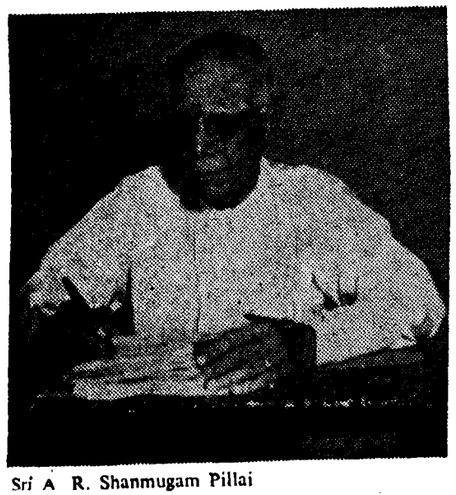
It is not that power shortage has been a chronic malady of the Indian economic system. The genesis of the present-day power crisis are traceable not beyond 1957. Before that year, thanks to comfortable supply position of coal — one of the most important power-generating materials — power supply rarely posed any serious problem. Since then, however, it has been a recurrent phenomenon. The factors leading to this state of affairs have been: (1) the cuts necessitated in 1957 in the outlay on power schemes included in the Second Plan, consequent upon serious situation developing on the foreign exchange front; (2) the delay caused in the execution of some hydro-electric projects, notably the Bhakra-Nangal project, the Hirakud project and the Rihand project; (3) the lack of co-relation in the development of rail capacity for the movement of coal and the coal target which was revised sometimes downwards and sometimes upwards; (4) the delayed execution of National Coal Development Corporation's plans; and (5) continuance of licensing of new industrial units unabated even in the face of pruning of outlay on power development. The adverse effects of this imbalance brought about in 1957 in the implementation of the Second Plan were, of course, not descernible for some time; the shortfalls experienced being made good by over-exploitation of the existing power sources. But this over-utilisation of the power plants created its own problems about a year or so later. Their frequent break-downs aggravated the shortages. A case in point is the recent breakdowns in the power supply from D.V.C.

A vicious circle has come to operate in the recent past on the power front. Apart from adversely affecting the tempo of industrial activity in general, power shortage has hampered coal output. Slowing down of the coal development programme, especially in respect of raising of superior quality coal, in turn, has affected railways' efficiency to no small extent. In the reverse order, bottlenecks on rail transport have adversely affected raising of coal and this has, in turn, hampered

GENERATION AND DISTRIBUTION OF ELECTRICITY IN PUBLIC UTILITIES

	1950	1955	1956	1957-58	1958-59	1959-60	1960-61	1961-62* (April-Nov.)
1. **Total Generating Capacity‡ ('000 kw.)**	1,713	2,695	2,886	3,223	3,512	3,873	4,682	N.A.
(i) Steam plant	1,004	1,547	1,596	1,763	1,880	2,047	2,439	N.A.
(ii) Oil Plant	149	209	228	246	270	296	311	N.A.
(iii) Hydro plant	559	939	1,061	1,214	1,362	1,530	1,932	N.A.
2. **Total Electricity Generated† (million kwh.)**	5,107	8,592	9,662	11,369	12,994	15,033	16,855	12,683
(i) Steam plant	2,387	4,619	5,134	6,042	6,848	7,878	8,724	6,107
(ii) Oil plant	200	231	233	254	298	327	367	249
(iii) Hydro plant	2,520	3,742	4,295	5,072	5,848	7,027	7,764	6,327
3. **Total Electricity Sold (million kwh.)**	4,156	7,111	7,959	9,345	10,719	12,407	13,848	10,724
(i) Domestic light and small power	525	850	934	1,094	1,238	1,379	1,492	1,040
(ii) Commercial light and small power	309	514	546	610	683	766	848	597
(iii) Industrial power ..	2,604	4,698	5,323	6,167	7,224	8,456	9,592	7,755
(iv) Irrigation	162	255	316	545	583	754	833	561
(v) Other purposes	557	794	840	930	990	1,053	1,083	771

*Provisional.
‡At the end of the period.
†Excludes purchases from non-public utilities.



Sri A R. Shanmugam Pillai



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generation of power. Add to this the foreign exchange problem and the circle is complete in a wider sense — power shortages hampering full-utilisation of industrial capacity, leading to inflation in production costs which prices out Indian industrial goods in world markets. Foreign exchange earnings, thus, suffers. So does outlay on power development — foreign exchange expenditure on setting up of new power-generating units forms a substantial proportion of total outlay.

If somehow this vicious circle is broken, there is little doubt that India's industrial growth can be fostered at a much faster rate. How can this be done? This is the crucial problem.

It is indeed encouraging that this problem is getting its due share of attention in the highest quarters. An indication of this is available in the Planning Commission's stepping up the target for installed capacity for power generation under the Third Plan from 11.9 million kW originally contemplated to 12.7 million kW in the final draft of the Plan. It is now gathered that power projects included in the Third Plan will raise the capacity in 1965-66 to nearly 13 million kW from 5.7 million kW at the end of the Second Plan period.

Whether the 13 million kW installed capacity target fixed for 1965-66 is adequate or not, opinions on this differ. The industrial circles hold the view that on the basis of the industrial expansion envisaged in the Plan, power requirements in 1965-66 would be of the order of nearly 15 million kW. Their this estimate is based on the fact that for every 10 points increase in the index number of industrial output, power requirements on the current pattern of consumption go up by 23 to 25 points. This correlation between power requirements and industrial growth may not hold good if concerted efforts are made to check wastage of electricity in the course of transmission by locating new power plants and industrial units in each other's vicinity. But there can be little doubt that power shortages will continue even at the end of the Third Plan, if the present targets of industrial development and power generation are adhered to. The Plan being flexible, there is every hope that funds available on account of shortfalls in some developmental activities of ancilliary types will be diverted to fostering the development of power resources.

Though some solace can be derived from the announcement this week that the DVC power system has been put in order and no further breakdowns should be expected on it, relieving of power shortages in the immediate future poses a far greater challenge. The problem itself is far more complicated. There is no one simple solution for this. The problem has to be attacked from all the sides if some useful results are to be expected. The first shot to be fired from the armoury which suggests itself is to devise measures to curtail power consumption. Issue of licences for setting up new industrial units (licences involving foreign exchange outlay of nearly Rs. 734 crores have already been issued to the private sector; leaving only small funds available for the remaining four years of the Plan) may have to be deferred by a short period so that the new demands for power crop up only when some balance has been restored between the existing supply and demand. This is essential particularly in regard to areas where power shortage is acute. The contention that as a sequel to this step, industrialisation of the country will tend to stagnate hardly holds water. It is no use allowing setting up of new industrial units if they cannot be worked to their full capacity due to power shortage. This will only lead to higher production costs. On the other hand, much can be gained by ensuring full supplies of power to the existing units so that they may be able to function to their rated capacities.

The second measure that needs to be taken is the stepping of coal supplies and removal of bottlenecks on the transport system. This proposal is dealt at length in the succeeding article.

The third important step that suggests itself is the switch-over to furnace oil from coal by industrial units in West India. This measure has already been talked of so often, but unfortunately no concerted attempts have yet been made to put it into practice on any large scale. The usual difficulty that is pointed out in the way is that output of furnace oil in the country being only small, any large-scale switch-over to this will entail foreign exchange expenditure which the country can ill-afford at the moment. But it is not realised that

PATTERN OF POWER UTILISATION AS INDICATED IN THIRD PLAN

Categories	Anticipated consumption in 1965-66 (million kwh.)	Percent of total generation	
		1965-66	Range of Variation during 1951-61
Domestic or Residential Light and Small Power ..	3,400	7.6	7.5 to 8.0
Commercial Light and Small Power ..	1,900	4.2	4.2 to 4.8
Industrial Power	28,400	63.1	61.3 to 62.9
Traction	1,800	4.0	2.3 to 4.4
Public Lighting	400	0.9	0.9 to 1.0
Irrigation	1,900	4.2	2.4 to 4.2
Public Water Works and Sewage Pumping ..	900	2.0	2.3 to 2.8
Transmission Losses, Consumption in Auxiliaries etc.	6,300	14.0	14.4 to 16.3
Total	**45,000**	**100.0**	

this additional foreign exchange cost can be well made up by increased industrial output which will have wholesome effects not only on the availability of supplies of industrial goods in the domestic market but also for export. Further, it is not comprehensible why the Government should hesitate in removing the excise duty on this industrial raw material in the interest of fostering switch-over to it.

Allowing of setting up of their own power-generation units by industrial establishments can also relieve the situation on the power front to not an inconsiderable extent. It is just appropriate that the Government has assured the industry that it will give sympathetic consideration to all applications for setting up of such plants provided they fall within the four-corners of the Industrial Policy Resolution of 1956.

Some relief from power shortages can also be expected from the increasing use that is to be made of electricity capacitors manufactured by the Heavy Electricals Factory at Bhopal. These capacitors by evening cut fluctuations in power-loads, help in better utilisation of energy; excessive loads are stored for a few hours and this supplements the current when voltage falls. Greater self-discipline by the industry in matters of power consumption should also go some way in relieving the shortages of power.

GROWTH OF INSTALLED CAPACITY (POWER) SINCE 1950 WITH ESTIMATES FOR 1965 - 66.

(In million kW)

	1950	1955	1960-61 (estimate)	1965-66 (estimate)
State-owned Public Utilities	0.63	1.52	3.32	9.82
Company-owned Public Utilities	1.08	1.18	1.36	1.45
Self-generating industrial establishments	0.59	0.72	1.02	1.42
Total	**2.30**	**3.42**	**5.70**	**12.69** +.39*
				13.08

* On the basis of estimates of the Working Group on Power Schemes.

In the long run, of course, recourse has got to be taken to make use of nuclear energy for industrial purposes. It is gratifying that the first such power-generation station is being set up at Taraporewala to meet the requirements of industries in the Western region. Planning for a similar station to meet partly the power requirements of the Southern region also needs to be taken up at an early date. Prospects of utilising natural gas for generation of electricity in the Cambay - Ankleshwar area may as well be explored expeditiously. Oil exploration activity in this region has to be stepped up appreciably as a pre-requisite to this.

INSTALLED CAPACITY BY TYPE OF POWER PLANT AS INDICATED IN THIRD PLAN (1950 TO 1965 - 66)

(In million kW.)

	1950	1955	1960-61 (estimate)	1965-66 (estimate)
Hydro Plant ..	0.56	0.94	1.93	5.10
Steam Plant ..	1.59	2.27	3.46	7.08
Oil Plant ..	0.15	0.21	0.31	0.36
Nuclear Plant ..	—	—	—	0.15
Total ..	**2.30**	**3.42**	**5.70**	**12.69***

*The break-up of the anticipated increase of .39 million kW (by the Working Group on Power Schemes) is not available.

GROWTH OF ENERGY GENERATED SINCE 1950 WITH ESTIMATES FOR 1965 - 66 ON THE BASIS OF 12.69 MILLION KW. INSTALLED CAPACITY

(In million kwh)

	1950	1955	1960 61 (estimate)	1965-66 (estimate)
State-owned Public Utilities ..	2,104	4,573	11,250	34,500
Company-owned Public Utilities ..	3,003	4,019	5,750	6,500
Self-generating Industrial establishments	1,468	2,185	2,850	4,000
Total ..	**6,575**	**10,777**	**19,850**	**45,000**

Coal Shortages

WHILE the various steps suggested in the previous article should go some way in relieving power shortages in the immediate future, the most important measure that has to be taken to ease the situation is augmenting the supplies of coal. This problem has three components: (1) raising of coal output as such; (2) reducing of ash content in coal; and (3) movement of coal from the collieries to the consuming centres. All these three issues are closely interconnected. High ash content raises the total requirements for coal and consequently puts forth greater demands on the transport system. With the superior-grade coal resources of the country none-too-plentiful and not-so-easily developed, any large increase in production is attended by comparatively greater raisings of inferior quality coal. Transport bottlenecks, whether they are due to shortage of wagons or owing to limited line capacity or are resultant from lower operational efficiency of the railways consequent upon supplies of inferior quality coal to them, hamper coal output because of accumulation of stocks at the pitheads with all the dangers of fires breaking out and difficulties experienced in raising of new coal.

The acute situation that had developed on the coal front towards the close of 1960 may be said to have eased to some extent in the subsequent months with the increase in coal output as a consequence to the National Coal Development Corporation attaining its target rate of production through some energetic action, the railways exerting themselves in a greater measure to move this vital energy-producing material and through some other measures such as creation of coal dumps and movement of coal by roads as well as

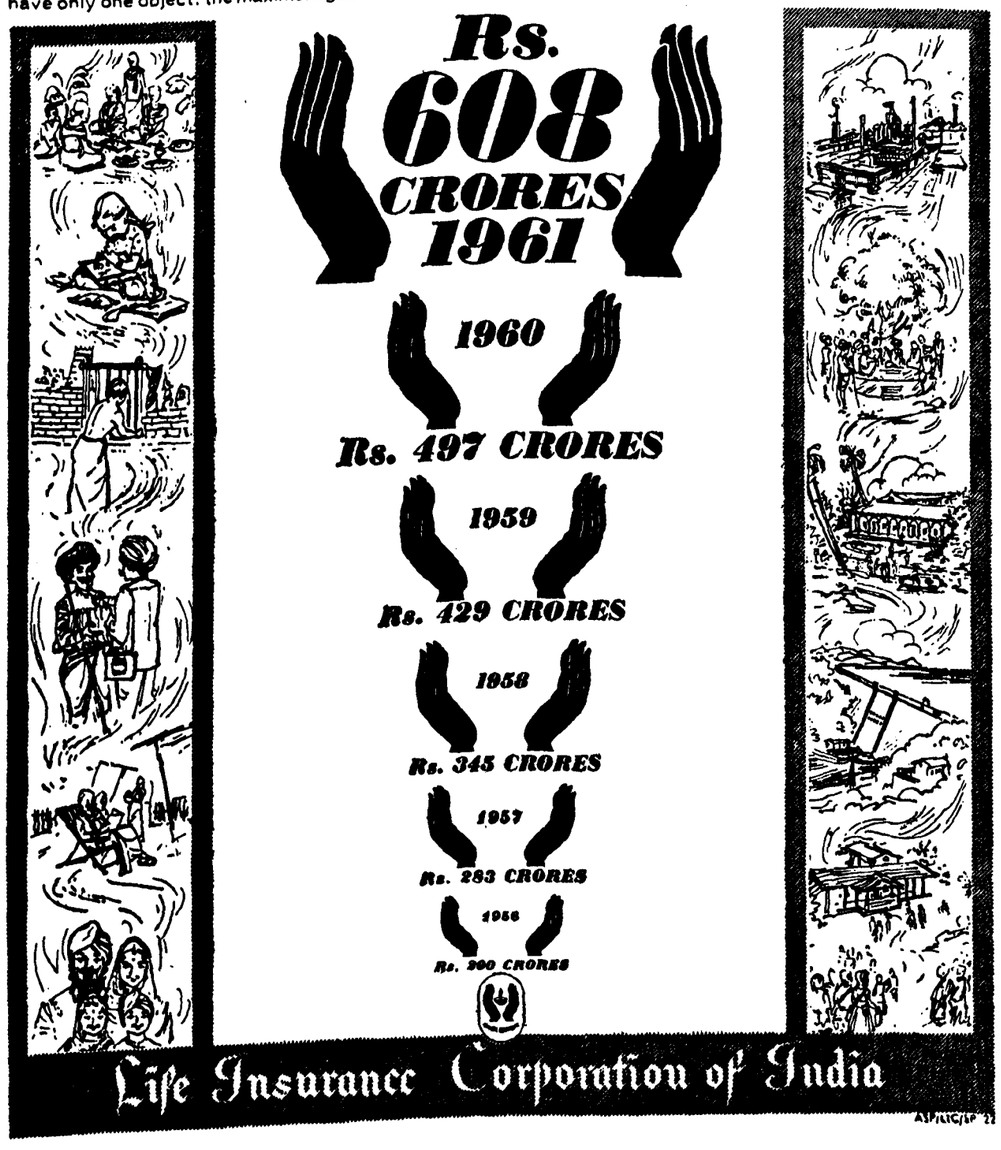
Rs. 608,00,00,000 L.I.C.'s 1961 New Business is better than ever before.
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NEW BUSINESS: Rs.608 crores. An increase of Rs. 111 crores over the 1960 figure.

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sea in larger quantities. But to say that the country has turned the corner in the matter is nothing short of traversity.

Output of coal which is 1960 amounted to nearly 52 million tons, as against the March 1961 target of 60 million tons, improved subsequently. The monthly rate of production in January, February and March, 1961, was slightly over 5 million tons, implying that the industry had attained its target rate of production. The monthly average during the last summer and the rainy season, however, went down to around 4.2 million tons, but since then it must have picked up (output of coal in 1962 amounted to 56.04 million metric tonnes). Wagon availability since the end of 1960 too went up somewhat with the result that the pithead stocks on December 31, 1961, were approximately 3.2 million tons, as against the irreducible average of 2.5 million tons on this day at any time in the last seven years. This was despite the emergency movement of traffic by railways in connection with the armed action in Goa. Some balance, it thus appears, had been restored in the output of coal and its movement in the second half of 1961. The position in regard to coal movement since December last, however, seems to have deteriorated. It might be due to the busy season, but the fact remains that railway bottlenecks have reappeared for movement of coal from the West Bengal-Bihar coalfields.

Supplies of coal during the current year, especially for consumers other than steelworks, are not likely to be commensurate with the needs. The railways, which on an average moved 186 wagons more per day in 1961-62 than what they moved in 1960-61 (3,584 wagons a day in 1961-62 as against 3,398 wagons a day in 1960-61) for these consumers, may be able to step up wagon supplies to some extent. But taking into consideration the overall target of loading — 6,925 wagons a day for all consumers of coal, including the steel plants — of coal set by them for themselves and allowing for movement of coal by sea and road to the tune of 2½ million tons and consumption at the collieries to the extent of 1½ million tons, it can safely be said that coal output during the current calendar year would be restricted to about 59 million tons as against the target of 68 million tons. And it is not certain that the railways will be able to achieve their loading targets. The 1962 target, for instance, is making available of 6,925 wagons per day for all consumers of coal, but in January the average worked out to only 5,842 wagons a day — a shortfall of nearly 1,100 wagons a day.

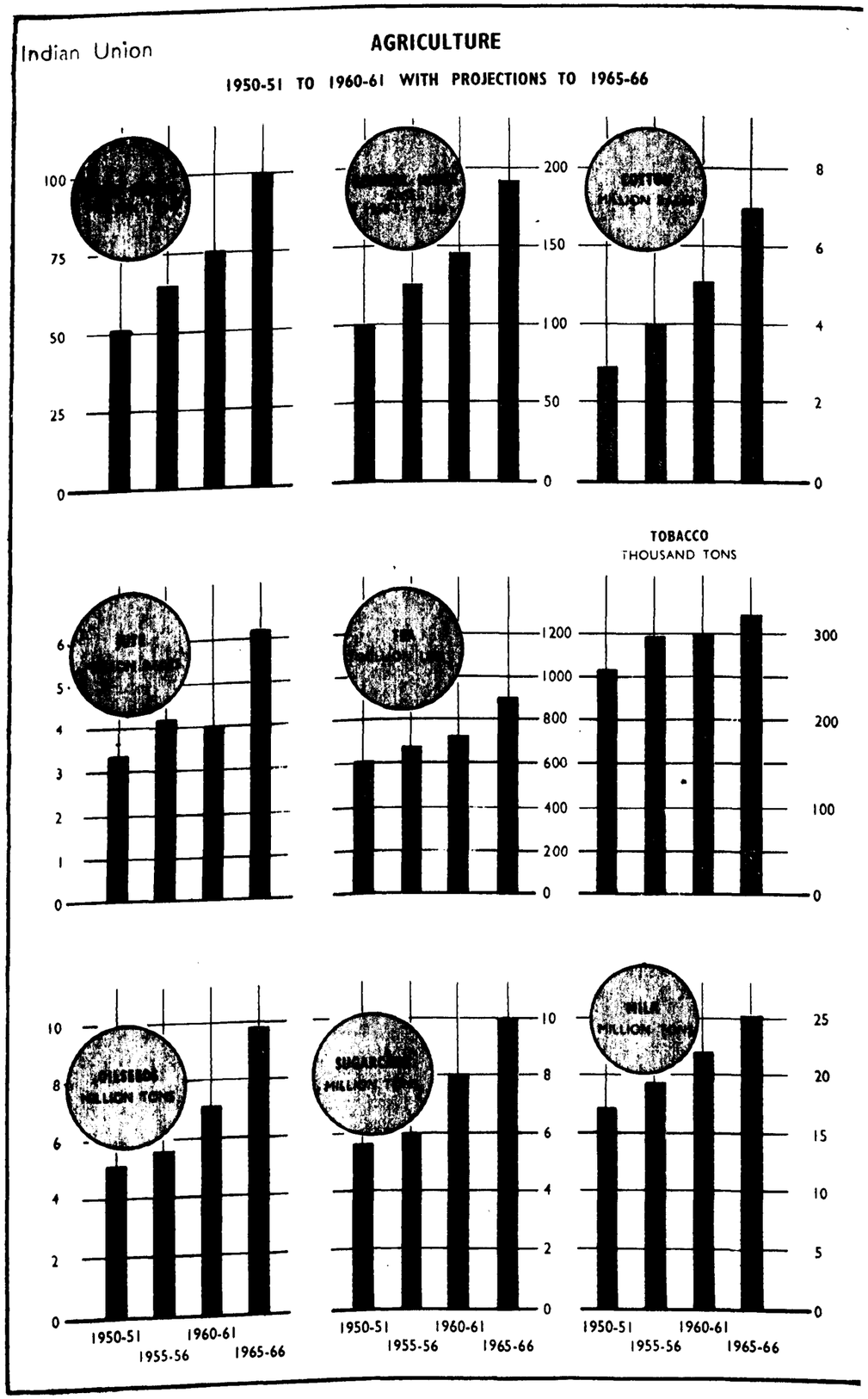
With rail transport falling short, leading to curtailment of coal output, during the current year, there is sure a case for redoubling of efforts to move coal in larger quantities both by road as well as by sea. The leeway left hitherto in the shipment of coal by sea has got to be made up; the Union Minister for Steel, Mines and Fuel openly expressed his displeasure at this week's meeting of the Central Advisory Committee for Industries at the pace of movement of coal by sea. Making it obligatory on the part of industrial units situated not more than 100 to 150 miles from the collieries to secure their supplies only by road and making available to them coal containing high ash content should also help in relieving the desparate situation to some extent. The latter suggestion will enable the railways to move larger quantities of coal with low ash content to the distant consumers in West, North and South India. The effect of the above two suggestions on the coal consumers in the vicinity of West Bengal-Bihar coalfields would undoubtedly be raising of their fuel costs, but they should not grudge this in the larger interests of the country. If need be, they may be given some compensation in the form of rebate on excise duties or subsidy to partly counterbalance the increased fuel expenses.

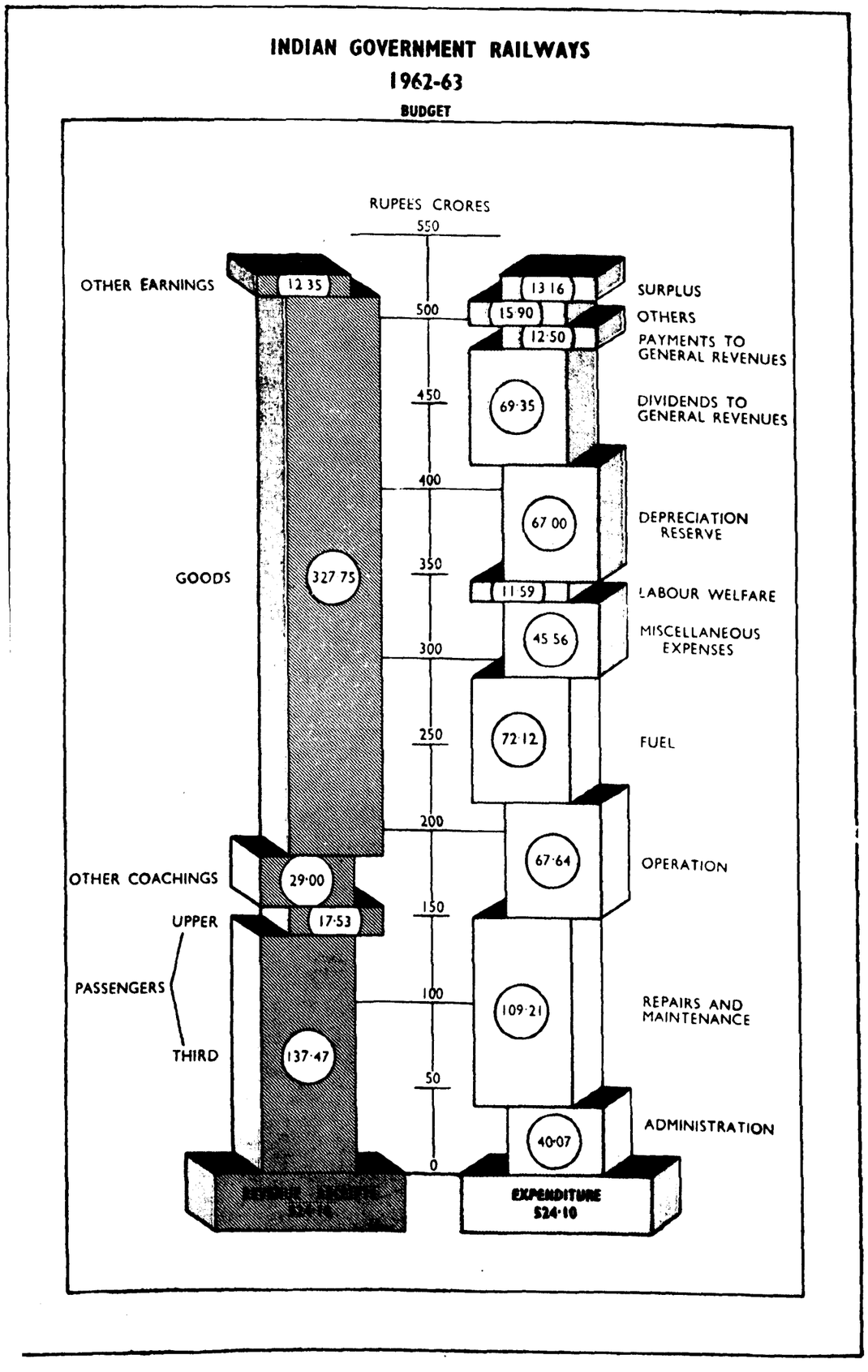
The policy of creation of coal dumps during the slack season, for the benefit of consumers in areas situated at a great distance from the coalfields, has perforce to be continued. So also encouraging loading on Sundays and all holidays. But another cruicial step that needs to be taken to relieve coal shortages during the current year and the next one is the allowing of particularly export industries in coastal areas to import high quality coal from rupee payment countries, say Poland. Aversion of the Union Ministry of Fuel to this proposal, put forth earlier in these columns, is ununderstandable. It probably is not recognised by it that this step can help quite substantially in our export effort. Lower fuel costs will undoubtedly help in reducing production costs, thereby making our industrial goods more competitive in world markets. And if our foreign exchange earnings can be stepped up at least to the extent of the cost of coal imports, why should we hesitate to take this calculated risk? Moreover, augmenting the supplies of coal through imports can help as a catalytic agent in breaking the vicious circle that has come to operate on the power and coal front. This injection appears to be absolutely necessary now if the health of the patient, the Indian economy, is to be restored at any early date. Recently import of coal from Pakistan to meet the requirements of the industries in North India has been frequently talked about in official circles. Why then there should be any aversion to imports of high-grade coal from rupee payment countries? And that too when our export effort is bound to get fillip as a sequel to it.

Now turning to the long-term problem, it must be recognised in the very first instance that the target of 97 million tons of coal output by 1965-66 is an underestimate by at least 8 to 10 million tons. This calculation is based on the fact that not only power target is rather low compared to the target fixed for industrial production, but more coal will be required by railways in view of the expansion already sanctioned or contemplated to be sanctioned in their development plans. The outlay on the development of railways under the Third Plan has already been stepped up by Rs. 120 crores over the Third Plan final draft figure, to enable them to raise their coal-moving capacity. Another allocation of Rs. 75 crores is understood to be under consideration in the Planning Commission to step up railways' capacity to move about 10 million tons more (than that contemplated in the final draft of the Plan) of general goods traffic.

While with the increased outlay on development of railways, either already sanctioned or contemplated to be sanctioned, with greater resort to dieselisation (the Railway Board has already been permitted to import a larger number of diesel engines than earlier authorised), and with encouraging the construction of bunkers and installation of tiplers (to enable bulk loading in box wagons) at the collieries having an output of 10,000 tons or more (suggestions to this effect have also been sent by the Railway Ministry to coal producers), railway bottlenecks in the movement of coal may be reduced to some extent, there is little doubt that the situation will ease only if roads and coastal shipping development is fostered in right earnest. The capacity of the road transport to carry more goods traffic should be augmented by building of causeways and even slightly revising upwards the maximum load a motor vehicle can safely carry. Encouraging coastal craft manufacturers to go in for building of light coastal ships will be a measure that should help in the development of coastal shipping.

To step up output of coal, whereas it is imperative that movement of the commodity from the pitheads should be accelerated, it is essential that adequate supplies of power, explosives and spare parts should be made available to the collieries. It is indeed encouraging that con-





certed steps are being taken in this direction. A note of caution, however, may be added in respect of raising of additional coal during the Third Plan period. If there is any likelihood of the National Coal Development Corporation's plans for development of new collieries lagging behind for some reason or the other, decision on allowing the private sector to expand more than it is envisaged now should be taken well in time.

There also appears to be a case to raise coal prices by a small margin so as to allow, at least partly, for the increases in the industry's costs on accounts other than labour wages. Admittedly, this will add to he fuel costs of the consumers. But to the extent increases in coal prices can be justified, they should be granted.

This leads us to the question of improvement of quality of coal. Any increase in coal price should be related to lowering of the ash content in coal. Augmenting the supplies of materials for stowing of coal should also help in more production of the commodity as well as improvement in its quality. Work on the establishment of coal washeries also has obviously to be accelerated.

Side by side with the taking of measures suggested above, an all-out effort needs to be made to explore sources of coal outside the West Bengal-Bihar Coal Belt, particularly in West India. That would go some way in reducing the dependence of Western region's industries on the distant collieries in East India.

Foreign Exchange

EASILY the one important component of the financial resources for the Third Five-Year Plan (and for that matter, for the Fourth Plan also) on which attention has been focused in public discussion is foreign exchange. The requirements of foreign exchange in the Third Plan are of a tall order because the tempo of the expansion of heavy industry in particular and the remaining segments of organised industry too is being accelerated by design. This is to complete the period of our economic take-off by the end of the Fourth Plan. The table attached to this section gives a comparative picture of India's balance of payments during the Second Plan. It will be seen from that table that the deficit on current account was the highest in 1957-58 at Rs. 501 crores and the lowest at Rs. 183 crores in 1959-60. Both were abnormal years, but it cannot be assumed that 1959-60 is a year of encouraging performance and a possible guide to the Third and Fourth Plans. It is patent on the face of this table that the low point of payments deficit on current account was rendered possible in 1959-60 because imports were held at a low figure and therefore the trade balance showed a relatively smaller deficit. This situation has no application to the high expansion which is assumed in the Third and Fourth Plans. The moral that emerges is that the critical nature of the foreign exchange requirements must be faced as an inescapable challenge by the new Parliament. It is not enough for Parliament to approve the Third Plan. It owes a duty to the nation to mobilise an intensive effort for raising these resources.

The two ways in which foreign exchange resources for the Third Plan are to be raised are a high level export drive and foreign assistance from co-operative countries — on a very liberal scale, if assistance in the Second Plan is taken as a criterion. The overall expectations of assistance from foreign governments and institutions are placed at Rs. 2,600 crores, but this figure excludes the P.L. 480 proceeds of the order of Rs. 600 crores which are now accounted for as a part of external aid. Will external assistance of this order materialise? Time was when some uncertainty, hesitation and reservations were expressed, in the course of the discussions on the preliminary estimates for the Third Plan and the fate of the Plan was presumed to hang in the balance. But this stage of uncertainty has been positively ruled out.

The manner in which different friendly governments came forward even during the latter part of the Second Plan to make commitments of assistance for the Third Plan began to regenerate strong optimism. Now it is unanimously agreed that external assistance on the scale which is assumed in the scheme of the resources for the Third Plan need not be held in doubt. At the end of this article is summarised the position of external assistance. It will be seen from this table that the aggregate balance available in October 1961 was of the order of Rs. 1,387 crores. But it includes the unutilised amounts of assistance left over from the Second Plan. Its importance lies in the fact that in the first years of the current Plan difficulties of financing development imports will not arise because these aid amounts will be with us in hand. But it ought not to be overlooked that a similar unutilised balance will be passed on at the end of the present Plan for utilisation during the Fourth Plan. But, all in all, the prospect of foreign assistance for the Third Plan projects should be taken as under-written and lifted from the realm of uncertainty.

During the Third Plan the average annual exports have been fixed at the target of Rs. 740 crores. One important aspect of the estimates about the foreign exchange requirements of the Third Plan that ought always to be borne in mind is that these estimates are rather too cautious and they appear to have been made in an anxiety not to create unwarranted concern about the magnitude of foreign currency expenditure. The trend of the criticism — whether made by our own or foreign analysts — of the scheme of the foreign exchange outlay goes to show that there is a good element of under-estimation in these calculations. This fact of under-estimation must be faced realistically. Its implication is that the drive for exports must be intensified. As it is, a liberal interpretation is being put on the concept of maintenance imports which should be financed by our own earnings of foreign exchange through exports. A certain element of what is conventionally considered as maintenance imports like those of machinery, equipment and intermediate products, is being taken out of this category on the ground that they go to augment the capacity for the production of capital goods. Some foreign aid is now avaliable to finance what is conventionally or strictly considered as maintenance imports This liberal interpretation makes it all the more necessary that the drive for export promotion must be intensified. In this context the target of exports in the Fourth Plan comes as a powerful reminder. At the end of the Fourth Plan it is presumed that our exports will be increased two-fold (as compared to exports at the end of the Third Plan) to the altitude of Rs. 1,400 crores.

The question may be posed: How is this a challenge to the new Parliament? Definitely, it is. The obvious facts are that a policy of compulsive restrictions on imports has created shortages inside the country and a sellers' domestic market. The range of profits earned in the domestic market, as the reality stands, operates as a disincentive to the hard effort to push up exports. Even when there are no impediments of such disincentives, it is the conventionally accepted policy on exports even in the industrialised countries to provide positive fiscal and other incentives to export traders in order to stabilise and expand the export drive. It is high time India aligned herself further with her competitors in the world export market.



The Ramaswami Mudaliar Committee has gone into a masterly analysis of this tough task of export promotion. The recommendations which it has made on providing incentives in the form of an import-export stabilisation fund, tax relief, freight concessions, foreign currency retention, and so forth are too fresh in the public mind to require even a brief repetition here. It is for Parliament to give the Government the necessary sanction for providing incentives. Failure on its part to discharge this obligation will mean direct evasion of its obligation to help make the export promotion campaign an effective success.

EXTERNAL ASSISTANCE — AUTHORISED AND UTILISED

(Rs. crores)

Source of Assistance and Projects	Total aid available for utilisation during Second Plan	Utilisation during Second Plan	Balance available for utilisation during Third Plan	Authorisation for Third Plan during Second Plan and upto 30-9-1961.	Utilisation during 1-4-61 to 30-9-61.	Total available upto 30-9-61 for utilisation for Third Plan	Unutilised balance as on 1-10-61.
(a) Loans and Credits to be repaid in Foreign Currency	8,16.58	6,05.38	2,11.20	5,63.20	7,74.40	1,00.69	6,73.71
(b) Loans and Credits to be repaid in Indian rupees	2,43.88	1,16.83	1,27.05	40.52	1,67.57	16.55	1,51.02
(c) Grants (excluding those under U.S. Public Law)	1,94.25	1,60.29	33.96	16.44	50.40	11.17	39.23
(d) Total Loans and grants excluding those under U.S. Public Laws	12,54.71	8,82.50	3,72.21	6,20.16	9,92.37†	1,28.41	8,63.96
(e) U.S. Assistance under P.L. 480 and P.L. 665	11,42.68	5,47.20	5,70.06	—	5,70.06	47.16	5,22.90
(f) Grand Total (d+e)	**23,97.39**	**14,29.70**	**9,42.27**	**6,20.16**	**15,62.43**	**1,75.57**	**13,86.86**

† Since October 1961, a further sum of Rs. 86.95 crores has been authorised from the commitments made at the consortium meetings in May-June 1961.

Education

PEOPLE'S reaction to educational progress in this country is a mixed one. While they are happy over the number of schools and colleges that have been opened for the education of their children, they are, at the same time, worried about the poor quality of education that is being imparted in most of the institutions. It is, however, not to deny that there are quite a number of progressive schools but they are only 'public schools' where the sons of poor cannot afford to get education. Whether the shortcomings in the field of education are due to the inadequacy of resources or due to wrong theories or perhaps to a lack of perspicacity or determination, the fact that they are there is in itself disheartening. The country is short of scientists, engineers, doctors, economists and other trained men and in spite of best efforts there still exists a wide gap between their demands and requirements. Indiscipline for the last few years has taken the worst form and even on the slightest provocation strikes are resorted to by the students. This certainly is not a trend towards the right direction.

The worst aspect is that the planners have not been able to achieve the goal of free and compulsory education for children up to the age of 14 years. The number of students in the age group 6-11 has only risen 43 per cent to 60 per cent in the beginning of the First Plan to the end of the Second Plan. Article 45 of the Constitution provides that "State shall endeavour to provide within a period of 10 years from the commencement of the Constitution free and compulsory education for all children until they complete the age of 14 years". This expectation is not likely to be fulfilled even in the Third Five-Year Plan and the estimates are that the percentage might rise only to 76 per cent. Government's contention in this regard is that the Constitution makers had under-estimated the immensity of the task but whatever that may be the fact remains that there is an urgent need to fulfil the task.

In the First Plan out of a total allotment of Rs. 153 crores for education, Rs. 85 crores were provided for elementary education and in the Second Plan out of a total allotment of Rs. 256 crores even if half the amount had been provided for enforcement of universal compulsory and free primary education, the possibility was that the directive might have been fulfilled. The planners were oblivious to it in the past and so do they now seem to be during the Third Five-Year Plan. It is not that sufficient resources are not there but the fact is that sufficient priority has not been given to enforcing compulsory and free primary education.

This is not the only flaw in primary education, but the basic education which incorporates the co-ordination of craft, music, teamwork, drill and other activities along with the teaching of the three R's, has also nothing to commend itself. It may be superior to the ordinary primary education, but the way it has been diluted, there is nothing much lustre left in it. It now merely means a few spinning wheels and some twisted cotton involving waste of time for the teacher as well as the taught. Secondary education is also meeting the same fate. Funds are being distributed in a multiplicity of schemes many of which are neither desirable nor urgent. While the development of junior schools for producing skilled artisans and mechanics is, of course, urgent and necessary, the large expenditure in the so-called multi-purpose schools is a needless distraction. It is just not possible to convert the high schools in the country into such schools within a reasonable time. Serious shortcomings of the secondary education system — apart from the inadequacy of the enrolment of girls — is that Indian students have to

INDIA'S BALANCE OF PAYMENTS

(Rs. crores)

	1956-57	1957-58	1958-59	1959-60	1960-61†					1961-62†		
					1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	Total	1st Qr.	2nd Qr.	Total April-Sept.
1. Imports c.i.f.	1099.5	1233.6	1029.0	924.5	288.2	250.5	266.8	282.5	1088.0	249.7	242.3	492.0
(a) Private	811.9	696.2	503.6	508.1	149 2	138.3	151.5	152.5	591.5	156.5	152.1	308.6
(b) Government	287.6	537.4	525.4	416.4	139.0	112.2	115.3	130.0	496.5	93.2	90.2	183.4
2. Exports f.o.b.	635.2	594.1*	576.3	623.2	152.6	146.7	171.6	161.0	631.9	160.0	160.3	320.3
3. Trade Balance (2—1)	**—464.3**	**—639.5**	**—452.7**	**—301.3**	**—135.6**	**—103.8**	**— 95.2**	**—121.5**	**—456.1**	**— 89.7**	**— 82.0**	**—171.7**
4. Non-monetary gold movement	..	..	..	5.9	..	..	..	..	..	..	..	..
5. Official donations	39.5	34.1	35.8	37.1	16.7	10.0	7.9	10.8	45.4	11.8	7.8	19.6
6. Other Invisibles (net)	112.5	104.0	90.8	75.7	24.8	10.1	17.1	—6.4	45.6	—0.6	—6.0	—6.6
7. Current Account (net)	**—312.3**	**—501.4**	**—326.1**	**—182.6**	**—94.1**	**—83.7**	**—70.2**	**—117.1**	**—365.1**	**—78.5**	**—80.2**	**—158.7**
8. Errors and Omissions	1.6	—9.8	—23.9	—15.7	—3.3	—11.1	3.6	11.5	0.7	—3.4	11.0	7.6
9. Official Loans (Gross)	30.7	115.1	219.7	184.3	59.4	58.9	60.0	61.9	240.2	69.0	64.5	133.5
10. Other Capital Transactions (net)	4.0	101.7	88.0	21.7	12.8	16.8	17.8	28.3	75.7	21.7	—73.5	—51.8
11. Drawings on I.M.F. (Gross)	60.7	34.5	..	..	..	0'611	0'611	..	..	..	..	..
12. Repayments to the I.M.F.	—6.0‡	..	..	—23.8	—10.7	..	..	..	—10.7	—30.6	—30.1	—60.7
13. Movement in Foreign Exchange Reserves (Increase+) (Decrease—)	—221.3	—259.9	—42.3	—16.1	—35.9	—19.1	+11.2	—15.4	—59.2	—21.8	+10.7	—11.1

*Excludes lend-lease silver repatriated to the U.S.A.
†Preliminary.
‡The last instalment for completing repayment of drawings on IMF made in 1948-49.

carry a burden of language learning which their confrers in other countries are not required to do. With the surveying of the field of secondary education by an important commission a few years ago, the consolation now is that efforts are being directed towards its diversification and amplification. In the field of university education the fall in standards is an annoying factor. This is because of the shortage of qualified teachers who are not prepared to come to the teaching profession because the salary scales are so poor.

Admitted that there have been improvements in the salaries of teachers in the recent past, still a vast majority of them are paid less than Rs. 75 per month. The irony of the situation is that even where the quality of education can be improved without any additional outlay, the Government have been completely apathetic. Many of the text-books in the schools in the several States are now a crying scandal.

Technical education no doubt is taking a turn for the better. Rs. 140 crores are likely to be spent on schemes for technical training in the field of engineering and technology in the Third Five-Year Plan. In that very period, it is estimated that annual admission in the degree courses will be increased from 14,000 to about 19,000 and in respect of diploma courses from about 25,500 to 367,400. Here also the shortfall is in regard to the qualified teachers which the country has not been able to produce so far. Although there is no harm in bringing men of calibre from outside to impart education to our students, in the long run efforts must be devoted to train our own men to perform these functions. Since there exists in the world of today a practically perfect correlation between educational level and the economic development we must step up our investment in education. Our educational policy must be such that principles of democracy — fraternity, liberty and social justice—embodied in our Constitution are given a concrete shape. Education can become a blessing in disguise if we can bring about change in the outlook of the teachers and the taught. So far as bringing about quality in our education is concerned, perhaps there could be no better reform than the lengthening of the period of pre-university education so that no pupil is admitted to the university before he or she attains the age of 18 years.

Housing: Population Versus Resources?

INADEQUATE ALLOCATION

CONSTITUTING, as it does, in itself an important infra-structure of economic planning, housing contributes to the fulfilment of a primary necessity of the people. In the last decade of India's economic planning, public outlay in this important social overhead has risen progressively from Rs. 38.5 crores in actual figure in the First Five-Year Plan to Rs. 80.3 crores, against the respective allocations of Rs. 49 crores and Rs. 120 crores. Taken together, the actual amount spent in the past ten years was less by Rs. 50.2 crores or nearly one-third of the fund originally provided for. In the Third Plan programme allocation for housing and urban development has been made at Rs. 202 crores which, however, includes the unutilised amount of earlier two plans. This means to suggest that net allocation under this head in the Third Plan is not likely to be more than Rs. 152 crores. To put in a different way, the percentage rise of outlay in the Third Plan over the Second Plan is by 152 per cent approximately.

In physical terms, number of houses to be built during the Third Plan under housing schemes of various ministries is 900,000 as against 5,00,000 in the Second Plan. Private investment in urban house construction during the Third Plan has been placed at Rs. 1125 crores on 2.2 million houses as against Rs. 1000 crores in the Second Plan and Rs. 900 crores in the First Plan. A survey made by a research body shows that saving preference of the urban household in housing is second in order of importance. It is largely because of the sky-high rent the houses yield in the urban sector that the people tend to invest their saving in housing.

It would not perhaps be preposterous to indulge in a little mathematical exercise here. The number of urban houses increased from 6.5 million in 1931 to 10 million in 1951, the first year of the First Plan. The urban population in 1951 was estimated to be 62 millons, the shortage of houses being estimated at about 2.5 millions. The decade of planning that followed could not add more than 2.4 million houses in urban areas, while population during the same period increased at a rate of about 4 per cent per annum in towns with a population of 20,000 or more. The gap between the demand for and supply of houses is estimated to be around 5 million houses in 1961 and in 1966 the gap is likely to widen to 7.5 million on the present reckoning. The increasing pressure on urban houses will be apparent from the fact that while in 1951 there were 5.5 persons per household, in 1961 the number was estimated to be around 6.4 and if this rate of increase continues the projection for 1981 will be 9.6 or 10 persons per household. The rate of rise in urban population has already overtaken the rate of increase in houses and it is, therefore, not enough to reach for the target, since by the time the target is hit, population has outstripped it long back and the whole thing looks like will-o-the-wisp. To break away this rut, it behoves all the more imperative that master plans for urban areas should be immediately drawn up and undertaken. The adequacy of the allocation of funds is, therefore, open to serious doubt.

SUBSIDISED HOUSING SCHEME

The physical target under the subsidised industrial housing scheme in the Third Plan is 73,000 against the financial allocation of Rs. 29.8 crores. By the end of the Second Plan, about 100,000 tenements were completed and 20,000 were at different stages of construction. Under the present scheme the Central Government is to provide State Governments, statutory housing boards and the municipal bodies 50 per cent of the cost as loan and 50 per cent as subsidy. As far as co-operative housing societies for industrial workers are concerned, the Government is to subsidise the cost to the extent of 25 per cent and offer loan to 65 per cent. In the case of industrial employers the Government is to provide 50 per cent as loan and 25 per cent as subsidy. The scheme has not made much headway as the response received from employers and co-operatives has been poor. The obvious reason for this can be traced in the spiralling costs and scarcity of building materials. The actual cost turns out to be much higher than the estimated cost. With a view to making the scheme acceptable to the industrial employers, the Madras Government has made a new offer in that the share of 25 per cent of the estimated cost borne by the employers will remain constant in any event and that the task of building will be left to the Government. The change is, in fact, in conformity with the proposal of the Union Government and deserves to be followed by other States. There is no denying the fact that in the larger context of economic development and industrialisation, industrial undertakings will have to accept a larger share of responsibility for the housing of workers—a necessary condition for productivity and industrial efficiency.

Under the middle income group housing scheme of the Union Ministry of Works, Housing and Supply, the Government of India has already sanctioned loan assistance amounting to Rs. 4 crores for the year 1961-62

to 14 State Governments in order to assist persons in the income range of Rs. 6000 to Rs. 15000 a year, to build houses for themselves. The amount will be advanced by the Life Insurance Corporation of India direct to the State Governments. A person with a monthly income of Rs. 500 to 1000 cannot afford to pay 30 per cent of his income for rent, even a bare 20 per cent tells upon his purse considerably.

SLUM CLEARANCE AND IMPROVEMENT

The problem relating to slum clearance and improvement is perhaps the most baffling in view of the vast magnitude of the task and meagre resources available for the purpose. Following the reports of the Advisory Committee on Slum Clearance, the Slum clearance programme was extended to include slum improvement as a short-term objective and accordingly larger resources were provided as a matter of immediate priority for dealing with the slum problems of six major cities, Calcutta, Bombay, Madras, Delhi, Kanpur and Ahmedabad.

Viewed from the cost and the rate of return angle slum clearance and improvement problem would always appear to be chasing their own respective shadows. This is so because rate of return rises and so does the cost and they almost run against one another. The Government of India's latest measure proposing upward revision of ceiling cost and rent rates built under the Slum Clearance Scheme can not go a long way in bringing about any change, so long as land prices go on rising obstinately. Fixation of unit cost, rent rate and ratio of financial responsibility can by themselves do little. Slum clearance has indeed made little progress in checking land values which are running sky-high. The rapid rise in population has opened up a new dimension of the housing problem and by the end of the Third Plan more people will live in hutments than at present and more perhaps will sleep on pavements alone.

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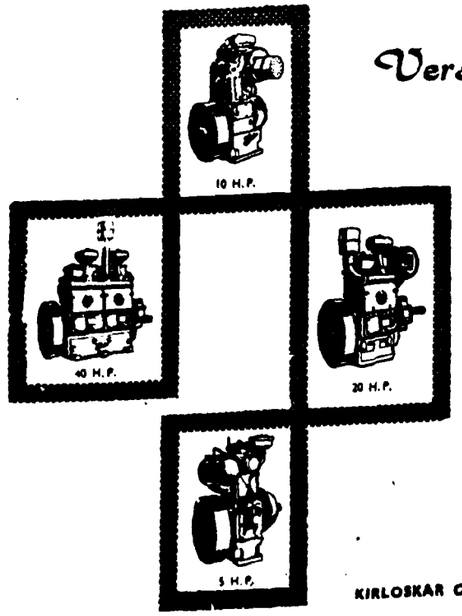
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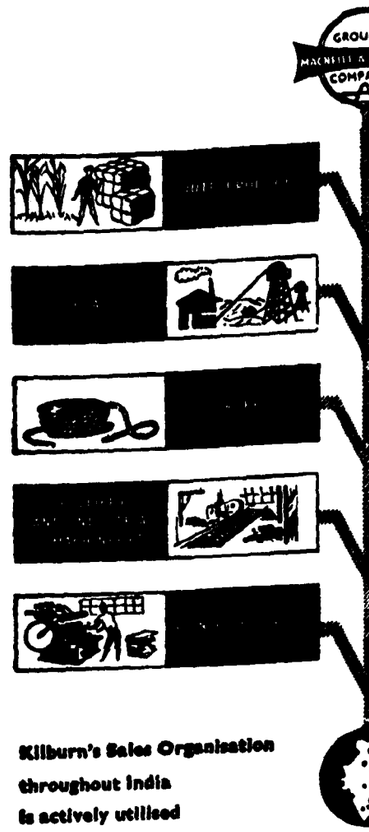
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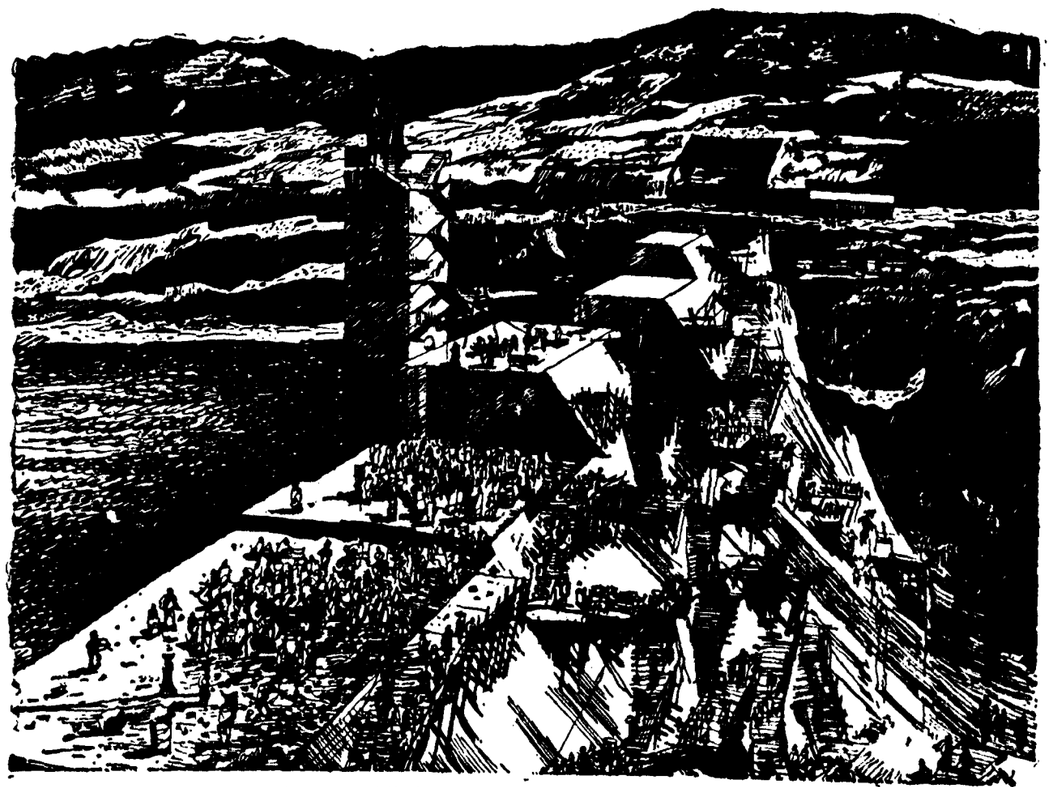
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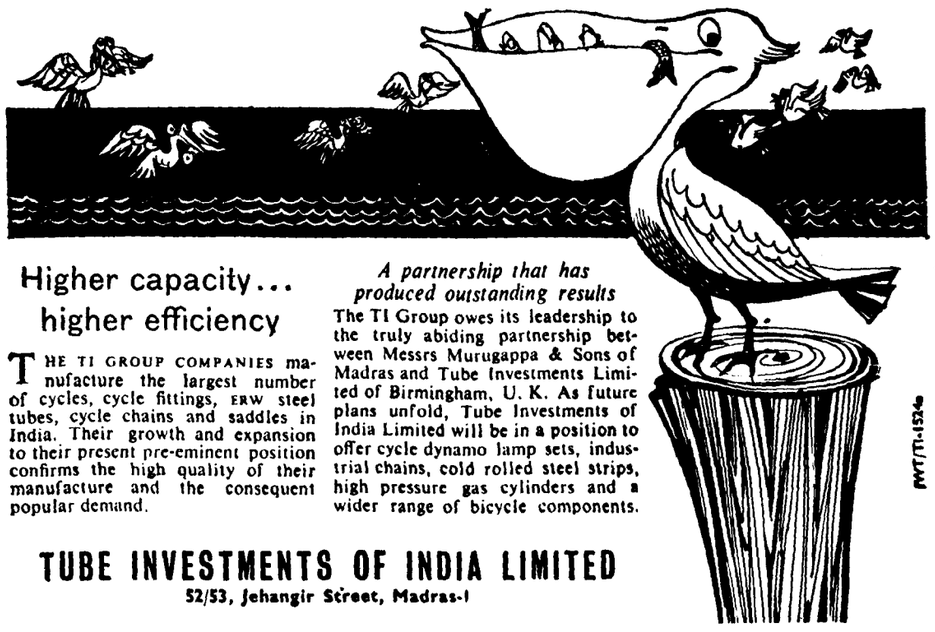
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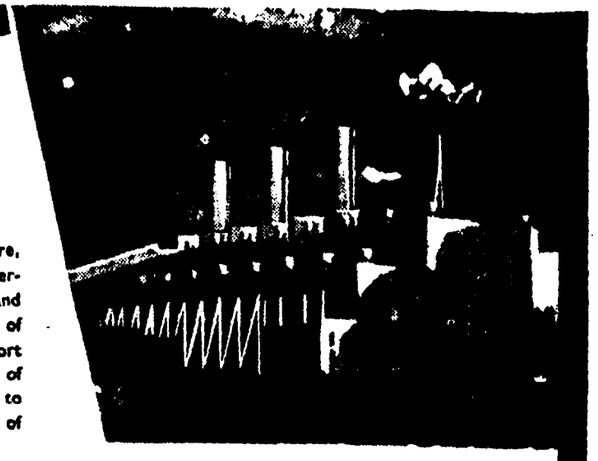
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CATEGORY-WISE BREAKDOWN OF PRIVATE IMPORTS*

(Rs. crores)

	Total 1956-57	Total 1957-58	Total 1958-59	Total 1959-60	1960-61‡ April-June	July-Sept.	Oct.-Dec.	Jan.-March	Total	1961-62‡ April-June	July-Sept.	Total April-Sept.
I. Consumer Goods	**123.4**	**104.3**	**63.9**	**65.5**	**17.5**	**16.4**	**20.3**	**21.4**	**75.6**	**17.8**	**17.4**	**35.2**
1. Food, drink & tobacco	38.8	27.9	18.9	20.0	4.9	4.6	7.9	8.1	25.5	5.1	4.5	9.6
2. Drugs and medicines	14.2	15.7	9.9	8.8	2.6	2.2	1.9	2.3	9.0	2.1	2.3	4.4
3. Paper, paperboard and newsprint	14.5	12.1	7.1	8.4	2.1	2.1	2.5	2.4	9.1	2.1	2.6	4.7
4. Electrical goods	23.8	24.8	15.6	14.5	4.5	3.7	4.5	4.8	17.5	5.1	4.6	9.7
5. Others	32.1	23.8	12.4	13.8	3.4	3.8	3.5	3.8	14.5	3.4	3.4	6.8
II. Raw Materials and Produce	**186.6**	**146.6**	**120.3**	**169.5**	**51.3**	**45.5**	**41.9**	**41.4**	**180.1**	**46.2**	**44.1**	**90.3**
1. Mineral oils	90.0	79.8	56.0	83.7	21.0	13.7	19.2	22.8	76.7	20.7	21.2	41.9
2. Cotton, raw and waste	47.8	19.2	25.1	37.4	14.5	14.9	6.0	4.8	40.2	12.2	8.0	20.2
3. Jute, raw and waste	7.8	6.5	2.6	2.8	1.4	1.4	1.5	1.2	5.5	0.8	2.3	3.1
4. Others	40.0	41.1	36.6	45.6	14.4	15.5	15.2	12.6	57.7	12.5	12.6	25.1
III. Intermediate Goods	**240.1**	**179.1**	**125.1**	**114.0**	**38.3**	**36.5**	**39.2**	**38.0**	**152.0**	**37.9**	**39.7**	**77.6**
1. Chemicals	28.5	21.8	24.3	28.4	8.8	7.1	9.1	8.2	33.2	9.5	10.0	19.5
2. Dyes and colours	15.0	14.3	12.4	11.3	2.9	3.0	3.4	2.8	12.1	2.9	3.2	6.1
3. Metals, iron and steel	118.2	82.7	41.6	31.4	13.8	13.6	14.4	13.7	55.5	14.2	15.2	29.4
4. Metals other than iron and steel	37.3	33.6	23.9	25.3	8.8	8.9	8.7	9.1	35.5	8.8	8.4	17.2
5. Textile yarns	41.1	26.7	22.9	17.6	4.0	3.9	3.6	4.2	15.7	2.5	2.9	5.4
IV. Capital Goods	**213.8**	**206.5**	**141.7**	**134.3**	**38.2**	**36.1**	**45.3**	**47.4**	**167.0**	**50.0**	**46.2**	**96.2**
1. Machinery	153.1	166.1	109.7	93.7	27.0	23.5	31.9	31.9	114.3	36.0	32.8	68.8
2. Vehicles (incl. locomotives)	46.3	35.8	24.7	32.7	9.4	10.9	11.8	12.4	44.5	13.2	12.0	25.2
3. Ships, aircrafts and parts	14.4	4.6	7.3	7.9	1.8	1.7	1.6	3.1	8.2	0.8	1.4	2.2
V. Others	**47.0**	**59.7**	**52.6**	**24.8**	**3.9**	**3.8**	**4.8**	**4.3**	**16.8**	**4.6**	**4.7**	**9.3**
TOTAL	810.9†	696.2	503.6	508.1	149.2	138.3	151.5	152.5	591.5	156.5	152.1	308.6

*Based in ECD data.

†The revised figure of annual private imports for 1956-57 is Rs. 811.9 crores.

‡Preliminary.

IMPORTS ON GOVERNMENT ACCOUNT

(Rs. crores)

	1956-57	1957-58	1958-59	1959-60	1960-61*			1961-62*		
					1st half	2nd half	Total	1st Qr.	2nd Qr.	Total 1st half
1. Foodgrains	107.6	165.3	150.7	151.6	114.1	124.3	238.4	33.7	40.4	74.1
2. Capital equipment for Govment projects	52.5	104.7	144.2	94.9	46.8	51.3	98.1	23.0	20.4	43.4
3. Iron and Steel	15.1	49.7	42.7	15.5	10.7	10.0	20.7	4.7	6.8	11.5
4. Railway stores	33.3	50.3	51.8	17.2	14.0	7.7	21.7	2.2	2.0	4.2
5. Communication stores	25.8	30.3	11.7	19.1	9.1	6.4	15.5	3.2	3.0	6.2
6. Others	53.3	137.1	124.3	118.1	56.5	45.6	102.1	26.4	17.6	44.0
TOTAL	287.6	537.4	525.4	416.4	251.2	245.3	496.5	93.2	90.2	183.4

*Preliminary.

REGIONAL PATTERN OF INDIA'S BALANCE OF PAYMENTS (CURRENT ACCOUNT)

(Rs. crores)

Period	Sterling Area	Dollar Area	OEEC Countries	Rest of Non-Sterling Area	Total
1951-52	+98.9	—151.0	—34.8	—75.7	—162.6
1952-53	+98.9	—26.9	—20.3	+8.5	+60.2
1953-54	+64.2	+27.2	—57.5	+13.5	+47.4
1954-55	+52.9	+14.9	—75.7	+13.9	+6.0
1955-56	+44.2	+39.2	—84.5	+13.4	+12.3
1956-57	—37.9	—44.5	—199.9	—30.0	—312.3
1957-58	—71.8	—122.1*	—255.8	—51.7	—501.4*
1958-59	—12.3	—87.5	—165.2	—61.1	—326.1
1959-60	—45.3	—58.3	—105.6	+26.6	—182.6
1960-61†	—30.4	—194.9	—143.4	+3.6	—365.1
1st quarter	—23.4	—42.1	—37.1	+8.5	—94.1
2nd quarter	—7.9	—42.8	—33.4	+0.4	—83.7
3rd quarter	+14.0	—50.1	—35.8	+1.7	—70.2
4th quarter	—13.1	—59.9	—37.1	—7.0	—117.1
1961-62†					
1st quarter	—16.6	—23.5	—38.0	—0.4	—78.5
2nd quarter	—19.9	—20.9	—36.1	—3.3	—80.2

Net Credit (+), Net Debit (—).
†Preliminary.

* Excludes silver despatched to the U.S.A.

CATEGORY-WISE BREAKDOWN OF EXPORTS*

(Rs. crores)

	Total 1956-57	Total 1957-58	Total 1958-59	Total 1959-60	1960-61‡ April-June	July-Sept.	Oct.-Dec.	Jan.-March	Total	1961-62‡ April-June	July-Sept.	Total April-Sept.
I. Food, drink and tobacco	**213.6**	**195.3**	**206.1**	**198.5**	**38.3**	**48.0**	**66.0**	**52.6**	**204.9**	**41.6**	**54.9**	**96.5**
of which: Tea	149.3	119.4	137.9	129.8	13.5	30.7	46.9	33.3	124.4	13.8	33.3	47.1
II. Raw materials and produce and articles mainly unmanufactured	**190.0**	**176.0**	**159.6**	**199.4**	**54.6**	**39.5**	**43.7**	**45.0**	**182.8**	**55.8**	**44.2**	**100.0**
of which: 1. Cotton raw and waste	23.7	15.9	23.2	15.2	3.2	2.1	3.5	4.0	12.8	8.3	4.3	12.6
2. Vegetable oils	25.5	14.9	9.6	18.0	4.4	3.8	2.4	1.3	11.9	2.9	1.8	4.7
3. Hides and skins raw and tanned	30.4	30.5	29.2	43.7	11.9	8.1	8.8	9.5	38.3	10.5	8.8	19.3
4. Metallic ores£	19.8	16.1	14.5	15.6	5.0	4.3	3.3	3.8	16.4	4.2	3.9	8.1
5. Manganese ore	21.1	29.4	13.2	12.0	4.1	2.5	2.5	2.6	11.7	3.8	2.7	6.5
III. Articles wholly or mainly manufactured	**255.9**	**242.0**	**232.7**	**249.7**	**66.0**	**64.3**	**66.9**	**69.6**	**266.8**	**69.0**	**67.5**	**136.5**
of which: 1. Jute manufactures	126.3	118.2	105.9	111.0	31.6	32.6	34.5	36.5	135.2	37.9	34.6	72.5
2. Cotton manufactures	80.3	76.2	63.5	80.6	18.8	18.0	18.6	18.3	73.7	16.1	15.1	31.2
IV. Others	**8.4**	**8.7**	**7.9**	**9.9**	**2.1**	**1.8**	**2.5**	**2.0**	**8.4**	**1.9**	**2.0**	**3.9**
TOTAL (c.i.f.)	667.9	622.0	606.3	657.5	161.0	153.6	179.1	169.2	662.9	168.3	168.6	336.9
Less estimated freight and insurance	31.1	27.0	25.5	27.6	6.7	6.5	7.5	7.1	27.8	7.0	7.1	14.1
Exports (f.o.b.)**	**636.8‡**	**594.1**	**576.3**	**623.2**	**152.6**	**146.7**	**171.6**	**161.0**	**631.9**	**160.0**	**160.3**	**320.3**

*Based on ECD data.

†Preliminary.

**Excludes also the deviation between value declared and actual realised value.

‡The revised figure of annual exports for 1956-57 is Rs. 635.2 crores.

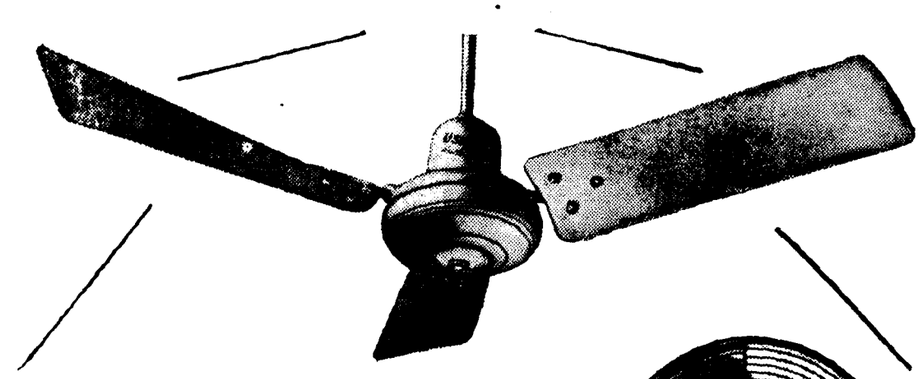
£ From April-June 1960, figures refer to iron ore only.

CURRENT ACCOUNT: INVISIBLES

(Rs. crores)

	1956-57	1957-58	1958-59	1959-60	1960-61†			1961-62†		
					April-Sept.	Oct.-March	Total	April-June	July-Sept.	Total (April-Sept. '61)
1. Foreign Travel										
Receipts	16.7	15.8	17.6	15.4	1.8*	2.5*	4.3*	1.1*	1.0*	2.1*
Payments	12.4	7.1	7.8	9.5	6.6	4.4	11.0	4.1	3.0	7.1
Net	+ 4.3	+ 8.7	+ 9.8	+ 5.9	— 4.8	— 1.9	— 6.7	— 3.0	— 2.0	— 5.0
2. Transportation										
Receipts	46.2	47.4	45.1	44.5	21.4	21.4	42.8	11.4	12.9	24.3
Payments	16.1	19.0	18.0	21.3	11.1	12.7	23.8	6.7	7.3	14.0
Net	+30.1	+28.4	+27.1	+23.2	+ 10.3	+ 8.7	+ 19.0	+ 4.7	+ 5.6	+ 10.3
3. Insurance										
Receipts	10.4	9.0	9.8	8.0	3.3	4.8	8.1	1.7	1.9	3.6
Payments	6.9	5.5	5.4	5.4	3.1	3.0	6.1	1.2	1.8	3.0
Net	+ 3.5	+ 3.5	+ 4.4	+ 2.6	+ 0.2	+ 1.8	+ 2.0	+ 0.5	+ 0.1	+ 0.6
4. Investment Income										
Receipts	32.8	23.3	16.3	13.6	6.9	7.4	14.3	2.6	3.5	6.1
Payments	23.9	28.5	36.2	44.7	24.5	31.4	55.9	14.6	22.2	36.8
Net	+ 8.9	— 5.2	—19.9	—31.1	—17.6	—24.0	—41.6	—12.0	—18.7	—30.7
5. Government not included elsewhere										
Receipts	19.1	28.2	40.1	52.1	32.7	28.8	61.5	6.7	6.7	13.4
Payments	12.7	13.9	14.5	12.4	4.8	15.1	19.9	4.0	3.5	7.5
Net	+ 6.4	+14.3	+25.6	+39.7	+ 27.9	+ 13.7	+ 41.6	+ 2.7	+ 3.2	+ 5.9
6. Miscellaneous										
Receipts	35.1	33.9	31.6	23.4	18.9	16.6	35.5	10.6	10.8	21.4
Payments	23.6	25.3	28.5	27.5	15.0	16.9	31.9	10.4	11.0	21.4
Net	+11.5	+ 8.6	3.1	— 4.1	+ 3.9	— 0.3	+ 3.6	+ 0.2	— 0.2	..
7. Donations										
(a) Official Donations										
Receipts	39.5	34.1	35.8	37.1	26.7	18.7	45.4	11.8	7.8	19.6
Payments	..	..	..	..	..	..	..	..	..	..
Net	+39.5	+34.1	+35.8	+37.1	+ 26.7	+ 18.7	+ 45.4	+ 11.8	+ 7.8	+ 19.6
(b) Private Donations										
Receipts	63.6	62.2	57.4	55.6	23.5	21.0	44.5	10.8	10.1	20.9
Payments	15.8	16.5	16.7	16.1	8.5	8.3	16.8	4.5	4.1	8.6
Net	+47.8	+45.7	+40.7	+39.5	+ 18.0	+ 12.7	+ 27.7	+ 6.3	+ 6.0	+ 12.3
8. Total										
Receipts	263.5	253.9	253.7	249.7	135.2	121.2	256.4	56.7	54.7	111.4
Payments	111.5	115.8	127.1	136.9	73.6	91.8	165.4	45.5	52.9	98.4
Net	+152.0	+138.1	+126.6	+112.8	+ 61.6	+ 29.4	+ 91.0	+ 11.2	+ 1.8	+ 13.0

†Preliminary.
*Incomplete.

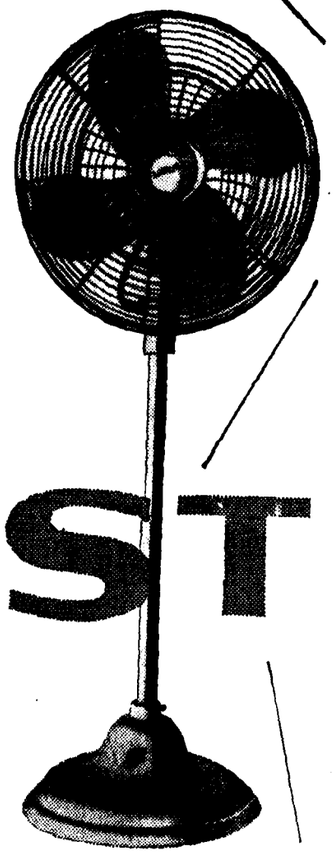


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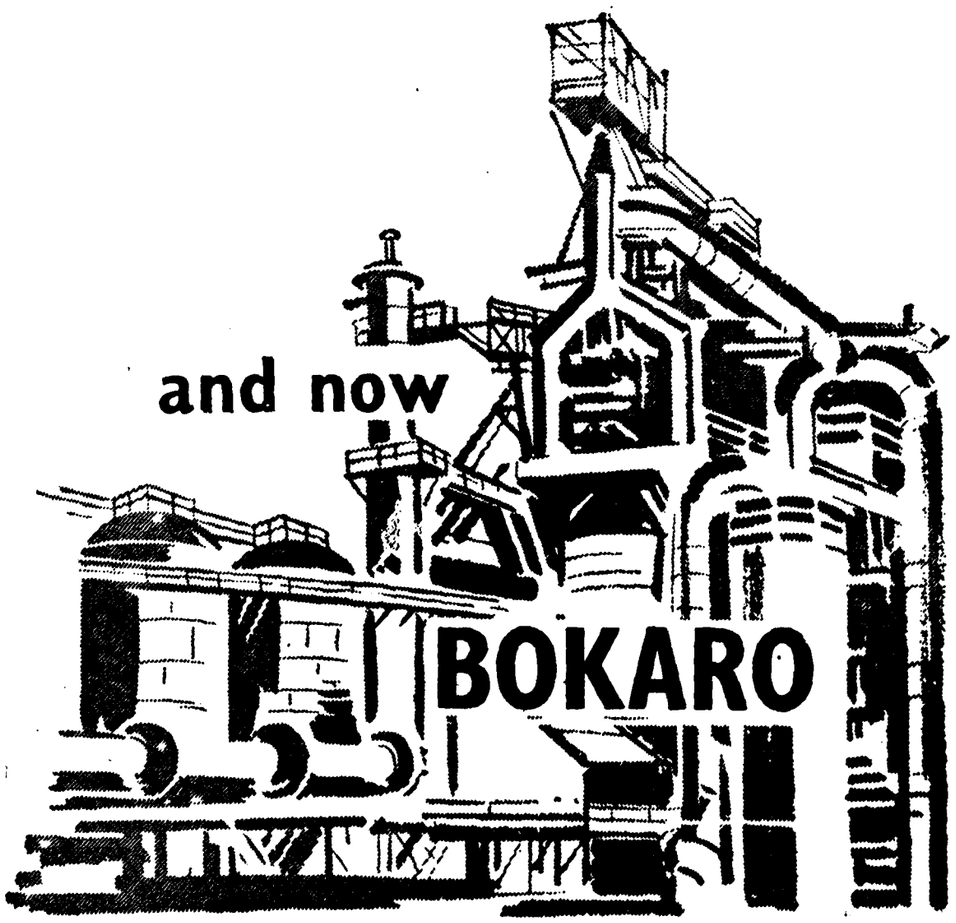




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MDC-10A

The Private Sector in the Third Plan

By G. L. MEHTA

PRIVATE enterprise in India has now been working within a planned economic system for more than ten years. Although brief, this has been an eventful period in the history of the country and has also witnessed a remarkable development of the private sector. The period is sufficiently long to enable us to have a stock-taking of the past and draw lessons for the future. Such an exercise is essential because private enterprise is no longer taken for granted as in the last century. Besides, in a planned economy, the criteria by which private enterprise is judged are not the same as in a "free" economy.

Before the advent of planning, private enterprise had an almost unrestricted field in our country. Until World War II, such positive steps as were taken to assist industries were few and halting (the most important being the policy of discriminating protection) while Government attitude to economic development seemed largely negative. During the last war, certain industries did receive a fillip but this was largely without a consistent and long-term policy of industrial development.

After independence all this changed. The State has come to adopt a more positive attitude in regard to economic development and has endeavoured to lay down the broad framework of a plan within which such development is to be achieved. The Indian economy is frequently referred to as a "mixed" economy and cannot, perhaps, be easily defined — mixtures can be of several kinds and the economic formulae are no less varied than those made possible by advances in the medical field. If "mixed" economy is regarded as an "unmixed evil", all economies, except presumably some totalitarian ones, must be characterised as evil. Indeed, almost all economies are "mixed" in the sense that several functions in a community are performed by Government and others by individual citizens, corporate bodies and voluntary associations. It is the demarcation of responsibilities between the two sectors which distinguishes "mixed" economies. "Unmixed" concentration of both political and economic power in the same hands would be detrimental to democracy as well as genuine socialism. It would be a negation of liberty. As one of the outstanding economists of our day, Prof. Arthur Lewis, has observed, "Both sides can appeal to history but sensible people do not get involved in any arguments about whether economic progress is due to governmental activity or to individual initiative. They know that it is due to both and they concern themselves only with asking what is the proper contribution of each". If I were to specify the ingredients which go to constitute our economic system, I would mention three basic constituents, namely, planning, state-ownership of industry and controlled exercise of private enterprise.

Now, we need not be frightened of words any more than enamoured by them — whether it be planning, socialism, vested interests or nationalisation. The principal advantage of planning in developing countries has been, as recognised by international bodies and institutions, that it has helped to give a sense of direction to long-term policies and to enhance the flexibility of short-term programmes. Planning has also been instrumental in providing a general setting for expansion and in enabling various sectors of the economy to work towards a number of specific objectives. In the present-day world, we can no more condemn planning as such because of the risk that it might be carried to extremes any more than we can extol any kind of planning irrespective of its content and consequences. Our problem is not one of choosing between an ideal conception of individual freedom and some kind of collectivism but of finding in each case a proper balance between the two. For, the conflict is not so much between "individual freedom" and "collectivism" as between different forms of planning or collective action between different degrees of freedom, of open as well as concealed power.

Although the conception of a welfare state may be different in different countries and may also change from time to time, its fundamentals can no longer be disputed. The objectives embodied in the Directive Principles of the Constitution of India have to be achieved by democratic processes and without detriment to the national economy. Several years ago, Sir William Harcourt, then Chancellor of the Exchequer, observed in introducing the Death Duty Bill in Parliament, "We are all socialists now". No sensible person can support the unfettered exploitation of economic resources for private gain. No healthy adult citizen has a right to enjoy the fruits of other people's labour without contributing a fair quota of his own. In so far as socialism involves equality of social and educational opportunity, distributive justice, the supremacy of public interest above private gain and diffusion of economic power, few persons with a sense of responsibility and sensitivity would disagree with its basic principles. Priorities are essential to conserve and mobilise economic resources and see that necessities of life for the masses have a precedence over luxury for a few. We, with our cultural traditions, should surely be able to realise that mere pursuit of material gain by itself is empty and that the good society is one in which the human personality is developed to the full.

That the private sector is an integral part of national economy is widely recognised. In a book entitled "Twentieth Century Socialism" written by socialists and published a few years ago, the authors say: "The private sector of a socialist economy is not there merely on sufference to be tolerated on grounds of political expediency with the Sword of Damocles hanging over it in perpetual threats. On the contrary, it has a legitimate and, indeed, a necessary function to perform. Within the limits of equality, there must be opportunities for people to spend as they wish, to own, to initiate and experiment; they must be able to form associations to further their economic interests. In all these areas, the individual must have a chance to act without waiting for the approval of the State." And they go on to observe that "the reason why a socialist economy requires a private sector is because socialists place a value on individual freedom." The private sector in our country has made an important contribution to economic development and is, in fact, a dynamic element in the national economy. All but doctrinaire socialists and devout communists recognise that the criterion of profitability, the price system and the urge of self-enrichment if they are under effective social guidance and direction, can be effective means for attaining steadily rising standards of living.

The whole pattern of our economy is changing. Private enterprise is, however, no longer the private concern of the individual industrialist. It has a public character and a public image; it has to accept obligations and responsibilities both in law and in fact. Within the framework of the Plan, it has provided and

can continue to provide initiative and enterprise without which the economy is likely to be stagnant and undiversified. But it is not the profit motive alone that inspires the best of industrialists — it may be the will to power, the joy of creation, a desire for prestige, a sense of rivalry, even the sheer exhilaration of the race. As Keynes said, "If human nature felt no temptation to take a chance, no satisfaction (profit apart) in constructing a factory, a railway, a mine or a farm, there might not be much investment as a result of cold calculation."

So far as state-ownership of industry is concerned, the public sector still constitutes a small part of the organised sector of secondary industry while the private sector embraces a very large part of organised and unorganised industry as well as agriculture and trade and some forms of transport. The net output of Government enterprises and Government administration in national output was 10.3 per cent in 1957-58 which is the last year for which figures are available. It has, no doubt, gone up substantially since 1948-49 but the share of the private sector is still nearly 90 per cent. Moreover, the share of private enterprise in the total industrial production is very large. It was 87.5 per cent in 1957-58 as against 12.5 per cent of the public sector. The share of the private sector — 93.4 per cent in 1948-49 — has come down to 85.3 per cent in 1956-57. But it is undeniable that the development of the infrastructure has helped the economy and benefitted the private sector. We do not know many things about the dynamism of an expanding economy. What the business community is entitled to ask is that policies are adopted and measures are taken after careful consideration and full public debate and in consonance with our constitutional procedures. Also, the problem is not only of priorities but of allocation of resources. Here both kinds of enterprises — public and private — should have fair terms and no discrimination and in the sphere in which the private sector operates, it should not be "cramped, cribb'd and confined." Effective planning must seek to minimise interference and pin-pricks and devolve responsibility on industrial units and organisations, labour unions, local bodies and co-operative and voluntary organisations. The main requirement of the present situation is the maximum possible decentralisation and flexibility. Nationalisation is no longer regarded by socialists in the West as a panacea for economic ills; it is considered a means which might have to be adopted under certain conditions with proper safeguards for the consumer and the worker. The vicissitudes of democratic politics may impede the adoption of policies which are necessary. Industrialists and traders come more to rely on their capacity to influence some minister or official rather than on their ability to run their enterprise efficiently. The hierarchy of authorities and the complexity of regulations enhance the time-lag between consideration and decision as well as decision and action. The shortest distance in these circumstances is the circle where you go back to where you started! In his last testament, G. D. H. Cole, one of the most eminent socialist thinkers of our century, has observed, "I am neither a Communist nor a Social Democrat because I regard both as creeds of centralisation and bureaucracy, whereas I feel sure that a Socialist society that is to be true to its equalitarian principles of human brotherhood must rest on the widest possible diffusion of power and responsibility, so as to enlist the active participation of as many as possible of its citizens in the tasks of democratic self-government."

How has the business community in our country responded to conditions of a planned economy? Private enterprise is, if anything, adaptable and it has tried to adjust itself to the conditions in which it has to function. By now, it has acquired the necessary expertise to fill in the various forms which have become an essential part of a regulated economy, it has obtained the necessary knowledge of the ways and byways of New Delhi and the labyrinths of Government offices, and it has learnt patience to wait for official decisions. Setting up an industry in India is, in many respects, a time-consuming process but the rewards of enterprise have been generous and, notwithstanding impediments and irritants, the effort worthwhile. Despite the ups and downs, industrial production as measured by the official index has risen by 70 per cent during the last eleven years and in some industries like chemicals and general engineering, at even a faster rate. This is an achievement of which private enterprise can be reasonably proud.

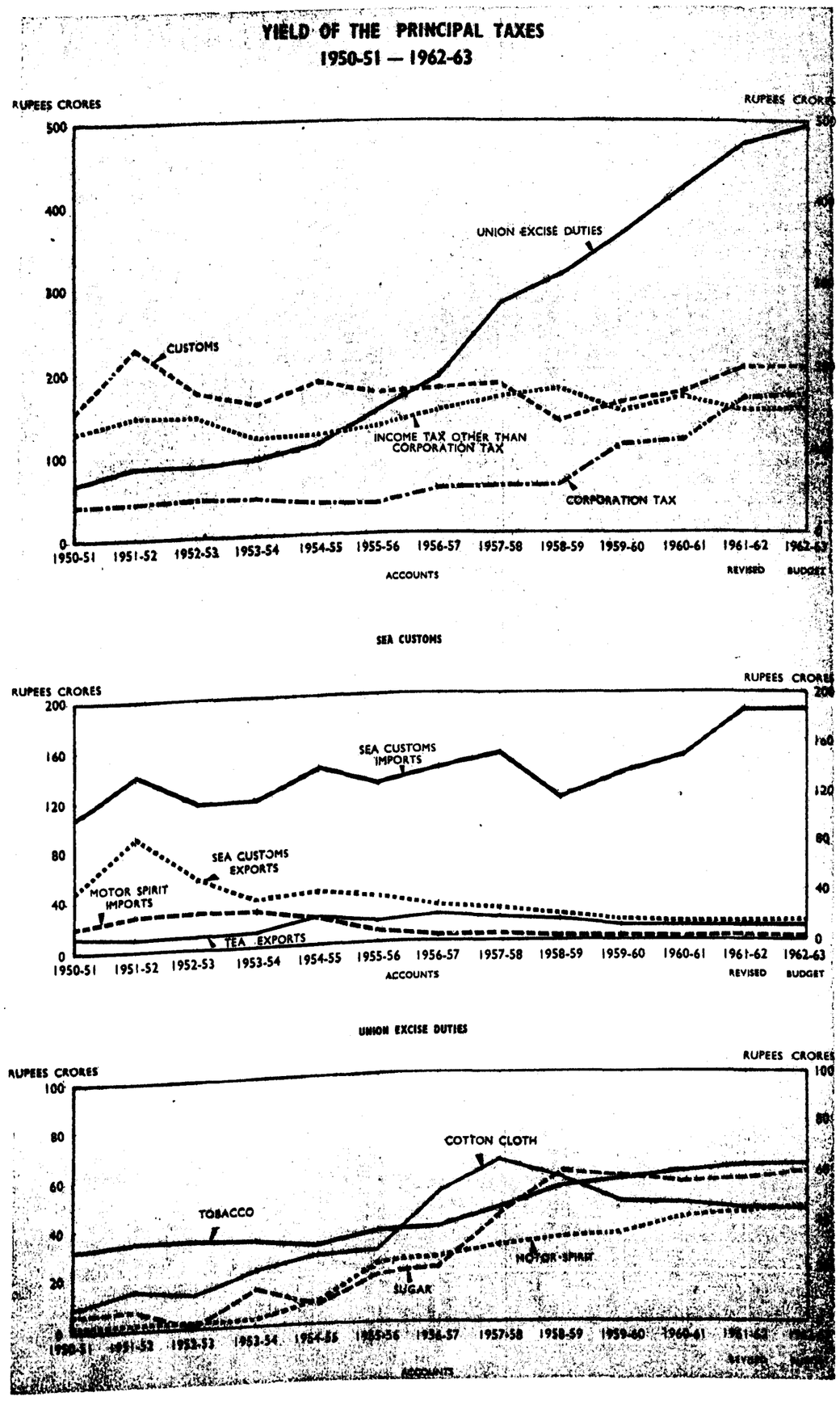
The impact of a planned economy, however, is not so much on the operative aspects of setting up an enterprise as on its substantive aspects: the responsibilities cast on those operating private enterprise and the criteria by which private enterprise is judged. How has private enterprise functioned in these respects?

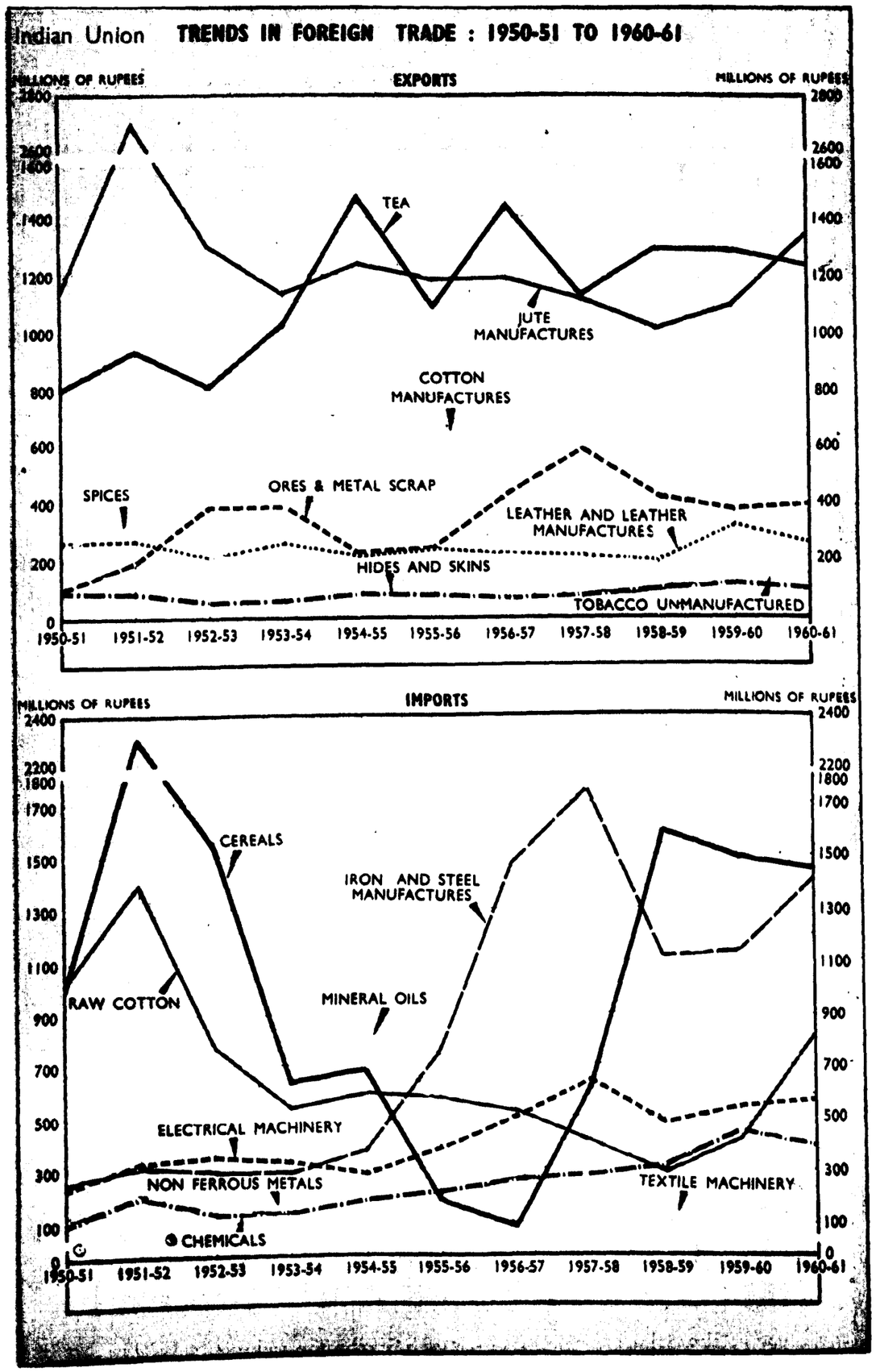
The balance sheet, I regret to have to say, is not without blemish. Let me first refer to one aspect of our economic situation: the present scarcity of many goods which seems to be a by-product of planning. Scarcities have arisen partly because of the acute shortage of foreign exchange and partly owing to the industrial licensing policy which until recently was restricted. The result is that the Indian entrepreneur has been protected not only from outside competition but also from internal competition.

I am sure you will agree that this situation is not a healthy one. On the one hand, prices have tended to rise and shoddy goods have not unoften been produced to take advantage of the scarcities, with the result that the Indian entrepreneur has not earned the consumer's goodwill. Moreover, the shortages have tended to induce a disregard of cost-consciousness in Indian enterprise.

Now this, I suggest, cuts at the very root of the private enterprise system. While maximisation of profits is often cited as the motive force of private enterprise, in the traditional theory this was to be the result of competition and continuous reduction in cost. Besides, the principal merit of private enterprise has been claimed to be its responsiveness to the consumer — what has come to be called "consumer sovereignty".

I cannot help feeling that the Indian consumer has not had a fair deal during the last twenty years. While at times and to some extent, the shortages may have been avoidable and have been due to factors beyond control, the Indian entrepreneur has not hesitated to take advantage of scarcity conditions in many industries. In many countries when the price of a commodity rises for any reason it is taken as a challenge to industry to meet it by increasing production and wiping out shortages. In our country, unfortunately, there has developed a tendency to make the most of such shortages and even try to make them permanent. There is no determined attempt to raise production by increasing efficiency or working more shifts or by exercising self-restraint in charging prices. It is not a question of working on a "loss motive" or of conducting business as a matter of philanthropy. But having worked so long in difficult times, the industry has become pathologically restriction-minded, seeking a large per-unit profit on a small output rather than a small per-unit profit on a large output. There is, I suggest, a need for an expansive mood in private enterprise, a keenness to create a market by reaching as large a number of consumers as possible rather than being satisfied with a limited market. It is true that industry itself has not only to put up with several restrictions and controls but has also to bear the burden of imposts and duties which go to enhance the cost of production. Nevertheless, Indian industry has to take a dynamic view of the market and evolve a far-sighted concept of profitability. The purchasing power being so low in





our country we have a large number of consumers with small means who have to be catered for. We cannot expect an oasis of prosperity in a vast desert of poverty. After all, private enterprise has, in order to justify its existence, to earn the goodwill of the consumer. Let us not forget that, in a planned economy, private enterprise tends to be judged by criteria different from those in a free enterprise economy.

While in the nineteenth century, private enterprise was accepted in Europe, America and elsewhere as the best possible form of the economic system, its premises have come to increasingly be questioned both on the ground of the rate of growth as well as its distributive justice. These are the questions which should not be glossed over but demand serious consideration in the interest of the commercial community itself. So far as the private enterprise system works by decentralising processes of industrialisation and helps to elicit the maximum effort from the people, it is capable of providing a rapid growth of the economy. Moreover, the fiscal system is now sufficiently developed to reduce disparties and inequalities not justified by contribution to the economic system.

We are living today at a time when we must be wary of "the political time-bomb deep in the rapidly changing social pattern" of our nation. If the prob em of social change is regarded primarily as a struggle between prosperity and poverty, we shall end up either by the establishment of a ruthless totalitarian system or a corrupt and decadent regime in which all moral values will perish. In few countries is the challenge of the "revolution of rising expectations" more serious than in ours where we have abysmal poverty and wide disparities of wealth and income, and where we are seeking to plan for social welfare through democratic means. The success of these endeavours rests not only on Government nor will it be achieved by foreign aid, essential as it is. No longer will the mass of people believe that economic disparities are divinely ordained or are the inescapable fruits of 'Karma'. Two great revolutions have taken place during the last fifty years in the Soviet Union and China, and today over 800 million people are living under Communist rule. In several countries including our own, Communist ideology is being vigorously preached. The scarcity of the bare necessities of life, the soaring cost of living and widespread unemployment all tend to create disaffection towards the established order of society. Who is responsible — Government or businessmen — for this juxtaposition of public penury and private ostentation is of less consequence for the masses than their own plight. The accusing finger is invariably directed towards those who have power and towards those who have the goods of the world.

Private enterprise is, therefore, on probation more than ever; how far and in what form it survives will depend mainly on how it acquits itself in changing conditions and serves the newer demands and finer needs of the people. It will no longer be judged merely by its capacity to earn large profits quickly. It will be judged by its utility in contributing to economic growth. It will have to accept social obligations involved in a planned economy and adapt itself to its environment. Industrial concerns will have to be institutional in structure and cannot continue to be simply proprietory and hereditary. Instead of notions of privacy and maximum profit, business will have to conform to standards of administration, organisation and technical proficiency; in other words, business will have to become a profession with all its implied responsibilities. It will have to consider production in terms related to consumption. It will have to recognise that only such income is legitimate profit as is earned in return for entrepreneurship, risk, organising capacity, savings and work. Gain must bear relation to service performed and responsibility undertaken. It will have to develop a sense of partnership with workers by hand and by brain. The American industrialist, Mr. Clarence B. Randall, once remarked that "the time is come for industry to make it clear that what is best for the country will be at the top of the agenda when a board of directors meets to make basic decisions even though that may cut earnings in the third quarter." No institution, no organisation, will survive if it is concerned only with self-preservation. Business has and should have goals beyond its own existence and material rewards. When we pursue only success and money for their sake, we lose the deeper reasons for living, we sacrifice the end for the means. Business interests have to exercise self restraint in taking advantage of a situation and come forward, where necessary, to prevent abuses. It is the lack of integrity and sense of social responsibility that damage private enterprise far more than occasional ministerial speeches and woolly 'obiter dicta' on matters of policy. Business ethic is part of social ethic, not independent of nor different from it. The private sector, in the final analysis will maintain and even improve its status and influence in so far as it shows the capacity to do a better job and conduct itself as a form of public service.

A planned economy demands adaptation and readjustment on the part of various sectors of the community. Violent upheavals are not prevented but hastened by selfishness, corruption and wilful obstruction. Democracy does not mean the acceptance of 'status quo'; it only demands that social and economic changes should be achieved by peaceful and constitutional means. A heavy responsibility rests on all those who believe in democracy to help in ensuring that democratic institutions achieve economic welfare. Private enterprise which is dynamic and resilient will, I trust, not be found wanting in the challenge it faces in our developing economy.

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(ISSUED BY THE SOUTHERN RAILWAY)

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(1951=100)

	1955	1956	1957	1958	1959	1960	1961* (Jan.-Oct.)	1960 (Jan.-Oct.)	Percentage rise (+) or fall (—) in col. 8 over col. 9
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
GENERAL INDEX	122.4	132.6	137.3	139.7	151.9	170.3	180.6£	167.8£	+ 7.6
Coal	111.4	114.9	126.8	132.2	137.1	150.9	160.5	147.6	+ 8.7
Iron Ore	116.7	116.1	126.3	156.3	212.2	286.5	313.4	288.3	+ 8.7
Sugar	143.0	166.5	185.5	175.6	186.8	228.7	244.0	197.6	+23.5
Wheat Flour	100.7	110.7	149.5	168.3	197.7	186.1	220.9	185.7	+19.0
Tea	106.2	106.0	106.9	113.8	113.5	110.3	127.3	114.3	+11.4
Salt	109.0	119.5	132.7	151.3	114.5	123.8	146.2	135.6	+ 7.8
Vanaspati	151.3	148.3	174.9	171.3	183.8	192.8	190.2	189.8	+ 0.2
Cigarettes	106.4	122.6	134.7	139.1	150.0	178.7	193.0	176.0	+ 9.7
Cotton Textiles	111.9	117.5	115.6	108.9	111.5	115.4	116.9	114.6	+ 2.0
Jute Textiles	118.9	127.3	120.5	123.9	125.4	126.9	111.3	127.6	—12.8
Footwear (leather)	97.1	114.3	129.6	132.4	144.2	160.9	181.4	154.9	+17.1
Plywood	156.0	175.2	178.8	176.7	215.6	226.3	235.8	226.9	+ 3.9
Paper and Paperboards	140.2	146.6	159.3	191.8	222.9	257.6	271.4	256.1	+ 6.0
Tanned Hides	89.5	93.9	93.8	106.3	120.7	134.5	134.3	133.3	+ 0.8
Rubber Products	140.2	151.6	165.5	181.3	206.7	236.7	246.2	230.4	+ 6.9
Chemicals and Chemical Products	159.0	171.1	181.3	206.2	227.5	256.2	280.3	253.6	+10.5
Glass and Glassware	127.8	148.7	162.3	196.3	219.9	225.1	224.2	223.3	+ 0.4
Cement	140.4	154.2	175.3	189.9	213.6	241.4	250.1	238.7	+ 4.8
Ceramics	127.5	156.1	174.0	208.5	256.2	261.4	273.2	264.5	+ 3.3
Asbestos	127.5	146.8	193.9	228.1	219.2	255.3	258.0	249.3	+ 3.5
Iron and Steel	113.3	119.4	119.3	119.1	163.1	208.8	261.2	202.2	+29.2
Non-ferrous Metal	123.7	124.7	151.7	166.5	205.7	327.4	241.4	338.8	—28.7
Gold	93.4	92.4	79.2	75.1	73.0	70.9	68.7	70.6	— 2.7
Metal Products**	202.4	223.3	225.2	216.4	249.7	286.8	358.9	279.4	+28.5
Machinery†	163.9	215.0	296.2	364.4	427.7	545.1	602.7	528.9	+14.0
Electrical Machines, Apparatus, Appliances & Supplies	157.8	210.3	246.7	274.2	296.5	380.3	425.3	364.6	+16.6
Transport Equipment	129.3	178.7	186.6	173.7	219.2	286.2	301.9	277.3	+ 8.9
Electricity Generated	144.5	164.1	184.9	209.9	248.5	280.1	322.5	277.2	+16.3

*Provisional.
£Seasonally adjusted series.
**Except machinery and transport equipment.
†Except electrical machines.

PRODUCTION IN SELECTED INDUSTRIES

	1950	1955	1958	1959	1960	1961*** Total	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
CAPITAL GOODS										
1. Diesel Engines :										
(i) Vehicular Type ('000 nos.)	..	3.9	4.3	8.7	9.7	9.5	2.7	2.6	2.4	1.8*
(ii) Stationary Type ('000 nos.)	4.6	10.2	25.8	30.3	41.7	44.4	11.2	10.8	10.3	12.1
2. Power Transformers ('000 k.v.a.)	172	565	1127	1016	1248	1762	390	415	462	495
3. Power Driven Pumps ('000 nos.)	30.0	34.8	78.0	85.2	102.0	126.2	28.6	20.7	32.3	35.6
4. Electric Motors ('000 h.p.)	81.6	252.0	624.0	576.0	680.4	820.9	187.9	202.4	221.0	209.6*
5. Looms (nos.)	2508@	2736	3192	4224	5628	7597	1771	1939	1831	2056*
6. Complete Ring Spinning Frames (nos.)	276@	864	876	1080	1128	1400	324	329	364	383*
7. Carding Engines (nos.)	108†	600	1152	768	1068	1312	350	300	335	327*
8. Machine Tools (million rupees)	2.7	7.4	37.6	43.9	60.1	76.0	19.9	14.9	19.9	22.0*
9. Automobiles (Total) ('000 nos.)	**14.6**	**23.1**	**26.8**	**36.5**	**51.7**	**54.3**	**15.7**	**13.9**	**13.3**	**11.4**
(i) Cars ('000 nos.)	6.6	9.5	7.8	12.0	19.1	21.6	6.6	5.5	5.9	3.6
(ii) Commercial Vehicles ('000 nos.)	)	9.5	15.1	19.8	27.1	25.6	7.5	6.5	5.6	6.0
(iii) Others ('000 nos.)	8.0)	4.1	3.9	4.7	5.5	7.1	1.6	1.9	1.8	1.8
10. Refractories '000 metric tons)	240	279	441	507	540	596	147	146	151	152*
INTERMEDIATE GOODS										
11. Coal (mil. metric tons)	32.5	38.8	46.1	47.8	52.6	56.1	15.9	13.3	13.1	13.8
12. Iron Ore (mil. metric tons)	3.7@	4.3	5.8	7.9	10.6	12.0	2.9	2.9	2.8	3.4*
13. Pig-iron (mil. metric tons)	1.6	1.8	2.0	3.0	4.1	4.9	1.2	1.2	1.2	1.3*
14. Finished Steel (mil metric tons)	1.0	1.3	1.3	1.8	2.2	2.9	0.7	0.6	0.7	0.8*
15. Aluminium (Virgin metal) ('000 metric tons)	3.7	7.3	8.3	17.5	18.5	18.6	4.4	4.5	4.5	5.2
16. Cement (mil metric tons)	2.7	4.6	6.2	6.9	7.8	8.2	2.1	2.0	2.0	2.1
17. Sulphuric Acid ('000 metric tons)	104	169	230	297	360	411	94	105	109	103
18. Caustic Soda ('000 metric tons)	11	35	58	70	99	120	28	29	31	32
19. Soda Ash ('000 metric tons)	44	79	91	95	145	177	41	45	41	50
20. Ammonium Sulphate ('000 metric tons)	48	399	390	385	388	395	110	91	104	90
21. Superphosphate ('000 metric tons)	53	75	170	252	322	367	88	87	99	93
22. **Alcohol :**										
(i) Power (mil. litres)	20.4	47.4	40.1	36.7	48.5	53.7	12.8	14.1	13.3	13.5
(ii) Industrial-Rectified spirit (mil. litres)	15.6	23.4	28.0	36.3	33.8	50.7	13.6	11.9	10.8	14.4*
(iii) Industrial - Denatured spirit (mil. litres)	6.7	13.6	17.9	21.5	25.2	39.7	9.6	8.8	10.7	10.6*
23. Rayon yarn ('000 metric tons)	2.1@	12.7	29.3	37.0	42.9	49.4	11.1	11.4	13.2	13.7
24. Paints & Varnishes ('000 metric tons)	28.4	39.7	48.8	55.1	50.9	58.0	13.0	14.5	15.0	15.5
25. Jute Textiles ('000 metric tons)	849	1044	1079	1068	1085	970	255	227	219	269
26. Cotton yarn (million kg.)	533	740	764	781	788	861	205	210	224	222
27. Paper and Paper boards ('000 metric tons)	111	188	257	299	345	364	91	89	91	93
28. Tanned Hides ('000 nos.)	2010	2312	2746	3118	3473	3509	880	896	837	896
29. Rubber Tyres and Tubes** (million nos.)	8.9	13.1	18.1	21.8	26.2	27.2	7.1	6.8	7.4	6.0
30. Electricity Generated (mil. kwh.)	5107	8468	12245	14556	16433	19012	4478	4769	4892	4873*
CONSUMER GOODS										
31. Cotton cloth (mil. metres)	3351	4658	4505	4504	4616	4699	1158	1177	1199	1165
32. Footwear (million pairs)	21.4	40.5	44.3	47.5	53.8	55.6	14.3	13.9	13.8	13.6
33. Sewing Machines ('000 nos.)	31	101	205	253	296	314	79	75	89	71*
34. Electric Lamps (mil. nos.)	14.3	24.2	30.5	34.8	41.4	46.8	11.6	11.6	12.2	11.4
35. Electric Fans ('000 nos.)	193	282	636	726	991	1050	277	285	276	212*
36. Radio Receivers ('000 nos.)	44	201	198	214	267	326	69	80	91	86
37. Bicycles ('000 nos.)	103	491	913	991	1051	1055	281	258	240	276
38. Sugar‡ ('000 metric tons)	992	1620	2040	1950	2485	3027	..	..	..	..
39. Tea (mil. kg.)	278	303	324	324	314	350	16	77	156	101
40. Coffee ('000 metric tons)	20.9	25.3	44.6	45.6	51.5	65.7	21.8	24.7	7.6	11.6
41. Vanaspati ('000 metric tons)	174	265	300	322	338	338	101	85	72	80
42. Cigarettes (billion pieces)	23.6	22.8	29.8	32.2	38.3	41.3	10.7	10.1	10.1	10.4
43. Matches ('000 cases £)	523	616	626	649	661	648	163	168	166	151
44. Soap ('000 metric tons)	74	101	125	132	141	148	36	38	37	37*

£50 gross boxes of 60 sticks each.
@Relates to 1951.
***Provisional.
†Relates to 1952.
‡Relates to the year ending October.
*November figures have been taken for December also.
**Includes tyres and tubes of automobiles, bicycles and tractors.

Agricultural Development in 1950's and the Challenge Ahead

DESPITE occasional setbacks and at times serious ones as in 1957-58, owing to vagaries of weather, Indian agriculture during the past decade, covering the period of the first two Plans, has made quite rapid strides. The index number for agricultural output (base 1949-50=100) rose from 95.6 in 1950-51 to 116.8 in 1955-56 and further to 139.1 in 1960-61. The average growth in India's farm output during the fifties thus has been of the order 4.6 per cent (linear) per annum. During the current year the output is expected to rise substantially further; the index number may reach even 150.

This, however, does not imply that the growth has been evenly spread over the various farm products; in some cases such as rice, wheat, maize and sugarcane, the rate of increase in output has been substantially higher as compared to such crops as oilseeds, pulses and inferior foodgrains. The growth in cotton and jute cultivation also has been quite fast, though these two farm products have had a rather greater share of misfortune resulting from wheather adversities; the former in 1959-60 and to some extent in the current year and the latter in 1957-58 and 1960-61. Generally speaking, the pattern of growth has been such that there have become available increased quantities of most of the agricultural commodities, the occasional serious shortfalls being made good by imports to whatever extent possible. This is reflected in the containment of the price level, especially in the last year, on a fairly wide front in the agricultural sector. The index for food articles (base 1952-53=100) in 1960-61 stood at 120 as against 111 in 1950-51 and of industrial raw materials at 145.4 as against 141.5. There has, however, been witnessed an appreciable increase in prices, particularly of industrial raw materials, since 1955-56, partly as a reaction to the sharp fall in that year under conditions of bumper harvest and partly owing to inflationary tendencies consequent upon heavy doses of deficit financing. Tighter supplies of some commodities such as cotton in 1959-60 and jute in 1957-58 and 1960-61, have also led to their prices spiralling up rather unduly. On the whole, the picture has not been so bad. The index for industrial raw materials during the current year is expected to show a marked fall due to abundant supplies of raw jute and various other agricultural commodities.

The increase in farm output in the 1950's has resulted both from extension in cultivated area and greater application of scientifc and technological knowledge. Over 50 per cent of this increase appears to have been brought about by expansion in area under cultivation which went up from 325.9 million acres (gross) in 1950-51 to 374.4 million acres (gross) in 1958-59. There must have been some further additions to this during the last three years, but no reliable statistics are available for this period. Cultivated area has gone up as a sequel

AVAILABILITY OF CEREALS AND PULSES

Year	Population (millions)	Cereals: Production (million tons) Gross	Cereals: Production (million tons) Net	Cereals: Net imports (million tons)	Cereals: Withdrawal (+) from Government stocks (million tons)	Cereals: Net availability (million tons)	Pulses: Net availability (million tons)	Per capita net availability (ozs. per day): Cereals	Per capita net availability (ozs. per day): Pulses
1951	.. 362.1	43.74	38.27	4.73	(—)0.58	42.42	7.49	11.5	2.0
1952	.. 367.4	44.29	38.75	3.86	(—)0.61	42.00	7.40	11.2	2.0
1953	.. 373.2	49.47	43.29	2.00	(+)0.48	45.77	8.02	12.0	2.1
1954	.. 379.7	58.32	51.03	0.82	(—)0.20	51.65	9.02	13.4	2.3
1955	.. 386.8	56.38	49.33	0.59	(+)0.73	50.65	9.41	12.9	2.4
1956	.. 394.4	54.94	48.07	1.38	(+)0.60	50.05	9.50	12.5	2.4
1957	.. 402.7	57.38	50.21	3.59	(—)0.85	52.95	9.94	12.9	2.4
1958	.. 411.6	53.80	47.08	3.17	(+)0.27	50.52	8.22	12.1	2.0
1959	.. 421.0	62.63	54.80	3.81	(—)0.49	58.12	11.25	13.6	2.6
1960*	.. 431.1	63.19	55.29	5.06	(—)1.38	58.97	10.08	13.4	2.3
1961*	.. 441.8	66.81	58.46	3.44	(+)0.15	62.05	10.91	13.8	2.4

*Provisional.

Notes: 1. Production figures to agricultural year, July-June; 1951 figures correspond to 1950-51, and so on for subsequent years. These estimates upto the year 1955-56 are adjusted with 1956-57 revised production as the base. Figures for 1957-58 are based on Revised Estimate, for 1958-59 and 1959-60 on Partially Revised Estimate and for 1960-61 on Final Estimate of production.

2. Net production has been taken as 87.5 per cent of the gross production, 12.5 per cent being provided for food, seed requirements, wastage and non-food purposes.

3. Population figures relate to mid-year estimates framed by the office of the Registrar General of India and exclude N.E.F.A. The estimates for years beyond 1951 are provisional.



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to both increase in net area under cultivation and greater resort to multiple croping.

The increased application of science and technology to Indian agriculture has led to higher productivity of land which is reflected in increased yields of majority of agricultural crops. Significant increases have been recorded in the yields per acre of rice, jowar, gram, maize, tur and ragi. The increases in unit-area yields in the case of wheat, bajra, cotton and sugarcane, though less impressive, have also been fairly large. In the case of some oilseeds like linseeds and sesame and also in the case of tobacco, yields per acre, however, have slightly gone down.

The application of scientific knowledge and technology to Indian agriculture has taken various shapes. Due to particular conditions obtaining in this country, greater attention naturally has been paid to provision of irrigation facilities and fostering the use of chemical fertilizers. But the progress made in other fields such as provision of improved seeds, better farming implements, pesticides, etc., has also been quite appreciable. Net area under irrigation increased from 51.5 million acres in 1950-51 to about 70 million acres in 1960-61. The gross area irrigated during this period went up from 54 million acres to nearly 76 million acres. Owing to better utilisation of the irrigation potential created under the first two Plans, further addition to the gross area under irrigation during the current year is estimated at about 4 million acres. Thus, nearly 23 per cent of the total area cultivated at present has already been brought under irrigation, as against about 17 per cent in 1950-51.

Consumption of chemical fertilizers, which before the start of the First Plan, was mainly confined to aiding the production of such crops as tea, coffee, cotton and rice, has picked up appreciably during the last decade. The increase in demand for them, especially nitrogenous fertilizers, has been phenomenal during the past four years. In 1960-61 only 45 per cent of the estimated demand for nitrogenous fertilizers could be met because of the still low indigenous output and difficulties of importing them from abroad owing to tight foreign exchange situation. During the current year, the demand for this type of fertilizer is estimated to have gone up to about 26.7 lakh tons (in terms of ammonium sulphate), while the availability (both from internal sources and imports) has been about 15.1 lakh tons. Increased attention has also been paid in the recent past to production of urban compost which in 1960-61 went up to about 27 lakh tons. Green manuring during the current year is expected to cover about 150 lakhs acres.

The work on multiplication of improved seeds has also been accelerated especially under the Second Plan. The progress achieved during the five years to 1960-61 was quite appreciable though the target of setting up 4,328 new seed multiplication farms of about 25 acres each could not be achieved; about 4,000 such farms had been set up by March 1961. Nearly 55 million acres of agricultural land were estimated to have been brought under improved seeds by 1960-61. Another about 70 seed farms have been set up during the current year. To further increase the tempo in this respect, a National Seeds Corporation is being set up to undertake, on country-wide basis, production and distribution of seeds of high-yielding and disease-resistant varieties, in the first instance, of hybrid maize and hybrid jowar.

Concerted efforts have also been made during the fifties particularly towards their close, to make available to the agriculturist improved farm implements. But the progress made in this regard has not been very encouraging because of foreign exchange shortages hampering import of steel; mechanical cultivation could be extended to about 5 lakh acres of cultivated land by the end of 1960-61.

Along with making available to the farmer greater irrigation facilities, fertilizers and improved seeds and implements, some attention has also been paid to encouraging him to take to improved agricultural practices such as crop rotation, line sowing, proper spacing, eradication of weeds, plant protection and Japanese methods of paddy cultivation. The last practice has been of particular help in stepping up rice yields. Nearly 8.5 million acres of land under rice cultivation have already been brought under this method.

To make the agriculturist to go in for improved methods of cultivation, quite a useful role has been played by extension services provided under the Community Development Programme. By the end of 1960, about 3,07,000 villages, containing well over half of the country's rural population, had been brought under this programme. The programme is envisaged to be extended to the entire country by 1963.

Attempts have also been made in late fifties for land development and soil conservation. By the end of the current agricultural year, as many as 220 soil conservation programmes would be in operation in various States. Dry farming has also been practised on an increasing scale during the last two years. As many as 28 dry farming projects have been brought into operation during the current year, as against 19 in the previous year.

Two other measures have been taken during the past one and half years with a view to help the agriculturist to step up his output. The first one has been the introduction of what is known as the Package Programme for Agriculture. Under this programme, agriculturists in some selected districts are provided with all the aids to farm production in a co-ordinated manner and adequate measures. During the rabi season in in 1961-62, this programme covered 14.50 lakh acres in the first seven selected districts in Madras, Andhra Pradesh, Bihar, Rajasthan, Madhya Pradesh, Uttar Pradesh and Punjab—nearly 17 per cent of the total cultivated area in these districts. During the kharif season of 1961-62, 130,000 farm plans were prepared

PRODUCTION AND CONSUMPTION OF SUGAR IN INDIA

(Excluding Khandsari)

('000 Tons)

Year (Nov.-Oct.)	Production	Consumption
1952-53	1319	1653
1953-54	1002	1807
1954-55	1581	1722
1955-56	1862	1940
1956-57	2025	1982
1957-58	1977	2042
1958-59	1918	2080
1959-60	2421	2020
1960-61	2981	2100*

*Estimate.

EXPORT OF INDIAN SUGAR

1958 = 44,000 metric tons	1959 = 16,000 metric tons.
1960 = 18,000 metric tons	1961 = 2,68,000 metric tons.
1962 = 76,000 metric tons	Upto middle of March, 1962.

in all these seven States, against 58,000 prepared in 1960-61, when the execution of programme was first taken up in right earnest. Measures are under way to extend this programme to eight more districts in the remaining States by the kharif of 1962. Meanwhile, to enable the agriculturist to have a better return for his efforts the system of co-operative marketing has been strengthened and the programme of building of warehouses accelerated.

The second device that has been taken resort to with a view to step up farm output is the extension of the price support schemes to wheat and raw jute alongwith sugarcane which was the only crop uptil now for which minimum prices had been fixed.

The pre-occupation with the stepping up of output from land, however, does not mean that no concerted attempts have been made for the development of animal husbandry, poultry, dairying, fisheries and forestry. The tempo of activity under these heads has picked up quite substantially under the Second Plan. Nearly 260 key village blocks were set up for cattle development during the five years ending 1960-61 as against a target of 275 blocks. As many as 72 extension centres for animal husbandry have also been set up. Over 31,000 superior calves were reared, 5.7 lakh scrub bulls castrated and 83.4 lakh inocculations given for prevention of cattle diseases during these five years. Under the scheme of better utilisation of superior calves from milk centres, over 800 calves were purchased from Aarey and Haringata and distributed free to bonafide breeders. Poultry population during the Second Plan period increased by about 20 per cent over the 1956 level. For the development of marine fisheries, greater resort has been taken to mechanisation of fishing crafts. At present there are over 18,700 mechanised boats in the country. To improve marketing of fish, refrigerated vans have been provided on three railway routes, namely Calcutta-Madras, Orissa-Calcutta and Ahmedabad-Delhi. Another such service is to be introduced soon on Agra-Calcutta route. Various schemes have been drawn up and executed for the development of dairy industry and forests.

While the record of achievement on the agricultural front under the first two Plans has been quite impressive, the future holds a big challenge that has to be met if the standard of living of a rapidly increasing population is to be raised steadily to anywhere near to that enjoyed in the advanced countries, and the rapidly growing industries are to be fed properly with agricultural raw materials. The fulfilment of Third Plan with its ambitious targets undoubtedly will be the first crucial milestone that would be reached in this uphill journey.

The Third Plan envisages increase (over the 1960-61 level) in foodgrains output by 31.6 per cent to 100 million tons, that of oilseeds by 38 per cent to 9.8 million tons, of sugarcane by 25 per cent to 10 million tons (in terms of gur), of cotton by 37.2 per cent to 7 million bales, of jute by 55 per cent to 6.2 million bales, of tobacco by 8.3 per cent to 32,500 tons, of tea by 34.1 per cent to 900 million pounds, of coffee by 67.7 per cent to 80,000 tons and of rubber by 70.5 per cent to 45,000 tons. Substantial increases are also envisaged to be made in respect of other agricultural commodities. Broadly speaking, the Third Plan assumes stepping up of the annual rate of growth in Indian agriculture to about 7.5 per cent per annum.

This rate of growth is deemed to be achieved by substantially stepping up application of technology to Indian farming. The gross area under irrigation is proposed to be increased by 25.6 million acres by 1965-66. Soil conservation measures are planned to be extended to 11 million acres and dry farming to 22 million acres. Nearly 3.8 million acres of waste, saline and alkaline lands are intended to be reclaimed. Total consumption of fertilizers is envisaged to be stepped up nearly five-fold; consumption of nitrogenous fertilizers (in terms of N) to 10,00,000 tons per annum, or phosphatic fertilizers (in terms of P2O5) to 4,00,000 tons, and of potash fertilizers (in terms of K2O) to 2,00,000 tons. Supply of urban compost is proposed to be stepped up to 5 million tons per annum and of rural compost to 150 million tons. Green manuring is envisaged to be extended to 41 million acres. Plant protection is to be extended to 50 million acres. All these steps, it is expected, will raise average yields per unit-area by 16.5 per cent over the average yields during the Second Plan period in the case of foodgrains (rice 27.5 per cent and wheat 20.1 per cent), by 10.9 per cent in the case of oilseeds, by 18.2 per cent in the case of sugarcane, by 13.7 per cent in the case of cotton and by 15.9 per cent in the case of jute. Similar increases in unit-area yields are anticipated to result in the case of other crops.

The task set forth in the Third Plan can be performed only by redoubling of efforts both on the part of the Government and the agriculturists. The targets under the Plan have been fixed with a view to attain a balanced development of agriculture during the 5-year period to 1965-66. How far this aim will be achieved depends on how judiciously the lever of price supports, which is envisaged to be extended to cover all the major crops produced in the country, is manipulated. As already stressed in these columns, this lever can be successfuly made use of for raising the output of such crops as oilseeds and cotton at the expense of say sugarcane, the abundant supply of which during the last two years has posed a serious problem. There is also need for building up buffer stocks of farm products like raw jute, cotton and foodgrains in years of bumper crops so that shortfalls in years of lean harvests can be successfully met. The maintenance, rather lowering gradually, of the present prices of essential agricultural raw materials and foodstuffs is a challenge that has to be taken up by the newly constituted Ministries in the States and the new administration that will take over at the Centre next month. The new Ministries at the State level will do well to undertake the work of reclaiming culturable wastes in a more earnest manner than their predecessors have done. Holding the price-line on the agricultural front, and this implies ironing out of excessive fluctuations in the prices of essential raw materials and foodstuffs, is the key to containment of the price-line in general. The success of the new Ministries will depend to a very large extent on their achievement of this crucial task.

PRODUCTION, CONSUMPTION AND IMPORTS OF JUTE IN INDIA

('000 bales)

Year (July-June)	Production	Consumption*	Imports
1950-51	32,83	52,08	25,77
1951-52	46,78	56,52	18,30
1952-53	45,92	50,40	13,25
1953-54	31,29	53,52	14,80
1954-55	29,28	59,64	12,46
1955-56	41,97	63,36	14,70
1956-57	42,88	61,32	6,46
1957-58	40,52	61,44	6,95
1958-59	51,58	60,84	3,40
1959-60	46,05	62,40	6,14
1960-61	40,30	43,74**	4,13
1961-62	50,00†	N.A.	N.A.

* Calendar year. ** From January to March, 1961.
† Unofficial estimate.



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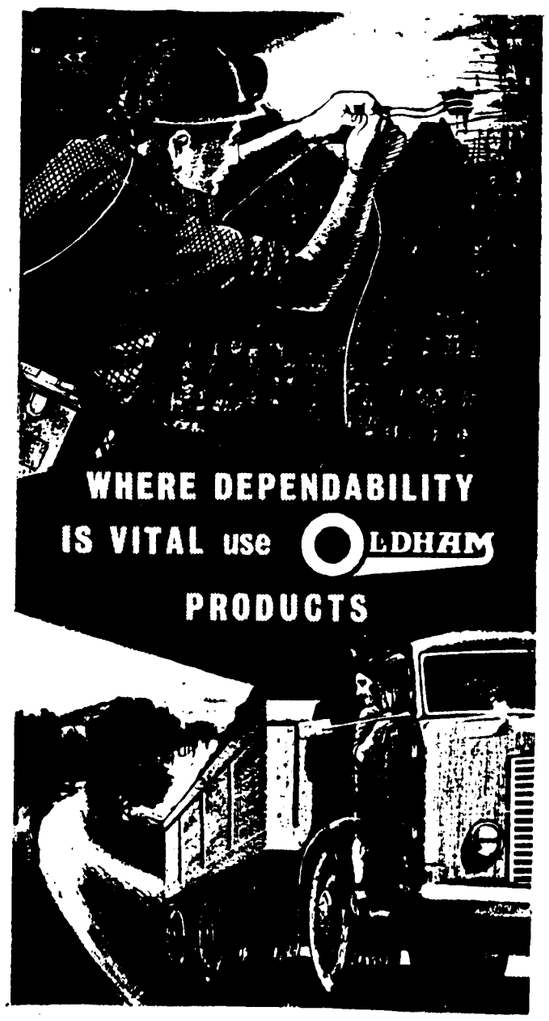
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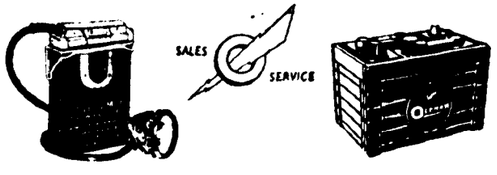
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INDEX NUMBER OF WHOLESALE PRICES — BY GROUPS

(1952-53 = 100)

Year	Food Articles	Industrial Raw Materials	Manufactures	All Commodities
1951-52*	111.0	141.5	119.3	118.0
1952-53	100.0	100.0	100.0	100.0
1953-54	106.7	109.7	98.9	104.6
1954-55	94.6	101.9	100.6	97.4
1955-56	86.6	99.0	99.7	92.5
1956-57	102.3	116.0	106.3	10.3
1957-58	106.4	116.5	108.1	108.4
1958-59	115.2	115.6	108.4	112 9
1959-60	119.0	123.7	111.7	117.1
1960-61	120.0	145.4	123.9	124.9
January 1961	116.4	155.0	127.5	125.6
February "	116.3	159.4	129.2	126.8
March "	117.5	159.1	129.5	127.5
April "	117.6	153.1	127.3	125.9
May "	117.2	153.2	126.8	125.4
June "	120.6	148.8	126.0	126.2
July "	124.2	151.4	127.4	128.7
August "	124.3	144.6	126.1	127.4
September "	121.1	138.3	125.4	124.6
October "	120.9	136.0	126.3	124.4
November "	120.3	137.1	126.4	124.3
December "	117.8	136.6	126.4	122.9
January 1962	118.3	137.5	126.1	123.2

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Year	Rice	Wheat	Jowar	Bajra	Sugar	Cotton Raw	Jute Raw
1951-52*	104	94	97	99	104	128	220
1952-53	100	100	100	100	100	100	100
1953-54	100	93	100	103	99	104	98
1954-55	82	75	77	78	104	102	112
1955-56	78	72	67	84	94	97	117
1956-57	97	88	123	122	95	111	126
1957-58	105	88	114	126	110	106	133
1958-59	105	105	105	126	121	99	118
1959-60	105	96	119	126	124	106	125
1960-61	108	90	122	130	127	112	210
January 1961	99	91	114	132	127	111	248
February "	100	91	110	130	127	110	280
March "	101	91	110	128	127	111	271
April "	101	88	110	130	127	110	243
May "	103	86	109	134	127	110	245
June "	106	86	113	141	127	110	208
July "	108	88	118	145	127	107	215
August "	110	89	113	142	127	105	180
September "	110	87	107	128	127	104	155
October "	108	89	110	130	125	107	150
November "	106	92	108	128	125	108	149
December "	102	94	109	126	124	109	145
January 1962	101	98	113	130	122	110	146

* Derived Series.

INDEX NUMBERS OF AGRICULTURAL PRODUCTION — INDIA

FOODGRAINS

(Base: Agricultural Year 1949-50=100)

Year	All Commodities	Cereals						Pulses
		Rice	Jowar	Bajra	Maize	Wheat	Barley	
1950-51	95.6	87.9	89.8	83.8	84.4	101.1	105.6	91.7
1951-52	97.5	90.1	96.4	75.3	101.3	93.9	100.0	90 3
1952-53	102.0	96.8	106.6	94.8	123.3	112.7	122.4	98.8
1953-54	114.3	118.6	117.0	135.0	130.2	120.0	123.2	112 0
1954-55	117.0	105.8	132.3	107.8	127.5	135.4	124.4	118.5
1955-56	116.8	114.2	96.7	108.3	112.3	131.3	118.5	118.4
1956-57	124.3	120.4	105.3	90.1	132.8	140.7	120.5	122.9
1957-58	115.9	105.6	124.1	113.5	135.9	118.5	95.9	104.4
1958-59	132.0	127.5	127.3	120.7	134.3	147.0	113.6	135.1
1959-60	128.7	125.2	116.9	112.1	145.1	151.8	113.7	119.9
1960-61	139.1	136.3	132.7	99.8	141.8	160.2	116.2	128.7

NON-FOOD GRAINS

Year	Oilseeds					Fibres	
	Groundnuts	Sesamum	Rapeseed and Mustard	Linseed	Castorseed	Cotton	Jute
1950-51	101.4	101.6	94.6	87.8	80.5	110.7	106.3
1951-52	93.0	103.2	116.0	77.1	82.8	119.2	151.4
1952-53	85.3	106.9	105.5	86.0	79.7	121.0	146.6
1953-54	100.3	127.6	107.3	89.1	80.5	151.8	100.0
1954-55	123.6	135.1	127.7	90.3	95.4	163.6	94.8
1955-56	112.4	104.8	105.8	97.1	96.1	153.9	135.8
1956-57	127.2	98.2	128.3	90.3	95.3	181.2	138.7
1957-58	137.5	84.8	114.8	60.0	68.7	178.8	128.8
1958-59	142.7	124.4	128.2	105.2	87.4	176.6	158.7
1959-60	128.9	92.0	131.0	105.0	82.7	138.5	140.7
1960-61	142.4	73.8	172.7	99.9	76.5	203.1	123.1



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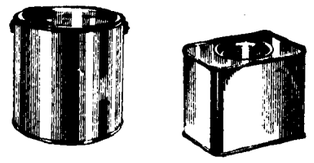
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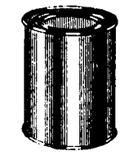
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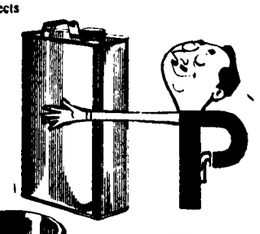


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Inequalities of Personal Incomes in the Indian Union

WHEN the Mahalanobis Committee to enquire into the pattern of distribution of the increased national income generated by the two plans was announced, it was made very clear that its primary object was "to ascertain such statistical and economic data as may be gathered at present, to identify the gaps in the existing information and to suggest steps for removing these deficiencies." It was, therefore, quite plain that the absence of any evidence in respect of the extent of the existing inequalities of incomes in the Indian Union was not on account of any callousness on the part of the economists; it was more so on account of the non-availability of any precise data on which to construct sound conclusions. Any assessment of the existing inequalities of incomes has naturally to be based on data which evidently are only partly dependable. Nevertheless, certain surveys have been conducted during the last few years which do provide indirectly some sort of background to the magnitudes of the income inequalities.

One measure of the existing inequalities of incomes can be the extent of population living in each expenditure group. The thirteenth round of the National Sample Surveys gathered certain data in respect of households classified according to the various expenditure groups. Table I below has been processed from this data. It provides the distribution of rural as well as urban population in various expenditure brackets. Perhaps the most important revelation is that as much as 19 per cent of the Indian population constitutes the households spending below Rs. 50 every month. Evidently, as much as 19 per cent of the Indian population is living below what is commonly considered as the 'poverty line'. Then, the expenditure bracket of Rs. 51—100 per household constitutes as much as 37 per cent of the Indian population. In a way as much as 56 per cent of the Indian population is living below Rs. 100 monthly expenditure per household which is considered very low. It can nevertheless be stated that only 7 per cent of the population belongs to the Rs. 300 and above monthly expenditure group. This shows that the people in the higher income brackets are not far too many. In fact seen from another angle, as many as 75 per cent of the Indian population lives within the monthly expenditure group of Rs. 50—300, proving thereby that the major problem is not that of inequality but that of widespread poverty.

TABLE I.

PERCENTAGE DISTRIBUTION OF POPULATION—INCOME GROUPS

Income Group (Rs.)	Rural	Urban	Total
1 — 50	19.5	12.7	19.0
51 — 100	37.4	26.8	36.7
101 — 150	18.1	22.3	18.4
151 — 300	18.5	27.2	18.9
301 and above ..	6.5	11.0	7.0
TOTAL	100.0	100.0	100.0

An assessment of the inequality of incomes in terms of various regions in the Indian Union leads us to the conclusion that the population below the poverty line is not evenly spread all over the country. Table II gives the overall percentage of population below the poverty line in each State. It can be observed that in Madras and Orissa the population below the poverty line is more than 30 per cent which is a staggering volume. Similarly the States of Andhra, Bihar, Kerala, and Maharashtra are others where the poverty is quite above the average of all India level. On the other hand certain States like Assam, the Punjab and Kashmir are exceptionally favourably placed in the sense that the people below the poverty line are very few. The problem of inequalities of incomes is, therefore, to be observed from both these angles.

In Table III an effort has been made to assess the State-wise inequality of incomes by constructing various poverty lines. In column (A), (B), (C) and (D) poverty line has been supposed to be below Rs. 50, Rs. 100, Rs. 150 and Rs. 300 monthly household expenditure respectively. These indices have been constructed with Assam as base for easy comparison. It is clear that in column (B) where the poverty line is below Rs. 100, the inequality seems to be comparatively subdued. It is even more subdued in columns (C) and (D).

The most important aspect of the inequalities of incomes—the real context of the study of this problem—is to assess the fact that whether or not, as a result of income generation during the plan period, the inequalities have decreased. To measure such a change, income data around two different points of time had to be collected. In fact that Economic Intelligence Unit of the Indian Institute of Public Opinion processed data available in the above mentioned thirteenth round of the National Sample Survey, the Surveys conducted by the Tea Board as well as their own surveys. The table on pages viii and ix in the Blue Supplement, reproduced from the Quarterly Economic Report No. 31 indicates the extent of the shift of the income generated in various brackets. It may be noticed that in the Indian Union 11.3 per cent of income was earned in the income brackets below Rs. 50 during 1955-56. It was reduced to 5.83 per cent by 1960-61, indicating clearly that the poverty line in the latter year had tended to effect a smaller section of Indian people. Similar trend was noticed in respect of the next income group—Rs. 51—100, where in as much as 29.31 per cent of the income was generated during 1955-56. It may be observed that during 1960-61 this income group earned only 22.07 per cent of the total personal income. Thus there was a sure shift from the lower income groups towards the higher income groups. Against as many as 40 per cent of the personal incomes being generated within a monthly household income groups of below Rs. 100 in 1955-56, only 27.8 per cent of the personal incomes were being generated in this group during 1960-61. Therefore as many as 50 per cent of the incomes were shifted towards the higher income groups. It may be observed that in income groups of Rs. 100—200 the percentage improved from 28.27 per cent during 1955-56 to 32.94 per cent during 1960-61. Then again in the income brackets Rs. 200—300 there was an improvement from 1955-56 to 1960-61 to the extent that in the former years as much as 9.48 per cent of the income was generated from this group and in the latter year as much as 13.49 per cent of the income was being generated.

As far as the higher income groups are concerned there was a trend towards a declining percentage in the income bracket of Rs. 700 to 1000. While as many as 2.67 per cent of the income was generated in this group during 1955-56, only 2.58 per cent of the income was generated in this during 1960-61. Thus there was a fall though only marginal one. It may however be observed that in the income brackets above one thousand

the trend has not been towards equality. There has been an increase in percentage of income generated from 3.79 per cent to 4.60 per cent during the latter year. By and large, however, there has been a trend towards greater equality between 1955-56 and 1960-61. This trend was more certain in the urban than in the rural areas.

An estimate has been made in respect of 1965-66 trend. It may be observed that the incomes generated in the Rs. 50 or below group has declined further to 2.60 per cent, showing that the population below the poverty line is bound to be still lesser. In the urban areas this income group will only be to the extent of 0.54 per cent. Income generated from 51 — 100 group is also likely to be reduced to 5.15 per cent in urban areas while it was 9.86 per cent in 1960-61.

There is evident a clear trend towards increasing equality of incomes though it will be only a slow change. It may however be added that urban incomes are likely to be more equally distributed than rural ones. This perhaps is on account of the fact that the ceilings on large holdings which reduced inequality over the Second Plan period are not likely to be more extensive. Apart from this the incomes of more enterprising farmers who are likely to use fertilizers would improve their relative position.

A look at the table would reveal that the State where the reduction of income inequalities seems to be fastest is Kerala. The income generated from the income group Rs. 1—50 during 1955-56 was 13.56 per cent.

TABLE II.

PERCENTAGE OF POPULATION BELOW THE POVERTY LINE

State	Percentage of total population
1. Andhra	23.2
2. Assam	3.4
3. Bihar	19.0
4. Gujerat	19.0
5. Jammu & Kashmir	6.6
6. Kerala	20.0
7. Madhya Pradesh	19.4
8. Madras	31.7
9. Maharashtra	19.0
10. Mysore	14.9
11. Orissa	35.4
12. Punjab	7.4
13. Rajasthan	16.0
14. Uttar Pradesh	17.5
15. West Bengal	14.5
ALL INDIA	19.0

It dropped to 0.42 per cent in 1960-61 and is likely to further come down to 0.09 per cent during 1965-66. In 1960-61 the States with the greatest equality in total income distribution were the Punjab, Kerala and Orissa and in sharp contrast to this, total incomes in West Bengal and Gujerat were very unevenly distributed. Gujarat seems to be the State with the most unequal distribution with as much as 12.3 per cent of the total 1960-61 income concentrated in the monthly household income group of over 1,000. This study, therefore, leads us to the broad conclusion that equalities of incomes are being achieved, though very gradually. The real stress nevertheless, has to be in the raising of overall incomes.

TABLE III

STATEWISE RURAL DEGREE OF INCOME BACKWARDNESS

State	A	B	C	D
Andhra Pradesh	522	169	126	102
Assam	100	100	100	100
Bihar	469	150	120	100
Bombay	439	145	122	102
Jammu and Kashmir ..	180	120	106	99
Kerala	430	153	119	103
Madhya Pradesh ..	494	158	126	99
Madras	653	172	133	103
Mysore	377	148	121	100
Orissa	682	186	135	102
Punjab	236	95	92	102
Rajasthan	405	121	109	91
U.P.	410	150	124	94
West Bengal ..	390	144	120	102
Union Territories ..	184	99	95	101

Column A is obtained when we place the poverty level at below Rs. 50 which is the monthly household expenditure level in rural areas.

Column B is obtained when we place the poverty level at below Rs. 100, which is the monthly household expenditure level in rural areas and no weights are given.

Column C is obtained when the poverty level is placed at Rs. 150, the monthly household experditure level in rural areas, and no weights are given.

Column D is obtained when the poverty level is placed at Rs. 300, the monthly household experditure level in rural areas, and no weights are given.

Regional Distribution of National Income

DURING the last decade National Income of the Indian Union has continued to advance at the rate of nearly 5 per cent every year. It has become an interesting exercise to study whether this increase in income has been uniform all over the country or the increases have been unequal in various regions. The Indian Institute of Public Opinion has been able to present a State-wise break-up of National Income generated in agricultural, industrial and tertiary sectors during the last decade. This study is very significant for the simple reason that it tends to assess the translation in actual terms of planning efforts in various States.

Any attempt to compare the national income generated in various States has to be in terms of per capita income. A table in this section sets out the per capita incomes during the three Plans at 1955-56 prices. It may be observed that in 1950-51 when the all-India per capita income was Rs. 222, the States of Gujarat, Maharashtra, the Punjab, and West Bengal were those where the per capita income was much above the all-India level. These States in a way were 'richer' before the initiation of, what might be called, the years of planning in the Indian economy. It may be indicated that the First Plan generated increased per capita income to a rather modest extent. Certain interesting features of increase during this period were that Maharashtra which was already one of the 'richest' States grew richer by more than its normal share. The increase during the First Plan on all-India basis was to the extent of 6.27 per cent. Maharashtra on the other hand recorded an increase of 13.7 per cent. Three other States that recorded significant increases were Andhra, Rajasthan and Mysore. These States though comparatively 'backward' in 1950-51, improved their position in 1955-56.

Increase in per capita income during the Second Plan period was nearly double than that recorded during the First Plan period. The Punjab recorded maximum increase of 23.68 per cent which was more than double the all-India increase of 11.96 per cent. Other States which recorded sizeable improvements were Gujarat, Madras, Orissa and West Bengal. Apart from this, Delhi region also improved its position considerably. It might be observed here that the States which were 'rich' became comparatively richer. The Punjab, for instance, was fourth among the major States in terms of per capita incomes in 1950-51. Ten years later it was only second to West Bengal and their difference too had been considerably reduced .

When the probable increases in incomes in the States that were likely to be generated during the Third Plan period were taken into consideration, a picture of nearly 15 years was available, which made an interesting study. It confirmed the trend already observed that rates of growth in the different States of the Indian Union were markedly unequal and the disparities in overall rates of growth as well as per capita growth continued to stay. As an instance it might be indicated that while in Assam the per capita income generated during the Third Plan period was likely to be to the extent of 3.64 per cent, the increase in Orissa was likely to be of the order of 40.64 per cent. The Punjab which already was a leading State in respect of per capita income was likely to improve its position further by 23.7 per cent. This was an exceptionally high figure when compared to the all-India average of 16.92 per cent. Over the 15 years the advance would be greatest in the Punjab, at around 138 per cent in terms of incomes at 1955-56 prices. Income in Orissa would increase by nearly 115 per cent and in Gujarat it would increase nearly by 101 per cent. These three States, it seemed, were major beneficiaries. Comparatively slow movers would be Assam, Andhra Pradesh, Kerala and Madras. It might be observed that in Uttar Pradesh the rate of growth in income generation has been considerably below the all-India average. During the first two plans and during the Third Plan it would be 60 per cent which was about 30 per cent below the all-India figure of 86 per cent.

When seen in terms of various sectors, it might be observed that the States that were likely to register the greatest agricultural income increases over the entire period of three Plans were the Punjab with 170 per cent rise, Rajasthan with 139 per cent and Orissa with 96 per cent rise. The other important States in this respect would be Kerala, West Bengal and Mysore which would improve their positions by over 80 per cent. As far as industrial incomes were concerned, it would be Orissa and Bihar where the increases would be to the extent of nearly 230 per cent in each case. The Punjab and Bengal would also have recorded major increases—the Punjab was likely to increase income from industry to the extent of 190 per cent and West Bengal also to the same extent. The States that were likely to lag behind in terms of industrial incomes were Rajasthan with just 44 per cent, Assam with nearly 70 per cent and Kerala with nearly 60 per cent. This could definitely be considered on the lower side when compared to the all-India average of 120 per cent. In the field of tertiary incomes the rise during the fifteen years was likely to be highest in the case of Delhi with 161 per cent, while Assam, Bihar, Gujarat, Maharashtra, Orissa and the Punjab would also have shown major improvements. Particular slow movers would be Kerala, Andhra and Madras.

It might be observed that per capita income did not necessarily move in line with the general improvements in incomes because the pressure of population was not uniform all over the country During the decade 1951-61 the all-India annual growth was 2 per cent, as against this West Bengal recorded an increase of 2.9 per cent, Gujarat 2.4 per cent, Assam 2.7 per cent. Then, the States of Andhra Pradesh, Madras and Uttar Pradesh were comparatively fortunate. Their rates of population growth were lowest at 1.4 per cent, 1.2 per cent and 1.5 per cent respectively. Naturally, therefore, in terms of per capita incomes, Madras with an increase of 22 per cent in income during the Second Plan, recorded a per capita income increase of nearly 15 per cent. On the other hand West Bengal where the increase in income was to the extent of 32 per cent, recorded the per capita income which was less than half i.e. 14.7 per cent. In Assam 18 per cent increase in total incomes resulted in a mere 3 per cent increase in per capita income. Punjab recorded the growth in per capita income at 26.4 per cent though the growth in total incomes was as high as 42 per cent during the Second Plan period. The fact nevertheless remains that a wide difference between the 'prosperous' and the 'poor' States is still there and there was no likelihood of its reduction in the near future.

In terms of zones it might be observed that Northern Zone (Punjab, Rajasthan, Delhi and Himachal Pradesh) and Western Zone (Gujarat and Maharashtra) were the richest at the beginning of the Plan. During the 15 years of three Plans Northern Zone would have improved its position in terms of real incomes by 126 per cent and in per capita terms by nearly 57 per cent. The Western Zone also would have improved its position by 97 per cent in terms of incomes and 42 per cent in terms of per capita incomes. The other regions started with lower incomes as well as lower per capita incomes and they have recorded lower improvements. The only conclusion that could be drawn from this study was that fifteen years of planning was going to make 'rich' regions 'richer'. This did not mean that the 'poor' regions had become 'poorer'. It was only a bigger contrast: all the world resides in a world of relativity.

REGIONAL INCOME: 1955 - 56 — 1965 - 66

(At 1955-56 prices)

State	Total (Rs. Crores)					Per Capita (Rs.)				
	1955-56	1960-61	1965-66	% change of 1965-66 over 1950-51	% change of 1965-66 over 1960-61	1955-56	1960-61	1965-66	% change of 1965-66 over 1960-61	% change of 1965-66 over 1960-61
Andhra	738.46	851.46	1,061.81	+70.22	+24.70	220.24	230.56	258.47	+28.86	+12.11
Assam	251.62	292.71	355.92	+69.12	+21.59	241.70	253.43	274.42	+14.75	+8.28
Bihar	642.17	757.06	1,068.92	+92.21	+41.19	156.32	169.40	217.13	+51.10	+28.18
Gujarat	508.26	670.82	902.17	+101.02	+34.49	273.85	323.13	386.04	+45.37	+19.47
Kerala	384.69	478.85	587.84	+76.43	+22.76	256.45	281.68	304.58	+21.58	+8.13
Madhya Pradesh	627.51	743.46	940.93	+79.81	+26.56	228.60	250.49	288.81	+42.94	+15.30
Madras	785.32	939.91	1,166.86	+69.95	+24.15	243.13	263.28	293.11	+26.79	+11.33
Maharashtra	1,076.84	1,276.69	1,664.02	+94.87	+30.34	316.55	335.44	388.43	+41.01	+15.80
Mysore	402.10	470.14	610.39	+83.76	+29.62	188.51	197.29	226.32	+30.82	+14.71
Orissa	257.76	330.63	498.91	+114.86	+50.90	168.91	201.24	278.72	+74.05	+38.50
Punjab	501.43	703.03	984.58	+138.56	+40.05	285.07	358.14	446.93	+72.19	+24.79
Rajasthan	381.42	446.78	594.71	+98.83	+33.11	219.34	229.59	272.30	+43.84	+18.60
Uttar Pradesh	1,412.45	1,635.69	2,068.58	+60.32	+26.47	209.94	221.89	253.41	+23.14	+14.21
West Bengal	997.63	1,289.11	1,725.49	+97.06	+33.85	363.18	436.69	536.37	+59.88	+22.83
Delhi	163.15	240.21	311.72	+161.55	+29.77	780.62	968.58	1,060.27	+51.24	+9.47
Himachal Pradesh	18.94	23.78	29.35	+70.14	+23.42	169.11	205.00	238.62	+52.17	+16.40
Manipur	6.35	7.32	8.39	+57.41	+14.62	104.10	107.65	111.87	+25.94	+3.92
Tripura	15.87	19.48	24.56	+52.45	+26.21	244.15	270.28	310.89	+15.79	+15.03
All-India	**9,171.97**	**11,177.11**	**14,605.15**	**+86.38**	**+30.67**	**239.38**	**264.86**	**311.13**	**+40.39**	**+17.47**

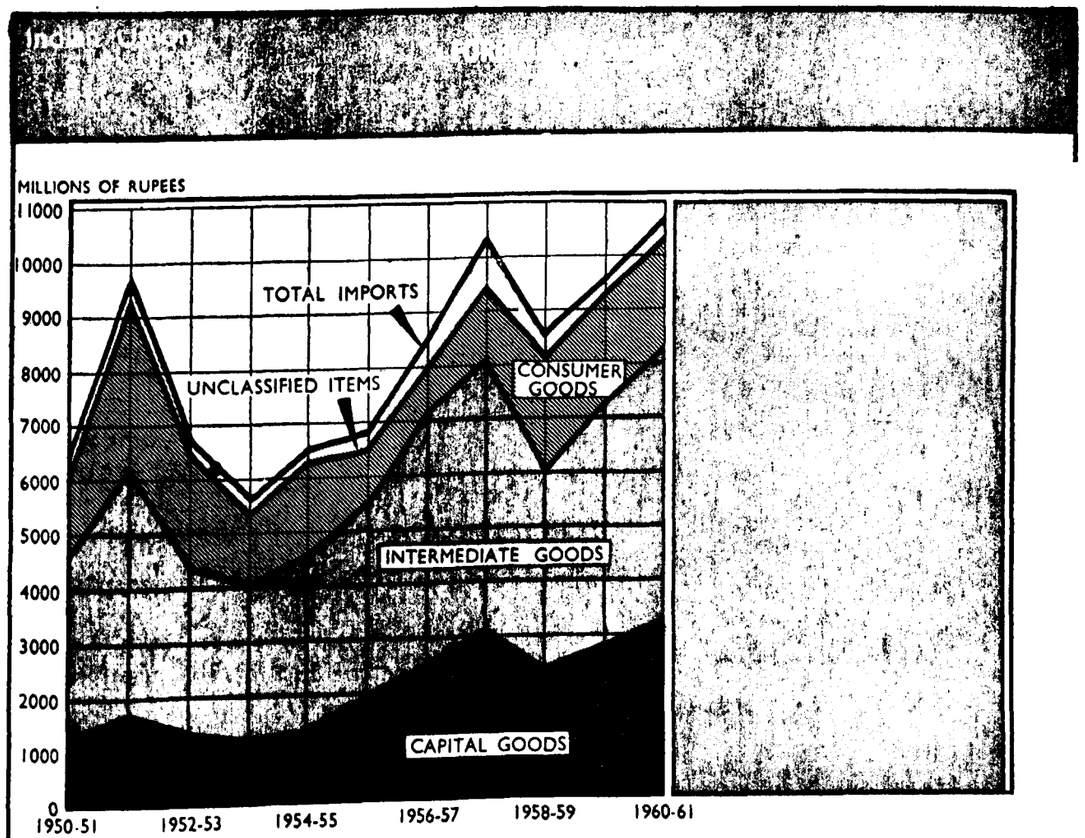
TOTAL AND PER CAPITA INCOMES : ZONAL ESTIMATES

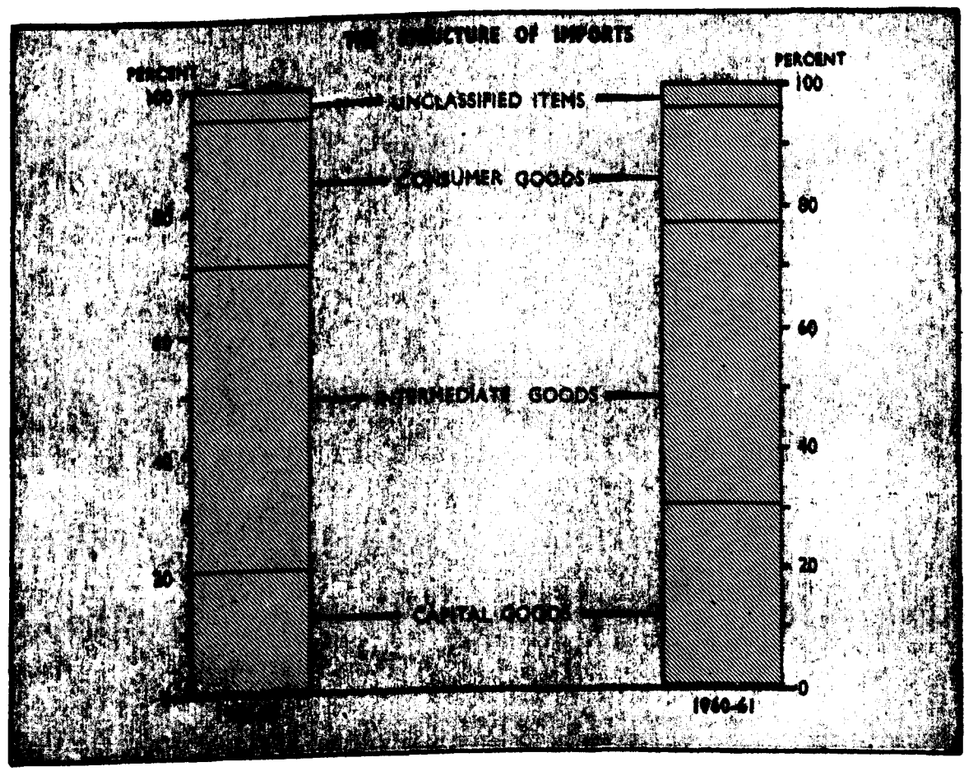
(At 1955-56 Prices)

Zone	Total Incomes (in Rs. Crores)				Per Capita Incomes (in Rs.)			
	1950-51	1955-56	1960-61	1965-66	1950-51	1955-56	1960-61	1965-66
Northern Zone ..	848.23 (100.00)	1064.96 (125.54)	1425.60 (168.07)	1920.36 (226.40)	245.65 (100.00)	273.41 (111.30)	324.22 (131.98)	386.86 (157.48)
Central Zone ..	1813.61 (100.00)	2039 96 (122.48)	2402.38 (132.46)	3009.51 (165.94)	204.84 (100.00)	211.70 (103.35)	229.04 (111.81)	263.53 (128.65)
Eastern Zone ..	1890.49 (100.00)	2165.05 (114.54)	2730.34 (144.42)	3673.80 (194.33)	213.81 (100.00)	219.05 (102.46)	246 93 (115.49)	296.32 (138.59)
Western Zone ..	1302.72 (100.00)	1585.10 (121.68)	1977.77 (151.82)	2566.19 (196.99)	272.88 (100.00)	297.78 (109.12)	333.18 (122.10)	387.70 (142.08)
Southern Zone ..	1975.77 (100.00)	2310.57 (116.95)	2783.09 (140.86)	3426.90 (173.45)	211.43 (100.00)	228.66 (108.15)	254.56 (120.40)	289.70 (137.02)
All-India ..	**7830.82 (100.00)**	**9165 62 (117.05)**	**11319.18 (144.55)**	**14596.76 (186.40)**	**222.04 (100.00)**	**135.97 (106.27)**	**264.20 (118.99)**	**309.06 (139.19)**

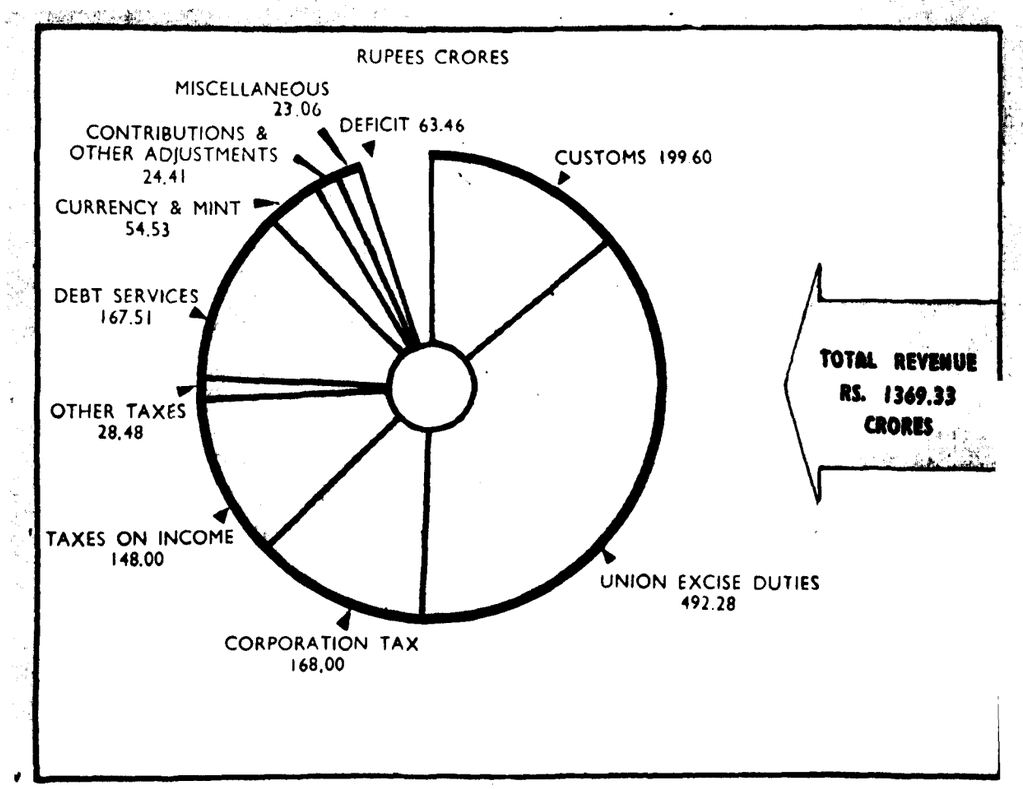
Northern Zone: Punjab, Rajasthan, Delhi and Himachal Pradesh.
Central Zone: Madhya Pradesh and Uttar Pradesh.
Eastern Zone: Assam, Bihar, Orissa, West Bengal and Tripura.
Western Zone: Gujarat and Maharashtra.
Southern Zone: Andhra Pradesh, Kerala, Madras and Mysore.

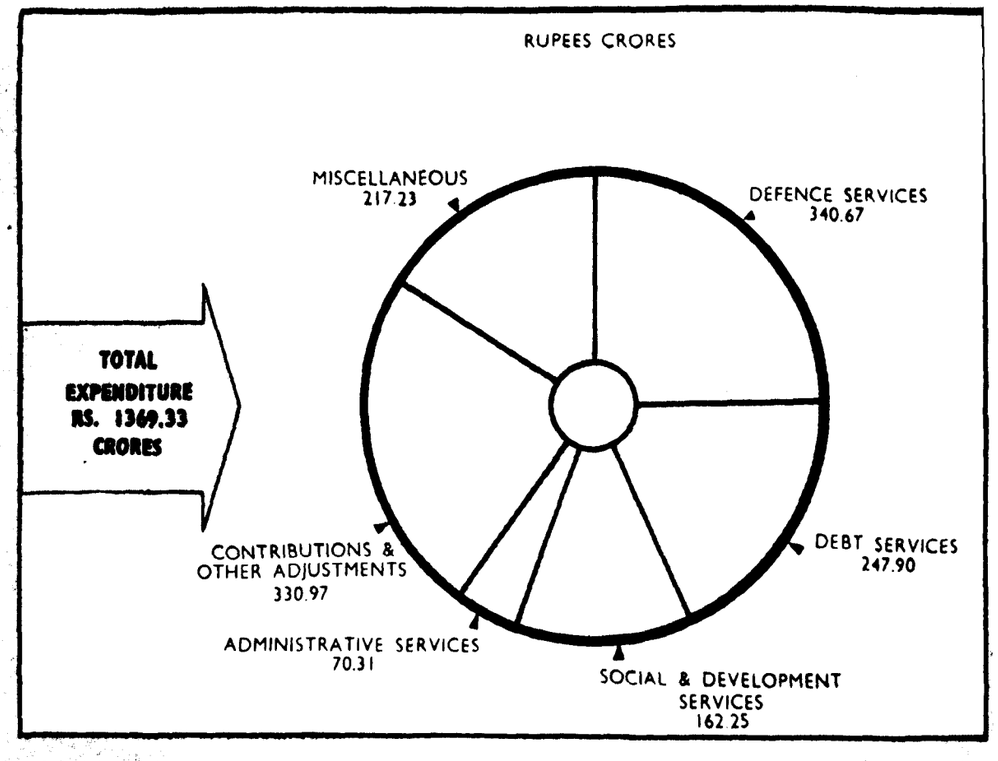
Source: The Indian Institute of Public Opinion.





CENTRAL BUDGET : 1962-63





STATE-WISE PER CAPITA INCOME

(At Current Prices)

(In Rupees)

State	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
Andhra Pradesh* ..	—	—	—	—	222	238	214	226	256	261	276	—
Assam ..	268	286	281	320	283	285	295	281	306	268	317	310*
Bombay ..	—	—	—	—	—	—	276	—	—	—	—	—
Kerala* ..	—	—	—	—	—	—	—	228	238	244	—	—
Madhya Pradesh ..	—	—	198	201	209	212	190	218	250	—	—	—
Punjab ..	—	—	—	—	327	332	316	—	—	—	—	—
Uttar Pradesh ..	246	250	258	242	240	230	209	212	—	227	256	—
West Bengal ..	292	294	303	304	—	—	—	—	—	—	—	—

(At 1948-49 Prices)

State	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
Andhra Pradesh*† ..	—	—	—	—	247	266	247	278	274	273	287	—
Assam ..	268	268	256	243	253	255	267	276	272	269*	276	271*
Madhya Pradesh ..	—	—	183	200	209	219	223	230	246	—	—	—
Punjab ..	—	—	—	—	327	343	357	—	—	—	—	—
Uttar Pradesh ..	246	254	258	251	255	253	271	265	257	247	259	—

* Estimates are Provisional.
† Estimates are at 1952-53 Prices.

STATES' INCOME

(At Current Prices)

(Rs. Crores)

State	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
Andhra Pradesh* ..	—	—	—	—	706	768	700	746	838	887	750	—
Assam ..	226	244	254	288	258	263	276	267	294	300	312	309*
Bombay ..	—	—	—	—	—	—	1408	—	—	—	—	—
Kerala ..	—	—	—	—	—	—	—	332	354	368	—	—
Madhya Pradesh ..	—	—	515	531	558	572	513	603	728	—	—	—
Punjab ..	—	—	—	—	538	554	535	—	—	—	—	—
Uttar Pradesh ..	1489	1564	1628	1552	1561	1516	1397	1439	1591	1600	1835	—
West Bengal ..	674	691	740	760	—	—	—	—	—	—	—	—

(At 1948-49 Prices)

State	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
Andhra Pradesh† ..	—	—	—	—	784	856	807	920	919	926	989	—
Assam ..	226	231	224	219	230	235	250	261	261	261	272	270*
Madhya Pradesh ..	—	—	477	524	538	591	610	626	691	—	—	—
Punjab ..	—	—	—	—	538	571	603	—	—	—	—	—
Uttar Pradesh ..	1489	1589	1632	1611	1659	1669	1813	1797	1774	1738	1857	—

* Estimates are provisional.
†. Estimates are at 1952-53 Prices.

Profits

THE expressions "profit" and the "profit motive" are in disfavour with protagonists of the socialist pattern of society. "The Eastern Economist" suggests that the readers who hold an "anti-profit" viewpoint may read carefully the Special Article in "The Eastern Economist" published on pages 745-46 in the issue of March 23, 1962 wherein Mr. Daya Krishna explained that "it would be well to distinguish between profit and the maximization of profit. Profit is a much maligned term in the socialist and marxist critique of capitalism. But everybody who inveighs against this seems to forget that it is only another name for the successful running of an enterprise. If there is no profit, there is not even the possibility of the development of the economy and if a concern is running at a loss, it obviously cannot run for long". The enlightened people are veering around to the view that not only the private enterprises but also the public enterprises must earn profits because the expansion of the economy cannot be hastened without ploughing back profits. The Third Five-Year Plan takes a happy note of this new trend in thinking and has advocated the ploughing back of Rs. 450 crores from the surpluses — net profits plus depreciation reserves — to be obtained from the state enterprises. Unluckily, the overall picture of the public sector undertakings in terms of yield on capital employed is far from encouraging. Figures given in the Explanatory Memorandum on the Budget of the Central Government for 1962-63 (pages 197-200) show that the capital invested in the public sector enterprises upto 1961-62 was Rs. 709 crores while profit accruing to these enterprises was not more than Rs. 1.63 crores in 1961-62. This works out to not more than 0.3 per cent on the capital employed.

"The Eastern Economist" has no desire to run down these public sector enterprises simply because they have failed to show good working results during the short period for which they had been in operation. The gestation period for these enterprises has got rather prolonged but there is no doubt that after a couple of years, the giants in the public sector will also start running at a profit. All business ventures, whether in the public sector or the private sector, cannot help facing the teething troubles. Hindustan Steel has absorbed the largest share of the public sector investments and has not risen as yet to full capacity in production and that factor alone has been responsible for pulling down the performance of all the public sector enterprises jointly. If, however, some individual cases such as those of Hindustan Cables and Hindustan Machine Tools are studied it will be found that they are being run as efficiently as any private sector enterprise. This points to the growing awareness amongst the managers of these public sector units that they also are answerable to the nation for their activities and they should not use the resources of the nation in an unprofitable way.

The Reserve Bank of India has analysed from time to time the Balance Sheets of 1001 selected public limited companies which cover the bulk of the private sector enterprises. The results of these companies for the period 1955 to 1959 show that profits in the private sector have been uneven with a very bad experience in 1957. The drop in profits in 1957 was mainly due to the downturn in the performance of cotton textiles. The profits before tax, which were of the order of Rs. 118 crores in 1955 rose to Rs. 131 crores in 1956 but again fell to Rs. 108 crores in 1957. Since then they have been steadily improving and in 1959 they were at an all time peak at Rs. 161 crores. This resulted in raising the volume of profits distribution and profits retained. Whereas retained profits were of the order of only Rs. 14 crores in 1957 they rose to about Rs. 38 crores in 1959.

Profits after tax as a percentage of net worth ruled around 8.4 per cent on the average. In 1959, the average rate was a little higher at 10.5 per cent though the mineral and vegetable oil companies stood in the top group with profits at more than 15 per cent. Coal has consistently exhibited a poor yield at 6 to 7 per cent.

The development rebate and the tax-holiday provided to the new enterprises, are sufficient incentives for attracting private capital from abroad. There is, however, a long standing complaint from the business community that the depreciation allowed under the present rules is not sufficient to replace plant and equipment in case of complete breakdown. Depreciation should be allowed not on the depreciated capital cost of plant and machinery as indicated in the balance sheet but on the replacement value.

PROGRESS OF PUBLIC LIMITED COMPANIES

(Rs. crores)

	1955	1957	1958	1959
Net worth*	747	868	912	976
Paid up capital*	469	532	561	588
Free reserves† & surplus ..	278	336	351	387
Assets :				
Total net assets* (or total capital employed)	1,434	1,857	1,973	2,072
Gross fixed assets*	939	1,253	1,401	1,505
Less Depreciation*	404	487	536	594
Net fixed assets*	535	766	862	912
Total income	1,624	2,040	2,126	2,293
Disposal of profits				
Profits before tax	118	108	121	161
Tax provision‡	50	52	56	59
Profits after tax‡	68	56	65	102
Dividends‡	39	43	47	64
Retained profits	29	14	18	38

Note: This table has been taken from the Reserve Bank's study of a sample of 1,001 public limited companies. The sample accounts for 77 per cent of the paid-up capital of the category of companies covered.

*At the end of year.

†All reserves excepting Depreciation and Taxation Reserves.

‡Figures for 1958 and 1959 are not strictly comparable with those for the earlier years owing to the changes in the system of company taxation introduced by the Finance Act, 1959.

The Pattern of Wages

SINCE the dawn of independence labour has been having a fair deal. And today there is hardly any section of the labour left which is not touched upon by labour legislation. Minimum wages, retrenchment benefits during lay off, provident fund, gratuity, employees insurance etc., in fact all these now form a regular feature of Government's labour policy. Wages are being governed by the Wage Boards which have been set up and are being set up for various industries. Mention may be made of the Wage Boards pertaining to the textile, jute, tea, coffee, rubber and iron and steel industries. The awards of these boards have gone a long way in giving a further boost to the rise in wages. By way of instance it may just be mentioned that in the textile industry, the Wage Board recommended an increase at the average rate of Rs. 8 per month to all workers in mills of category I from 1st January, 1960 and a further flat increase of Rs. 2 per worker from 1st January, 1962. Likewise, an increase at the average rate of Rs. 6 per month per worker was recommended to all the workers in mills of category II per month per worker from 1st January, 1962. Dearness allowance is to be linked with the cost of living index in all centres and if any centre has no such cost of living index, the index of the nearest centre is to be taken for that purpose. In fact linking wages with the cost of living index is taking quite a wide turn. Position being such, the question of real wages falling in industries where the above said formula is applicable does not arise. Even in industries where it does not apply, real wages have been rising either as a result of bipartite agreements or through the awards of industrial tribunals and courts. On the whole, real wages of a worker have risen by 27 per cent over the period 1947—1958. It may also be taken note of that there has been a sharp increase during the same period in non-wage benefits available to industrial labour. While the ratio of non-wage benefits to average earnings in percentage terms was only 1.6 in 1949, it was 6.0 in 1958.

Here it is relevant to ask whether the earnings of the industrial labour have kept pace with the increase in productivity. A careful analysis in the post-independence era would reveal that in many industries like jute textiles, matches, paints and varnishes, sugar, soap and ceramics, real earnings have outstripped the increase in productivity and in industries like distilleries and breweries, electric lamps, electric fans and cotton textile, real earnings have closely followed the increase in productivity. It is only in a few industries that real earnings have lagged behind productivity. Industries where the increase in real earnings has closely followed the increase in productivity accounts for 40 per cent of the organized labour, while the industries where real earnings have outstripped productivity account for 24.5 per cent of the organized labour. So far as money earnings are concerned, they have risen by 70 per cent during the period 1947 to 1958, whereas productivity has only increased by 50 per cent.

In this context it needs to be underlined that increase in productivity is not solely due to the efforts of labour, but also to efficient management, mechanisation and improved methods of production. Therefore, for the labour to claim the entire increase for themselves is totally untenable. If real wages have lagged behind productivity in certain industries, the fault is not that of the industry, but must be assigned to the government that has not been able to evolve a stable price policy so far. Table below pertaining to the trends in productivity and real earnings of labour in some of the major industries in India is self-explanatory.

THE TREND IN PRODUCTIVITY AND REAL EARNINGS OF LABOUR IN SOME MAJOR INDUSTRIES IN INDIA (1953 = 100)

	1947		1958		Percentage increase (+) or decrease (—) in 1958 over 1947	
	Index of Productivity	Index of real earnings	Index of Productivity	Index of real earnings	Productivity	Real Earnings
Jute Textiles ..	121.1	69.9	123.4	86.3	+1.8	+23.4
Matches	98.3	73.2	107.5	90.6	+9.3	+23.7
Paints and varnishes ..	105.4	74.4	152.4	121.7	+44.6	+63.6
Sugar	186.8	92.1	159.9	120.5	—14.4	+30.8
Soap	76.8	55.4	158.6	116.2	+105.7	+109.8
Ceramics	67.3	60.0	104.7	110.5	+55.6	+84.2
Distilleries and breweries	92.4	69.3	148.8	109.2	+61.0	+57.6
Electric lamps ..	72.5	66.6	122.6	107.3	+69.1	+61.1
Electric fans	66.7	64.9	142.6	114.3	+113.7	+75.9
Cotton Textiles ..	82.8	82.0	107.9	98.2	+30.3	+19.7

Note: The figures have been adjusted to 1953 prices. **Source:** Census of Indian Manufactures, 1958.

On the face of it, it would be erroneous to call that labour in the organised industry is worst off although many vested interests may claim it to be so. The organised labour engaged in manufacturing industries, mining and constructional activities constitutes only 5 per cent of the total labour force. An overwhelming proportion is in agriculture and the tertiary sector, and it is this section which is the worst off. Will it not be accentuating the already big disparities if wages of industrial labour are given increase after increase? The greatest argument that stands at the moment against rise in wages is that it would inflate further the industrial costs and thereby dim the chances of India's products in the foreign markets. It may be true that labour costs compared with the more developed countries are low, but when non-wage benefits are also included, they certainly become quite high. Industry on its part is justified in demanding that money wages should not rise faster than average increase in productivity. But the worker does not seem to be satisfied and continues to demand higher wages.

The position hence is of two extremes. To find a solution in this sphere is now the major worry. 'The Eastern Economist' is of the opinion that when every section of society is prepared to make sacrifices to fulfil the targets of the Third Five-Year Plan, there is no reason why labour also should not be prepared to do the same. But if it be must that an increase in wages be granted where it is reasonable, it should only be in the form of government bonds. This would be good not only for the economy as a whole but for the workers as well. This would help in putting an end to the wage-price inflation. At the same time there must also be an increased production of consumer goods for that would only offset the inflationary effects of the increased money supply.

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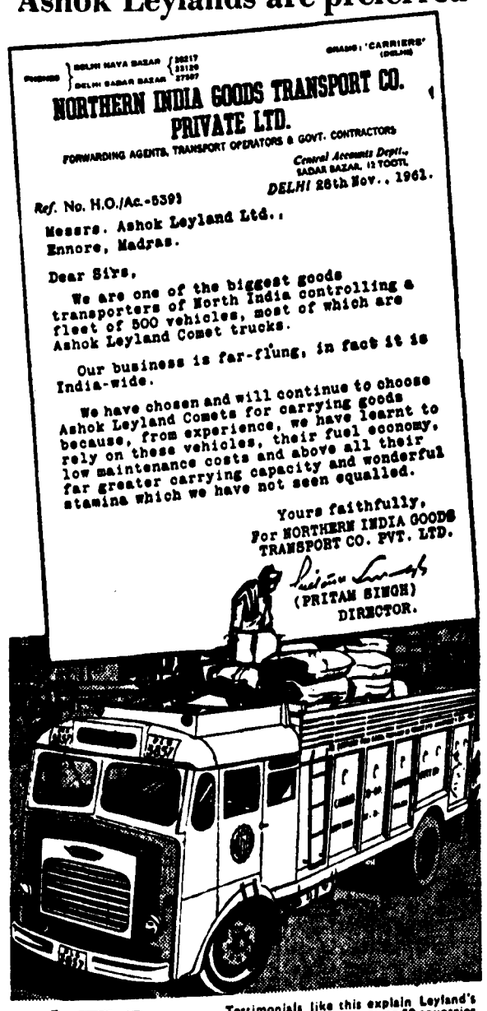
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Directors' Report

The Directors have pleasure in submitting this Fifty-Third Annual Report together with the Audited Statement of Accounts for the year ended 31st December, 1961.

	This Year Rupees	Previous Year Rupees
The net profit for the year 1961, after providing for taxes, including Rs. 1,09,357.81 brought forward and after taking Rs. 8,80,143.87 towards depreciation on buildings and furniture amounts to	68 72,553.37	41,68 551 98
An ad-interim dividend at the rate of 14% per annum, subject to deduction of income-tax at the appropriate rates was paid for the half-year ended 30th June, 1961, which absorbed ..	10,50,000.00	8,75,000.00
Amount transferred to Reserve Fund	20,00,000.00	Nil
Provision for Bonus to Staff	20,20,000.00	17,10,000.00
	50,70,000.00	25,85,000.00
The Directors now recommend:-		
(a) payment of a final dividend at the rate of 20% per annum per equity share (i.e., Rs. 5 per share) subject to deduction of tax at the appropriate rates for the half-year ended 31st December, 1961, making in all 17% per annum for the year amounting to	15,00,000.00	14,74,194.17
(b) and carry forward to the next year's account of the balance amounting to	3,02,553.37	1,09,357.81
	68,72,553.37	41,68,551.98

2. The business of the Bank during the year under review continued to be satisfactory.

3. Under the Scheme of Amalgamation sanctioned by the Government of India, the New Citizen Bank of India Ltd. was amalgamated with our Bank with effect from 29th April, 1961. As a result, after due examination and valuation, our Bank took over the readily realisable assets of the New Citizen Bank of India Ltd., of the value of Rs. 1,69,19,139.11 nP. including immoveable properties situated at Palton Road, Crawford Market, Bombay, and at Kalyan (non-banking asset). As laid down in the Scheme, after providing in full for its outside liabilities, every depositor of that Bank was, in the first place given credit to the extent of Rs. 250 or the balance in the account whichever was less; and in the next place to those whose balances were above Rs. 250, the pro rata share calculated at Rs. 0.66 nP. in a rupee in respect of the balance of his account as diminished after the credit of Rs. 250 was given. The Board wishes to record its appreciation of the co-operation and assistance received from the Reserve Bank of India in connection with the amalgamation.

4. As a result of the amalgamation of the former New Citizen Bank of India Ltd., all its 44 offices started functioning as our branches. Of these, the branches at Bruce Street (Bombay), Jalgaon (Mahaji Bazar) and Nampur were closed down as they were found to be unremunerative.

5. Because of their nearness to each other, the Bank's branches in Calcutta at Pageyputty and Cross Street were amalgamated and shifted to new commodious premises at Mahatma Gandhi Road, Calcutta.

6. During the period under review, the Bank put up its own building in East Africa at Kampala (Uganda) at a cost of about Rs. 18,24,000 to house its branch office and a safe deposit vault. This is in addition to the Bank's own building at Nairobi (Kenya) which was put up earlier. The Bank has also started a mobile banking service under the control of its Kisumu (Kenya) branch for the benefit of six surrounding villages.

7. The Bank has applied for and has been granted an exemption from audit under Section 228 of the Companies Act, 1956, in respect of 104 branches in India for the year 1961 and the exemption orders in this regard will be read out to you hereafter. This number includes 13 branches audited by Chartered Accountants in the employ of the Bank who were entrusted with the audit work in consultation with the Bank's Statutory Auditors. The remaining branches in India have been either audited by the Bank's Statutory Auditors or by firms of Chartered Accountants entrusted with the audit in consultation with the Statutory Auditors. All the Bank's branches outside India have been audited by the Chartered Accountants who have been competent to act as Company Auditors under the Acts of the respective countries and who have been approved by the Bank's Statutory Auditors.

8. The Bank has opened branches during the year at Chandigarh, Indore (Siyagunj), Jullundur, Ahmedabad (Ellis Bridge), Bombay (Bandra), Calcutta (Bhowanipore), Delhi (Sadar Bazar), Baroda (Industrial Estate) and at Suva in Fiji Islands. A temporary branch was also opened on the grounds of the Indian Industries Fair held in New Delhi in November, 1961. Branches at Godhra, Dehgam and Bareilly will be opened shortly.

9. Shri Tulsidas Kilachand, the Chairman, was out of India for over three months from 16th May, 1961. In accordance with the Article 151 (1) of the Articles of Association, the Board had appointed Shri Ramdas Kilachand as an Alternate Director in place of Shri Tulsidas Kilachand. The Board appreciated and placed on record the valuable services rendered by Shri Ramdas Kilachand during the period in which he acted as an Alternate Director.

10. In accordance with Article 145, four Directors, Shri Tulsidas Kilachand, Lt. Col. H. H. The Maharaja Fatehsinh Gaekwad of Baroda, Shri K. P. Goenka, Shri Narsing Dass Bangur retire by rotation and being eligible, offer themselves for re-election.

11. Shareholders are requested to appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

For and on behalf of the Board,
LSIDAS KILACHAND Chairman

Bombay, 8th February, 1962.

THE BANK OF
Balance Sheet as

31-12-1960		CAPITAL AND LIABILITIES		
Rs.	Rs.		Rs. nP.	Rs. nP.
		1. **Capital :**		
		Authorised capital :		
	3,50,00,000	3,50,000 Equity shares of Rs. 100/- each ..	3,50,00,000.00	
		Issued & Subscribed Capital :		
	3,00,00,000	3,00,000 Equity shares of Rs. 100/- each ..	3,00,00,000.00	
1,50,00,000		Amount called up at Rs. 50 per Equity share		1,50,00,000.00
		2. **Reserve Fund and other reserves :**		
	80,75,000	Reserve Fund under Section 17 of the Banking Companies Act, 1949	1,00,75,000.00	
	79,63,760	Share Premium Account	79,63,760.00	
1,61,14,860	76,100	Development Rebate	85,800.00	1,81,24,560.00
		3. **Deposits and other Accounts :**		
	48,46,99,149	Fixed Deposits .. .. (including employees' security deposits Rs. 9,37,945.85)	53,12,21,143.47	
	15,21,96,707	Savings Bank Deposits	19,70,56,959.31	
84,98,23,869	21,29,28,013	Current Accounts, Contingency Accounts, etc.	22,62,79,886.38	95,45,57,989.16
		4. **Borrowings from other Banking Companies, Agents, etc. :**		
	2,64,40,331	(i) in India .. .. (includes an amount of Rs. 1,37,55,000.00 borrowed from the Refinance Corporation for Industry Ltd.)	3,48,05,000.00	
2,71,98,097	7,57,766	(ii) outside India	7,18,888.54	3,55,23,888.54
		Particulars :		
	1,80,81,445	(i) Secured (a) by part of Investments and Bills **per contra**	2,00,50,000.00	
	54,00,000	(b) under the Refinance Scheme vide 5.I. (i) **per contra**	1,37,55,000.00	
	37,16,652	(ii) Unsecured	17,18,888.54	
94,87,093		5. **Bills Payable**		1,03,52,072.30
		6. **Bills for Collection being Bills Receivable as per contra :**		
	6,24,10,921	(i) payable in India	7,,60,14,341.49	
8,65,64,247	2,41,53,326	(ii) payable outside India	1,90,68,947.58	9,50,83,289.07
1,34,95,975		7. **Other Liabilities**		2,18,05,204.13
		[(a) including Branch Adjustments .. .. .. Rs. 1,30,16,263.79		
		(b) Net amount realised to date in respect of assets under collection of the former New Citizen Bank of India Ltd. .. .. Rs. 8,13,889 88]		
7,93,52,891		8. **Acceptances, Endorsements and other Obligations** per contra		7,60,90,496.85
		9. **Profit and Loss :**		
	9,77,801	Profit as per last Balance Sheet	15,83,551.98	
	8,75,000	**Less:** appropriations	14,74,194.17	
	1,02,801		1,09,357.81	
	40,65,751	**Add :** profit for the year brought from the Profit and Loss Account	67,63,195.56	
	41,68,552		68,72,553.37	
1,09,70,37,032		**Carried over ..**		122,65,37,500.05

BARODA, LIMITED
at 31st December, 1961

31-12-1960		PROPERTY AND ASSETS			
Rs.	Rs.		Rs. nP.	Rs. nP.	
6,33,57,625		1. **Cash :** In hand and with Reserve Bank and State Bank of India (including foreign currency notes).		6,36,83,153.91	
		2. **Balances with other Banks in Current Account :**			
	7,68,978	(i) in India	10,86,520.88		
69,17,101	61,48,123	(ii) outside India	58,83,689.18	69,70,210.06	
1,14,00,000		3. **Money at Call and Short Notice**		1,13,33,333.33	
		4. **Investments at or below market rate :**			
	20,27,19,532	(i) Securities of the Central and State Governments and other Trustee Securities	21,40,06,140.10		
		(ii) Shares :			
	41,68,374	(a) Fully Paid Preference Shares ..	61,30,805.75		
	27,31,944	(b) Fully Paid Ordinary Shares ..	31,80,308.87		
	5,41,000	(c) Partly Paid Preference Shares ..	Nil		
	6,41,845	(d) Partly Paid Ordinary Shares ..	7,80,624.31		
	70,63,157	(iii) Debentures or Bonds	67,09,921.00		
		(iv) Other investments :			
	1,34,61,946	Foreign Government Loans and Treasury Bills	1,81,64,460.82		
23,13,27,798	Nil	(v) Gold	Nil	24,89,72,260.85	
		5. **Advances :** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors).			
	44,36,28,487	I. Loans, Cash Credits, Overdrafts, etc. : (i) in India, ... Rs. 54,05,63,547.75 (includes an amount **of Rs. 1,67,76,608.76** relating to medium term advances in respect of which finance has been obtained from the Refinance Corporation for Industry Ltd., as **per contra**)			
	4,36,89,457	(ii) outside India .. Rs. 4,31,98,646.35	58,37,62,194.10		
		II. Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments):			
	7,49,18,723	(i) payable in India .. Rs. 8,23,84,404.23			
60,17,77,913	3,95,41,246	(ii) payable outside India .. .. Rs. 3,75,35,558.56	11,99,19,962.79	70,36,82,156.89	
	46,76,42,158	Particulars of Advances : (i) Debts considered good in respect of which the banking company is fully secured	54,78,42,574.86		
	7,64,27,086	(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security .. .. .. This includes: Advances under joint and several pro-notes .. .. Rs. 4,13,17,035.18 Advances to individual parties .. Rs. 4,56,43,032.42	8,69,60,067.60		
		(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors ..	6,88,79,514.43		

THE BANK OF
Balance Sheet as

31-12-1960		CAPITAL AND LIABILITIES —Contd.			
Rs.	Rs.		Rs. nP.	Rs.	nP.
1,09,70,37,032		Brought forward ..		122,65,37,500.05	
		Less: Ad-interim dividend paid @ 14% p.a. for the half-year ended 30th June, 1961 (subject to tax) .. .. Rs.	10,50,000.00		
	8,75,000				
		Amount transferred to Reserve Fund .. Rs.	20,00,000.00		
	Nil				
15,83,552	17,10,000	Bonus to Staff .. Rs.	20,20,000.00	50,70,000.00	18,02,553.37
		10. Contingent Liabilities:			
		(i) On partly paid shares of Joint Stock Companies .. .. Rs.	20,29,837.50		
	35,48,625				
		(ii) Claims against the banking company not acknowledged as debt Rs.	2,56,143.74		
	1,01,639				
		(iii) Money for which the banking company is contingently liable (including Rs. 2,93,507.58 for guarantees given on behalf of the officers of the Bank) .. .. Rs.	18,18,69,125.84		
	13,49,82,669				
		(iv) Liability on Bills of Exchange re-discounted	Nil		
	Nil				
		(v) Liability on account of outstanding Forward Exchange Contracts .. Rs.	2,38,82,953.91		
6,08,25,573					
		Note: (1) Provision to the full extent for future gratuities to the staff has not been made —the liability for which has not been ascertained.			
		(2) The Balance Sheet and Profit & Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Companies Act, 1949, and are not required to be and are therefore not drawn up in accordance with Schedule VI of the Companies Act, 1956.			
1,09,86,20,584		Total ..		122,83,40,053.42	

BARODA, LIMITED
at 31st December, 1961

31.12-1960		PROPERTY AND ASSETS—Contd.			
Rs.	Rs.		Rs. nP.	Rs.	nP.
91,47,80,437		Brought forward ..		103,46,41,115.04	
	Nil	(iv) Debts considered doubtful or bad, not provided for	Nil		
	1,62,113	(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	3,16,227.99		
	10,43,18,376	(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors partners or managing agents or, in the case of private companies, as members	11,93,05,772.58		
	1,65,729	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons ..	3,16,334.66		
	12,47,71,105	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	12,53,05,362.83		
	20,49,130	(ix) Due from banking companies ..	16,71,528.90		
	6,24,10,921	**6. Bills Receivable being Bills for Collection** as per contra:			
8,65,64,247	2,41,53,326	(i) payable in India	7,60,14,341.49		
		(ii) payable outside India	1,90,68,947.58	9,50,83,289.07	
7,93,52,891		**7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations** per contra		7,60,90,496.85	
		8. Premises Less Depreciation:			
	68,71,057	Premises at cost to 31st December, 1960 ..	92,26,363.54		
	24,12,088	Additions during the year	24,97,510.86		
	92,83,145		1,17,23,874.40		
	56,781	**Less:** Sales during the year	50,574.85		
	92.26 364		1,16,73,299.55		
78,40,512	13,85,852	**Less:** Total depreciation to date	16,76,392.80	99,96,906.75	
		9. Furniture and Fixtures Less Depreciation:			
		Furniture and Fixtures at cost to 31st December, 1960	64,83,237.87		
	53,82,312				
	11,33,864	Additions during the year	17,15,851.07		
	65,16 176		81,99,088.94		
	32,938	**Less:** Sales during the year	56,402.87		
	64,83 238		81,42,686.07		
47,55,026	17,28 212	**Less:** Total depreciation to date	22,97,079.16	58,45,606.91	
		10. Other Assets:			
	16,66 212	(i) Advance Payments of Tax	17,12,199.70		
	17,51.663	(ii) Interest accrued on Investments ..	20,02,402.92		
	13,10,866	(iii) Stamps and Stationery	17,66.781.02		
	5,98,730	(iv) Advances recoverable in cash or in kind	11,47,255.16		
53,27,471	Nil	(v) Silver	Nil	66,28,638.80	
Nil		**11. Non-Banking Assets Acquired in Satisfaction of Claims at or below cost**		54,000.00	
1,09,86,20,584		Total ..		122,83,40,053.42	

THE BANK OF
Profit & Loss Account for

31-12-1960		EXPENDITURE	
Rs.			Rs. nP.
2,22,23,590	1.	Interest paid on deposits, borrowings, etc.	2,44,53,787.88
1,20,07,643	2.	Salaries and Allowances and Provident Fund ..	1,36,85,333.16
(67,250)		(including salary & allowance to General Manager Rs. 67,500)	
	3.	Directors' and Local Committee members' fee and	
62,132		allowances	62,270.73
13,61 734	4.	Rent, Taxes, Insurance, Lighting, etc.	17,36,818.39
1,07,466	5.	Law Charges	1,22,535.80
6,22,762	6.	Postages, Telegrams and Stamps	7,85,221.60
24,000	7.	Auditors' Fees	30,000.00
		(exclusive of payments to Branch Auditors)	
	8.	Depreciation on and repairs to the banking com-	
5,54,683		pany's property	9,12,489.36
9,73,273	9.	Stationery, Printing, Advertisement, etc.	12,83,959.57
	10.	Loss from sale of or dealing with non-banking	
Nil		assets	1,007.04
10,91,589	11.	Other Expenditure	15,36,025.12
19,475	12.	Development Rebate	9,700.00
40,65,751	13.	Balance of Profit	67,63,195.56
4,31,14,098			5,13,82,344.21

Note: (1) The General Manager is allowed the use of the Bank's motor car free of cost.

.. (2) Provision for taxation has been made out of income.*

(3) Some of the figures of the previous year have been regrouped to make them comparable with those of the current year.

CERTIFICATE PURSUANT TO RULE 6(c) OF THE COMPANIES

(BRANCH AUDIT EXEMPTION) RULES, 1961.

We hereby certify that no material change has taken place in the arrangements made for the audit of accounts of the Branch Offices exempted from audit under 4(1)(b) of the Companies (Branch Audit Exemption) Rules, 1961, enabling the Chartered Accountants employed by the Bank for the purpose of audit of the accounts of Branch Offices, to visit the Branch Offices and to have access at all times to the books, accounts and vouchers of the Bank mantained at such Branch Offices audited by them and for furnishing all such further information and explanations required by them and that such auditors have carried out the audit of the Branches assigned to them in accordance with the Internal Audit Programme drawn up by them and approved by the Bank's Statutory Auditors.

For THE BANK OF BARODA, LIMITED

TULSIDAS KILACHAND)
)Directors
CHINUBHAI CHIMANBHAI)

BOMBAY,

Dated 15-2-1962

N. M. CHOKSHI **General Manager**

BARODA, LIMITED
the Year Ended 31st December, 1961

31-12-1960		*INCOME (Less Provision made during the year for bad and doubtful debts and other usual or necessary provisions)	
Rs.			Rs. nP.
3,55,54,771	1.	Interest and Discount	4,22,18,537.07
73,36,664	2.	Commission, Exchange and Brokerage	88,45,012.53
2,15,890	3.	Rents	3,11,132.61
Nil	4.	Net profit on sale of investments, gold and silver, land, premises and other assets	Nil
Nil	5.	Net profit on revaluation of investments, gold and silver, land, premises and other assets	Nil
Nil	6.	Income from non-banking assets and profit from sale of or dealing with such assets	2,366.75
6,773	7.	Other receipts	5,295.25
4,31,14,098		Total ..	5,13,82,344.21

TULSIDAS KILACHAND Chairman
R. D. BIRLA
KANTILAL NAHALCHAND
N. H. TATA) Directors
ANANDLAL HIRALAL
CHINUBHAI CHIMANBHAI
B. K. DAPHTARY
F. P. GAEKWAD
R. N. MAFATLAL

GOPAL CH. BASU
Accountant

N. M. CHOKSHI
General Manager

Report of the Auditors to the Shareholders

We have audited the foregoing Balance Sheet of The BANK OF BARODA LTD., as at 31st December, 1961, and also the foregoing Profit and Loss Account of the Bank for the year ended upon that date, in which are incorporated the returns from 25 Branches audited by us, 25 Branches audited by Branch Auditors and unaudited returns from 104 Branches for which exemption from the provisions of Section 228 of Companies Act, 1956 has been obtained from the Central Government under Rule 4 clauses (a) and (b) of the Companies (Branch Audit Exemption) Rules, 1961.

We report that :

(a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion, proper books of account as required by law have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the Branches of the Bank not visited by us ;

(d) the Bank's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns ;

(e) the reports on the accounts of the Branches audited by Branch Auditors have been forwarded to us and the same have been considered by us in preparing our report ;

(f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for banking companies and on such basis the said Balance Sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1961, and, the Profit and Loss Account gives a true and fair view of the profit for the year ended upon that date.

K. S. AIYAR & CO.
Chartered Accountants

N. M. RAIJI & CO.
Chartered Accountants

BOMBAY, 15th February, 1962.

THE HUNGARIAN CHAMBER OF COMMERCE *invites you*

to contact Hungarian Foreign Trading Companies as listed below :

Heavy Industry and Mining Products

KOMPLEX
Budapest 51, P.O.B. 88.
Design and construction of complete power plants or factories.

METALIMPEX
Budapest 62, P.O.B. 330.
Metalurgic material, semi-finished metal products.

MINERALIMPEX
Budapest 62, P.O.B. 130.
Export/Import of Mining and Mineral Oil Products, Refractory Materials.

NIKEX
Budapest 4, P.O.B. 130.
Motorships, Mining-machines, Rolling-stock, Furnaces, Cranes, Lifts.

GABOR ARON IRON FOUNDRY
Budapest 72, P.O.B. 39.
Gas products and Gas generators.

GANZ-MAVAG
Budapest 10, P.O.B. 136.
Locomotive and Railway Carriage Manufacturers and Mechanical Engineers.

HUNGARIAN RAILWAY AND CARRIAGE WORKS
Budapest, V. Guszev u. 25
Cars, Vans, Motor Cars, Tramway Cars.

Machine Industry, Motor and Instruments

FERUNION
Budapest 53, P.O.B. 190.
Pneumatic and Precision Tools "ELZETT" Locks, Building Materials.

METRIMPEX
Budapest 62, P.O.B. 202.
Instruments for electric and electronic measuring, for industry and research, for medicine and nuclear science, etc.

MOGURT
Budapest 62, P.O.B. 249.
Dumpers, Trucks, Buses, Electric-Service Benches.

PANNONIA
Budapest 62, P.O.B. 354.
Motorcycles, Sewing Machines, Steel-tubes, Electrodes, Fittings.

TECHNOIMPEX
Budapest 62, P.O.B. 183.
Lathes, Boring Mills, Saws, Presses, Grinding Machines, Caloric Machines.

Electrical Industry

BUDAVOX
Budapest 62, P.O.B. 267.
Telephone Exchanges, Broadcasting Stations.

ELEKTROIMPEX
Budapest 62, P.O.B. 296.
Radio, Microwave Equipment, Vacuum Flasks, Lenses.

MEDICOR
Budapest 4, P.O.B. 225.
X-Ray Apparata f. Industry and Medicine.

TRANSELEKTRO
Budapest 62, P.O.B. 377.
High/Low Voltage Electric Equipment, Cables, Transformers, Electric Motors.

UNITED INCANDESCENT LAMPS AND EL. CO.
Budapest 4, Vaci ut 77.
Lamps, Radio Valves, Fluorescent Lamps.

GANZ METER FACTORY
Budapest 53, P.O.B. 172.
Electric Supply Meters.

Chemical and Pharmaceutical Industry

CHEMOLIMPEX
Budapest 62, P.O.B. 248.
Chemicals, Paints, Rubber-products, Photo-papers, Beauty-products.

MEDIMPEX
Budapest 502, P.O.B. 34.
Pharmaceutical Chemicals, Medicinal Herbs and Oils, Biologicals.

Textiles — Clothing

HUNGAROTEX
Budapest 4, P.O.B. 100.
Textiles, Export of Wool-, Cotton-, Rayon-, Nylon-goods.

IMPORTTEX
Budapest 53, P.O.B. 168.
Importers of textile raw materials and semi-manufacturers.

MODEX
Budapest 52, P.O.B. 85.
Exporters of Wearing-apparel.

Art — Culture — Films — Science

ARTEX
Budapest 62, P.O.B. 167 "Herend" Chinaware, Jewellery, Fancy-goods, Toys, Furniture.

HUNGAROFILM
Budapest 5, P.O.B. 5.
Films, Features, Cartoons, Scientific films.

KULTURA
Budapest 62, P.O.B. 140.
Export-Import of Books, Periodicals, Music, Records, Didactical Material.

LICENCIA
Budapest 4, P.O.B. 172.
Purchase and Sale of Patents/Licences.

Forestry — Agriculture — Food

LIGNIMPEX
Budapest 62, P.O.B. 323.
Import-Export of Timber, Paper, Fuel.

AGRIMPEX
Budapest 62, P.O.B. 278.
Seeds, Pegetable Oils, Rice, Sugar, etc.

MAVAD
Budapest 62, P.O.B. 205.
Shot-game, Arrangements for Hunting.

MONIMPEX
Budapest 62, P.O.B. 268.
Wines, Fruit-brandy, Paprika, Honey, Tobacco.

HUNGAROFRUCT
Budapest 62, P.O.B. 386.
Fresh Fruits and Vegetables.

TERIMPEX
Budapest 4, P.O.B. 200.
Salami, Canned-goods, Gooseliver, etc.

Companies in Service of Trade:

MASPED
Budapest 4, P.O.B. 77.
International Forwarding.

MAFRACHT
Budapest 62, P.O.B. 194.
Representation of Liner Shipping Companies, Chartering.

MERT
Budapest 5, P.O.B. 42.
Quality control, Testing and Supervision, Arbitrage

PRESTO
Budapest 4, P.O.B. 120.
Advertising over the world markets, Executing foreign publicity in Hungary.

For further information please approach also the Offices of
THE TRADE REPRESENTATIVE OF THE HUNGARIAN PEOPLE'S REPUBLIC IN NEW DELHI

UNITED BANK OF INDIA LTD.

Excerpts from the Speech delivered by Dr. N. N. Law, Chairman, United Bank of India Limited, at the Annual General Meeting of the share-holders of the Bank held on March 26, 1962.

BANK'S WORKING

"The results for the year 1961 speak for themselves. Deposits have grown by 13.8 per cent over the last year and compares favourably with the rise of 5.2 per cent for all scheduled banks and 10.7 per cent for scheduled banks excluding the State Bank of India. The rise has been well distributed throughout the year, enabling the Bank to add to its Investments port-folio and to meet the significant demand for advances without strain. In addition, as in the previous years, your Bank remained a free lender in the Call Money Market in Calcutta, almost throughout the year.

"The average ratio of advances to deposits was 68.6 per cent as against 65.9 per cent in 1960. Of the total advances 62 per cent was to industries and 28 per cent to Trade and Commerce; the comparative figures for 1960 were 66 per cent and 26 per cent re-pectively. Our advances to industries include those to the small scale industrial units, aggregating about Rs. 2 crores. You would recall that in 1960 I informed you about our decision to establish a special section for handling such proposals from small scale units as could not be entertained in the normal course by our Advances Department. I am glad to mention here that the section has since been organised and is doing good work in assisting such of the small scale industrial units as need special attention.

"You have, no doubt, been pleased to note the change in the Bank's dividend trend, made possible by the results of our past years' working. It is recognised that you had to wait for ten years before the turn could take place. But, I hope, you will appreciate that a period of ten years is rather short even in the life of an altogether new bank. This is more so in the matter of consolidating the amalgamation of rather old banks. Amongst various factors, the weight of large overheads, with all its complications, hung on us as a dead load. It was only through extraordinary efforts that the position could be stabilised, and the Bank is thankful to its patrons for enabling it to make these efforts, which, I am happy to say, have further strengthened the Bank's position.

RATE OF INTEREST ON DEPOSITS

"In the general sphere of banking business the obsession of banks with rate of interest on deposits has already raised complications. Higher rates are now being offered on deposits which more rightly should be classified as 'demand'. Facilities for withdrawal on demand (or at a very short notice) and a high rate of interest go ill together. There is an urgent need that the nomenclatures of different categories of deposits should be precise and adhered to.

"The unrealistic emphasis on rate of interest has brought about a situation in which the Inter-Bank Agreement, on the rate of interest on deposits, recently came under severe strain; some of the banks considered it to be inequitable for them to be bracketed with larger banks as far as the rate of interest is concerned. Fortunately, however, I am told, the impasse is now over and a settlement has been reached. What, however, is most important to remember in this connection, is that as long as the banks continue to over-emphasise the importance of the rate of interest, such situations are bound to occur now and again. It is time that we realised the danger of trying to perpetuate such an unrealistic approach towards developing deposits.

"There may be stray individual cases where growth of deposits might have followed a rise in interest rate but if the position is thoroughly analysed, it will, I am sure, be found that such growth has been by way of diversion from other banks rather than by attracting fresh deposits from outside the banking system. When every bank is in a position to compete with another, such gain for an individual bank will ultimately be found to be of only a temporary nature. In such a scramble, however, the net result is that an avoidable additional load is added to the already high operating costs of banks, with no corresponding benefit either to the banks themselves or to the economy at large. I would, therefore, urge on the experienced bankers of the country to give this matter a closer thought.

"Interest rate has only a limited significance in the overall growth of deposits in the banking system as a whole. More important are the quality and efficiency of service and availability of banking facilities. Bank deposit is not to be equated with investment. There is hardly any real outside competition for deposit money.

DEPOSIT INSURANCE

"During the past year, banking authorities have taken two very significant steps in the field of banking. A scheme for insuring bank deposits has been initiated and steps have been taken to strengthen the capital base of banks. Both these measures give us satisfaction inasmuch as the ideas were categorically sponsored and supported by us. I dealt at some length with Deposit Insurance in the past, and, you will recall, last year I also emphasised the need for strengthening the capital base of banks. The measures, however, have significant limitations calling for further study.

"When the Deposit Insurance Bill was introduced in Parliament, statements sponsorisg the bill seem to have visualised a scope much wider than what would actually result from the implementation of the Act. While the interest of the depositors has been safeguarded, no scheme appears to have been devised to ensure that the small banks in the country can develop and continue to render uninterrupted service. This is very important. Bank borrowers are engaged in genuine production of wealth in one form or another and create employment. It is thus essential in the interest of the economy that the business of these borrowers is not hampered on account of any strain that may be felt by their banks. Unless the smaller banks can be assisted to develop and to work effectively even in the days of strain, the economy will continue to suffer from uncertainty with which the borrowers of these banks will be faced.

CAPITAL STRUCTURE

"Coming to the convention that has been established with regard to the capital base of banks in relation to their individual deposits, I welcome the stand taken by the Reserve Bank in this matter. A target has been indicated and a minimum accretion to owned funds has been ensured. I, however, feel that the scheme has been rather inadequate, not to speak of its being self-sufficient.

LIQUIDITY

"Linked with the subject of capital structure of the banks is the question of liquidity. I raise the issue, as I did also last year, not so much to emphasise the formal liquidity as to draw attention to the need for an overall liquidity in the banking system, as well as the liquid character of the bank's assets. The need for maintaining a reasonable liquidity becomes particularly important in a developing economy, which inheres various contingencies, that cannot always be forecast with certainty.

"If the required liquidity has to be preserved, — his applies both to the individual banks and to the anking system as a whole, — it is necessary that the ncome differential of banks must go up without unduly naking bank money dearer to the producers of goods nd services. While maintaining a reasonab y liqu d osition the need for using the cushion available may rise either in consequence of depreciation of assets, viz: investments and advances, or owing to occasional sharp rises in banks' operating costs or as a result of changes in the Bank Rate. Further, banks are now required to explore in uncharted fields and are bound to be faced with higher overheads — all these, again, point to the need for raising the ability of banks to add to their internal strength.

BONDS MARKET

"Since the state of liquidity in the banks' assets, to a large measure, is dependent upon the state of the Bonds Market and the pattern of financial management in the corporate sector, a treatment of these two aspects is relevant at this stage. The market for Government Bonds still continues to be rather limited. On many occasions we have raised this point and a detailed discussion was made in our Banking Plan. We consider it necessary to formulate a scheme, under which banks could work as distributors of Government Bonds. As long as subscription to the Government Bonds by the public reduces bank deposits, the banks cannot be expected to take initiative in dispersing the loans far and wide. On the other hand, the object can be achieved by making specified commercial banks, (and such of the Co-operative banks as are not sustained by Treasury loans), the exclusive bankers to the Union and State Governments, with an arrangement that collection by way of sale of Bonds or of tax money through them will remain in deposit with the concerned banks.

CORPORATE FINANCING

"Shiftability, or extinguishment in due course, of a bank credit will depend on the overall effective liquidity in the economy. Such overall liquidity, again, is dependent, amongst others, on the cap tal base of the corporate enterprises and their profitab'e functioning. The capital base of these corporations thus need be adequately broadened.

"Last year I drew your attention to what was said by the Chairman of the ICICI and the then Governor of the Reserve Bank about the propensity to depend too much on borrowed capital right from the beginning of an industrial venture. Such an approach is fraught with grave dangers. Firstly, despite all plans and programmes many contingencies do remain unobserved when a project is launched. The capital base should be adequate to take care of such contingencies, as and when they occur, so that the technological and operational expectations can smoothly be fulfilled. Too much dependence on borrowed capital, at this stage, may put the entire project out of gear. In such a state the lender also gets involved and is put to severe strain.

"Secondly, in order to ensure profitable functioning, the industry must be able to modify or expand the project even at an early stage. Also, in view of the quick technological progress being achieved in different parts of the world, every industry must be prepared to be able to modernise their capital equipments at short intervals. With an adequate initial capital base, it should not be difficult for an industrial undertaking to seek credit facility at these stages of expansion or modernisation. But here also the approach should be to obtain credit as a bridge-over to serve the intermediate stage only, before further capital is raised from the market.

TERM FINANCING

"This brings me to the question of term lending by banks. It is a matter of satisfaction that the age old abhorrence to mixed banking is fast diminishing and that the banks are making a beginning in the matter of advancing loans to industries on 'term' basis. But in view of the present state of corporate financing, which I have just now discussed, I think a word of caution is necessary.

"A progressive outlook is required and is welcome. At the same time, it is also necessary that the limit is noted and the danger of overstepping the same is realised. I consider that in allowing term loans, the commercial banks must, first of all, satisfy themselves that the concerned industrial unit has an adequate capital base. Secondly, they must not try to provide more than medium term finance. It must be recognised that the longer term financing agencies and the Issue (or Investment) Houses must ultimately undertake to bear the long term risks. The basically short term agencies can come into the field only for tiding over the period of transition.

ASSOCIATION ACTIVITY

"I have always held the view that it is only through co-ordinated and concerted efforts on right lines that the banks can fulfil their obligations towards development of the economy. On the threshold of the Third Plan and with the complex problems before us, I consider that the need for such actions has never been more urgently felt as now. We are in need of a strong and progressive Banks' Association. Such an association is necessary both for a co-ordinated action on the part of the banks, and for generating and guiding a healthy competition amongst themselves. I, therefore, urge that the existing Association should consider formation of a strong Central Federation with residuary authority remaining with the local and sectional organisations of banks."

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

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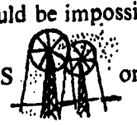
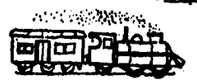
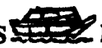
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Chairman's Speech

THE ALKALI & CHEMICAL CORPORATION OF INDIA LTD.

A YEAR OF ACHIEVEMENT

The Problem of Exports

Speech delivered by the Chairman, Mr. A. R. Foster, at the 25th Annual General Meeting held at Calcutta on Thursday the 22nd March, 1962.

Ladies and Gentlemen,

The audited accounts and Directors' Report have been in your hands for some time and with your permission I shall take them as read.

An examination of the accounts will show that the year just passed has been a record one for the Company. Compared to the previous year, there has been a further substantial improvement in turnover and profits, with important contributions from polythene and paints.

PRODUCTION

You may recall that in the previous year the polythene plant achieved a production of 4,000 tons against the designed capacity of 3,500 tons. The performance of the plant in the year under review was even better and a total of about 4,700 tons was produced, the increase being due largely to enthusiasm on the part of the technical staff at the plant and continued application of work study methods. Paints production also continued to rise, and would have been even higher, were not production hampered by a shortage of raw materials, which was aggravated by a reduction of import quotas. To overcome the problem, we are increasing our efforts to obtain raw materials from indigenous and rupee sources; whilst a measure of success has been achieved, supply difficulties still hamper production from time to time.

The other plants at Rishra have also contributed their share to the Company's prosperity and a reference to their performance has been made in the Directors' Report.

SALES

Our sales over the year have reached the record figure of Rs 6.6 crores as against Rs 5.4 crores in the previous year. This substantial increase in the volume of our sales would not have been possible without the strenuous efforts of our Selling Agents, Imperial Chemical Industries (India) Private Limited, and the technical services provided by them, and I wish to record our appreciation of their splendid achievement.

Wherever possible, although the cost of wages and raw materials has risen appreciably, we have reduced our prices in order to pass on the benefits flowing from the increased scale of manufacture to customers. As an example, we reduced the selling price of polythene three times in 1961, making a total of five reductions since the plant started production in 1959.

Our returns on caustic soda and chlorine, however, continue to be low, partly due to the price ceiling imposed by the Government and partly on account of the rise in the cost of salt, coal and power.

During the year, excise duties were levied for the first time on polythene and caustic soda and existing excise duties on most of our paint lines were increased. The excise bill for the year shows a rise of nearly 30 lacs over the previous year. It has not been possible for the Company to absorb all of this substantial increase in manufacturing expenses and a part has had to be passed on to customers.

EXPORTS

During the year goods worths several lacs of rupees were exported to neighbouring countries. This is a gleaming and we are hopeful of improving our exports performance. We are fully alive to the magnitude of the country's foreign exchange problem and of the urgent need for greater exports. It is your Company's intention to do its best to help in Government's export drive. I must point out, however, that the capacity of the relatively young and small chemical industry in this country to play a major part in exports is limited. The chemical industry is essentially one in which large units are needed to achieve low priced production. Our industry is developing well, but its units are still small by world standards, and we are a long way short of the size necessary to enable us to compete in world markets.

India must indeed increase her exports, and it is encouraging that Government are considering experimenting with various methods of providing incentives. But we must not overlook that other countries are doing likewise, and there is a danger of a race beginning as to who can provide the best incentives. Long term, I an convinced that it is in India's best interests to concentrate on increasing her exports of those products for which she has natural advantages, and these are the traditional ones supplemented to an increasing extent by iron ore, steel etc. These are the industries where the biggest expansion of exports can be expected, and they must be given every encouragement to operate at maximum efficiency and productivity.

MAJOR EXPANSION PLANS

As you will have seen from the Accounts our profit before tax has increased by Rs. 12 lacs to Rs. 141 lacs. Tax on the current year's profit is Rs. 52.5 lacs, a considerable increase over last year's figures because in that year the Company enjoyed substantial tax relief in respect of the Development Rebate allowances relating to the polythene plant.

The amount available for appropriation is Rs. 90 lacs and in the light of these satisfactory results, your Board considers it is justified in recommending that the Dividend on the Ordinary Shares be increased to Rs. 1.50 per share.

In its efforts to maintain a progressive but consistent Dividend policy, the Board has allocated Rs. 26.5 lacs to Dividend Equalisation Reserve, bringing the total on that Account to Rs. 46.5 lacs. I am sure you will agree that it is essential to safeguard in this manner the maintenance of your future Dividends.

Rs. 14 lacs has been transferred to General Reserve. This is a further provision towards retaining in the business funds with which to assist in financing the projected expansion programme of the Company, with which I shall now deal.

MAJOR EXPANSION PLANS

With the increasing demands for our products both in the industrial and consumer fields, we have been giving close attention to the question of securing a fair share of the growing markets by expanding output from existing units and establishing new ones.

Construction on the site for the Rubber Chemicals Project is proceeding at a satisfactory rate and it is expected that the plant will go into production within the next 12 months.

The Company's Paints Plant has for some time been operating at high capacity and an application is now pending with the Government for permission to expand capacity. In view of Government's desire that expansion be achieved without sterling finances, we are investigating the possibility of obtaining raw materials and machinery from rupee sources and of getting more plant fabricated in India.

Construction work in connection with the Intermediate Density Polythene Plant, which it is proposed to set up at Rishra to increase production of polythene has been held up due to delay in obtaining the Capital Goods Licence from the Government. I am glad to say this licence has now been received so that arrangements for design and procurement of plant can now proceed.

In all these projects and expansions, we are grateful for the encouragement and technical assistance provided by our associates in the U.K., Imperial Chemical Industries Limited.

STAFF AND WORKERS

In view of the rapid progress in technology in other developed countries, it is necessary that our technicians are up-to-date in their knowledge of skills and standards elsewhere. To achieve this, selected members of our staff have been sent overseas for training with our associated companies in the United Kingdom and Australia, whose help to us in this respect has been most valuable.

Throughout the year your Board's efforts were directed towards improving communication and consultation with our employees in order to maintain our good relations with them, and there now appears to be a greater awareness and appreciation amongst increasing numbers of our workmen that their prosperity is intimately tied up with that of the Company and that to achieve this, effective and willing co-operation is indispensable.

Following the expiry of the last long-term agreement we were able to reach, shortly after the end of the year under review, a 5-year Agreement with the recognised Employees' Union in conciliation proceedings before the Labour Commissioner, West Bengal. This is the first time that a 5-year Agreement has been reached in the area and your Board hopes that this will usher in an atmosphere of mutual confidence and understanding, which are so essential for the healthy growth of the Company.

We are supporting the Workers' Education Scheme organised by the Government of India and our workers have for some time past been receiving training under this Scheme.

We have also continued to promote the recreational activities of our workmen and to provide them with amenities for their welfare.

DIRECTORS

Before turning to the business on the agenda, I must refer to the sad death last year of Mr. J. M. Lall, the late Chairman of the Company. Mr. Lall had presided over the affairs of the Company for only 3 years, but in that short time he made his presence felt and played a commanding part in all the activities of the Company. With his untimely death, the Company, and indeed, the country sustained a very great loss.

Another loss suffered by the Company was in the death last November of Sir B. P. Singh Roy, who had been a Director since 1949. His guidance and wise counsel will be sorely missed by his colleagues on the Board.

Mr. F. G. Lamont, who retires by rotation at this meeting, is not seeking re-appointment. Throughout the period of five years that he has been a Director of the Company, his advice and assistance, particularly on technical matters, has been of very great value to his colleagues on the Board, and it is my pleasant duty to record our thanks for all that he has done.

Mr. C. E. J. Crawford resigned last year from the Board after having served as a Director for nearly 15 years, and I would like to express the Board's appreciation of the valuable services he rendered during that period.

Mr. B. R. Goodfellow and Dr. S. B. Cormack have also retired as Directors after many years on the Board and my colleagues and I wish to thank them for the great help they have given in dealing with the problems that have arisen over the years.

Mr. C. A. Pitts and Dr. E. C. Fairhead retire by rotation and their re-appointment is recommended.

AUDITORS

The Company's Auditors, Lovelock & Lewes, retire and have expressed their willingness to be re-appointed at the same remuneration as last year, namely, Rs. 16,000 plus out-of-pocket expenses.

SILVER JUBILEE

The Silver Jubilee of the Company's incorporation will take place on 8th December, 1962, and it is your Board's intention to celebrate the occasion in a fitting manner. It is interesting to recall that the Company commenced production on 4th April, 1940, when its Caustic Soda/Chlorine Plant went into operation, and our profit in the following year was just over Rs. 2 lacs.

We have come a long way since then and we look forward to the future with confidence and resolution.

And now, before I invite questions from you, I want to thank all of you who have found the time to be present here today.

Note: **This does not purport to be a record of the proceedings.**

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Company Meetings

SEN-RALEIGH INDUSTRIES OF INDIA LTD.

CHAIRMAN'S REVIEW

The 12th Annual General Meeting of Sen-Raleigh Industries of India Ltd., was held in Calcutta on the 29th March, 1962. Below are extracts from the statement of Mr. Abhijit Sen, Chairman of the Company:

In the year under review the Company's overall sales increased by 11 per cent, but profits declined. Though bicycle sales dropped slightly owing to production bottle-necks, a greater production of components and accessories helped to realise the larger turnover. In the main, two factors affected bicycle production — a cut in import licence ceilings, and the failure of some indigenous manufacturers to meet commitments for supply of semi-finished components that could no longer be imported. The reduction in profit can be ascribed to:-

(a) The failure of individual indigenous suppliers to meet commitments, which resulted in a disbalance of stocks and in turn led to higher inventories with consequent higher financing charges,

(b) Poorer material utilisation, than had been anticipated, as, in many cases, as a result of changing import policies, materials had to be obtained from unknown and untested sources both within the country or abroad,

(c) High rectification costs where these non-standard materials had to be consumed,

(d) The higher cost of materials where indigenous or DLF buying from America replaced buying from usual sources in Europe,

(e) And lastly, the impact of unabsorbed overheads on a turnover, much smaller than planned.

Most of the factors which adversely affected our operating results in the past year were of a nature where solution was a matter of time and of adjustment to changing patterns of operation — as indeed our activities in the intervening period have tended to show. Indigenous supplies in general have improved remarkably both in respect of quality and in the honouring of commitments.

Import problems still remain a factor to contend with as the pace of development of ancillary and feeder industries has yet to catch up with the faster developing requirements of the consuming industries. The only predictable features of import policy would seem to be a reduction in ceilings from period to period and a change in sources from which the limited imports could take place, and all production planning now has to start from these premises.

Whilst we accept this situation as unavoidable, and have taken whatever steps are within our powers to meet it, there are two aspects of import licensing which we find it difficult to face with equanimity. The first is the fact that the bicycle industry appears to be the only one to have had cuts in import licence ceilings linked with export performance. We wonder why this industry should have been singled out for this distinction. The second is that in many cases the policy makers too readily agree to deletion of items from the import list even when indigenous manufacture is very much in the air, leading at a later stage to licensing policies having to be reversed, with its consequent delays, added paper work and very often production failures — when a more careful check on the progress of the industries could have made for smoother sailing all round.

A redeeming feature of the past few months has been the remarkable progress achieved by the steel producing industries and one can now safely assert that almost all categories of rolled or drawn steel required for the bicycle industry are being produced within the country. The bicycle industry is still however far from obtaining all its supplies of steels from local sources in such quantities as would allow utilisation of capacities to maximum advantage but the future of the bicycle industry appears to be more assured than in the immediate past.

The bicycle industry has now left the easy sellers market to enter an era of closer competition. Your Company has been lucky that there has been no slackening in demand for its products, and particularly in its major line — bicycles, it enjoys the reputation of marketing the fastest selling brands. In specific components, there is now a tapering off of sales which can be ascribed, in the main, to the unfortunate Government decision of allowing imports of friction parts in very large quantities for Small Scale assemblers.

A question that might arise in this context is why the Company should persist with a large production of components, when the same resources used for making more bicycles in preference to components would have fetched it better returns. The answer lies in the fact that releases of materials are very often earmarked for production of specific components, and so a smaller production of these would not necessarily lead to any increase in bicycle production. We have to accept the fact that in the larger interests of a planned economy operational decisions cannot always be taken on the basis of profitability alone.

A sanction has been received for a further issue of capital. The Company's future plans envisage expansion of bicycle and chain production, and diversification into the manufacture of Dynamo Lamps and House Service Meters. The successful implementation of these schemes depends largely on the availability of foreign exchange for import of plant through further foreign participation in the capital of the Company. Realising this, your Directors have been active in exploring the possibility of increased capital participation in the Company by Raleigh Industries Ltd.

At our invitation, a Raleigh Consultancy team visited our factories in November last — mainly for discussions on expansion schemes. Valuable contributions were made by it to our plans for the future. Raleigh have in the recent past developed new techniques and processes which would lead to more effective use of materials. As a result of the visit, it is proposed to incorporate a number of these new processes into our future scheme of operations.

For sometime, changes in the Company's methods of operation over the past few years had been highlighting the need for radical changes in the Company's organizational structure to improve efficiency and tighten controls. Very recently changes in the organizational set-up were introduced to meet these changing conditions and whilst it is too early yet to comment on the long-term benefits of this move, the working of the factories in the months following the change has certainly shown marked improvement.

If the operating results for the year have been disappointing to our shareholders, they have been disheartening for our staff and workers, whose sincere efforts have so often foundered on the rocks of frustration. I would close on a note of thanks to all staff and workers for the effort they have put in and the understanding they have extended to the Company in a year of difficult operations, and share with them the hope of better operations in the future.

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

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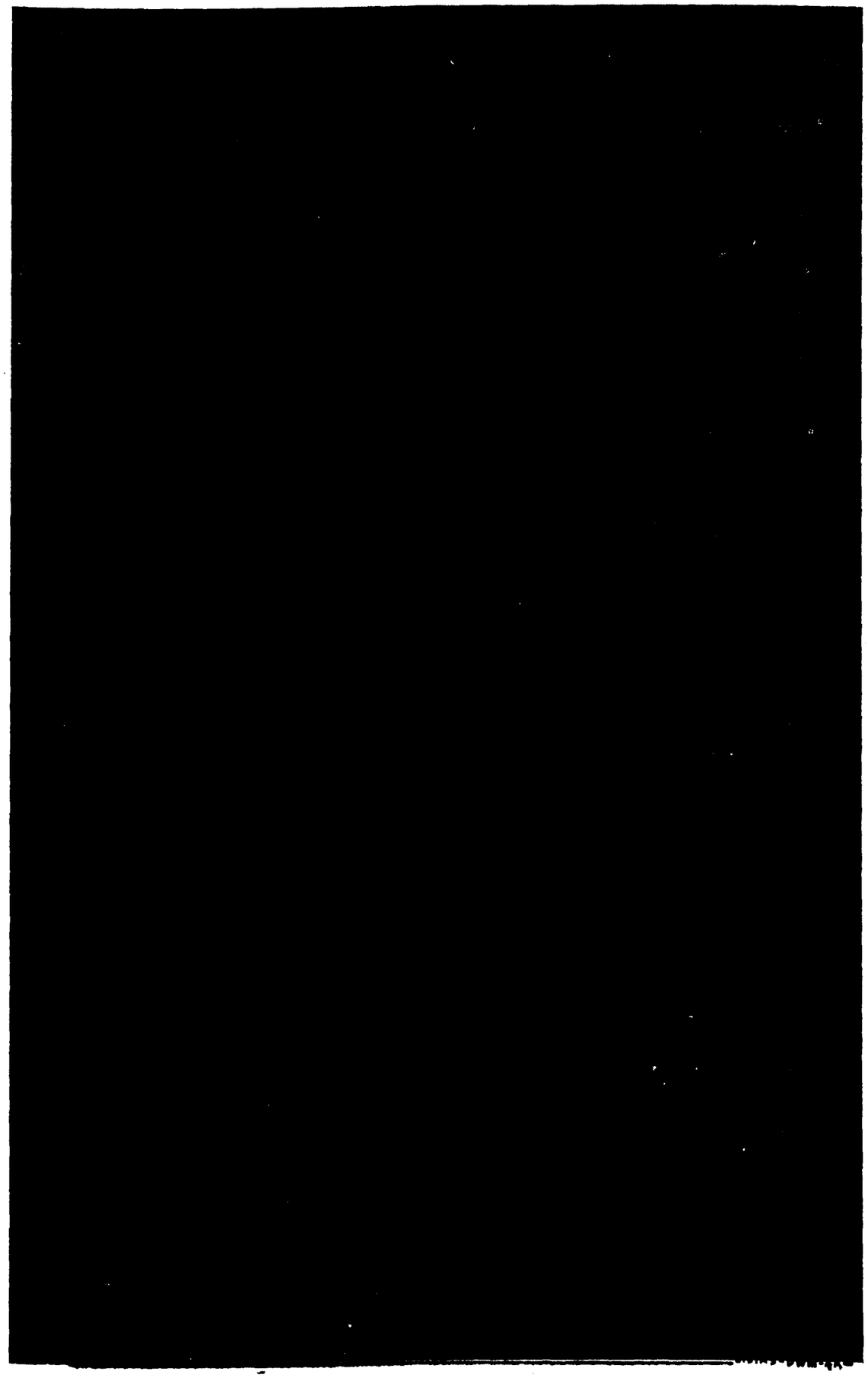
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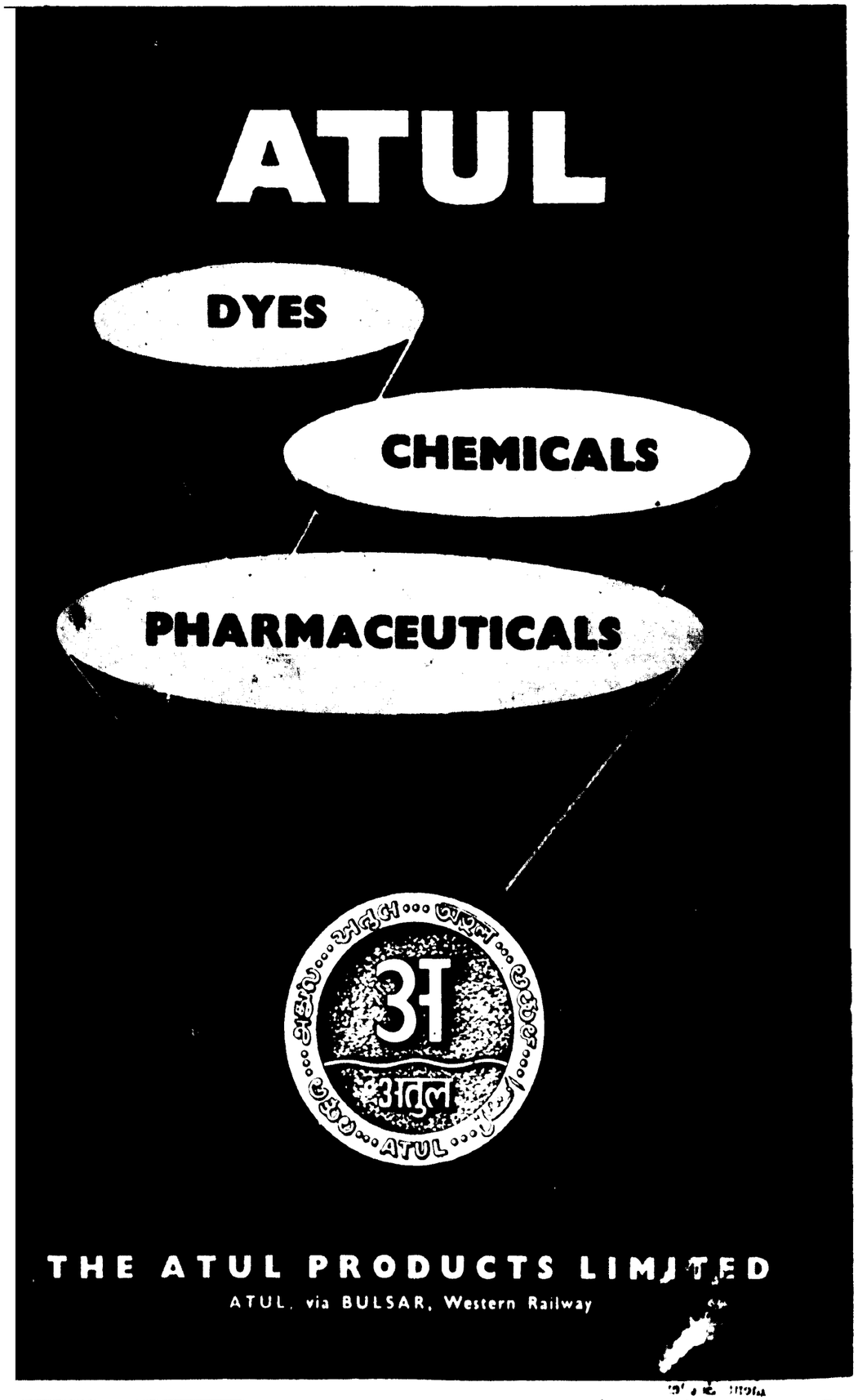
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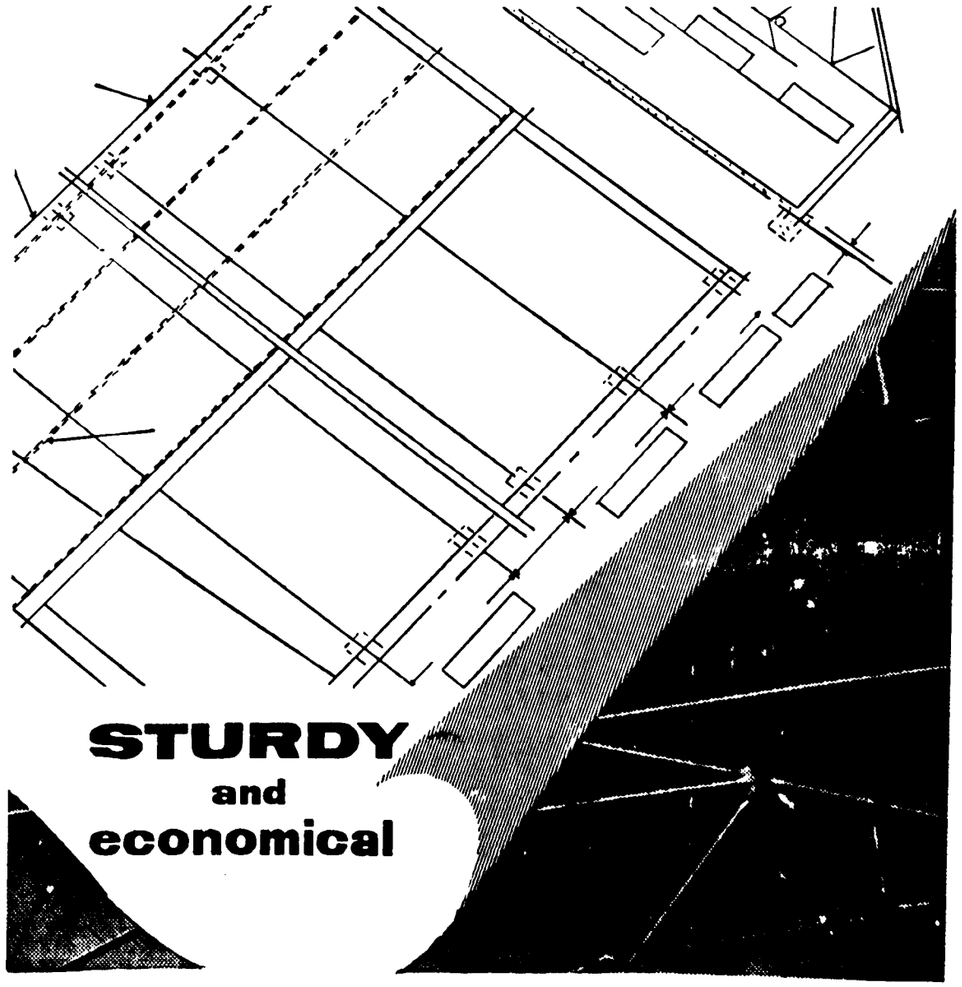
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THE EASTERN ECONOMIST

APRIL 6, 1962.

The Climate for Private Business

THE intervention of a Special Number, dealing with problems of political and economic stress and strain after the Elections, has prevented *The Eastern Economist* from expressing an opinion on the important meeting of the Federation of Indian Chambers of Commerce and Industry held on the 24th and 25th March. The meeting was particularly poignant as the President of the Federation, Mr. Karam Chand Thapar, was unable to attend owing to serious illness, and he expired shortly after the meeting was over. India has lost in Mr. Thapar a great exponent of self-help and of the power of single-mindedness to build great enterprises almost singly and against obstacles in ill health which would have certainly crushed a smaller man. It is likely that his great exertions in the year of office as President of the Federation hastened his untimely death. It is good, however, that there are examples of dedication of this kind, so as to remove the impression that the business world is not capable of looking at great national problems except in terms of its own small monetary interest. However mistaken some of the actions of particular businessmen might be, there is currently a desire to serve, as well as to benefit in the expansion of the national economy. It is necessary that the Indian public should recognize that dedication exists in the private sector of India just as it exists in the public sector. No one need claim that dedication is conterminous with either sector.

The Prime Minister was quick to catch the spirit of co-operation which informed the President's address and is increasingly informing the business community at this time. His address to the effect that, while the broad pattern of Indian economic policy would be what he has proclaimed, the concept of a mixed economy was a positive one and the private sector would not be unduly handicapped. This has done much to allev ate fears created of a possible swing to the Left following the return of the Congress in what, it seems, is likely to be the Prime Minister's last quinquennium of office. It is clear that nationalisation of private industry has no appeal to the Prime Minister as such. Great development will involve inevitably the public sector in important basic fields for which the private sector may not have adequate resources. In the belief that the emphasis was on co-operation and not competition, one might argue that it made a positive contribution to the understanding of the business community's positive role in Indian economic progress.

It is still true that the business community has to function under its own hard sanctions. It raises money not by taxation, but by offering inducements to investors and guarantees to financiers who lend resources. It is impossible, therefore, for business to be conducted without clear surpluses to finance the responsibilities which are written into private operations on the capital markets, both here and abroad. It was appropriate, therefore, that the Federation should deal, in an important resolution, with problems of pricing policy. Mr. Shanti Prasad Jain's exposition of the important part that must be played by the business community in recognising that, while the price line has to be held, the necessity is imperative for the private sector to service the capital which it employs deserves note. Both ends can be served if production is allowed to proceed up to full capacity and on a scale at which the law of increasing returns helps not merely to reduce prices but also to provision. One of the great difficulties of Indian industry is that, in some important basic fields, it is operating on too small a scale; the Tariff Commission's formula of a certain fixed percentage on the capital employed makes it impossible for adequate funds to be secured for a great expansion of Indian industry unless public funds are also heavily committed. There is a double danger in committing public funds to projects which should pay their way. In the first place, the funds are required elsewhere and a shortage, whether on loans or on tax account, will need to be redressed with consequences necessarily detrimental to the economy. Secondly, the more the private sector involves itself in public dependence, the less the theoretical justification for a system of free enterprise which justifies the rewards which managements and shareholders receive by way of capital appreciation and other benefits of successful operation. Price policy should be conceived to provide for efficient operation without public assistance. On the other hand, there should be no public hindrance in the form of price controls which are detrimental to production, and thereby to lower prices in the longer period. This resolution is well-conceived in terms of providing the essential inducements for production while, at the same time, recognising that those inducements must be contained within the political pressures to which both public and private sectors are necessarily subjected at this time.

One of the political pressures undoubtedly is the need as development proceeds for tax resources to be raised as required in the Plan. It would be physically, as well as politically, impossible for the Finance Minister in the Budget which is to be introduced this month to avoid some significant element of direct taxation. Indian business needs to recognise that if Government should succeed in transferring all tax measures on to the consumer in a notoriously regressive form of indirect taxation, it will merely be risking its long-period survival for a short-period gain. One of the most important elements to which reference has been made in the Special Number issued last week is this point that the private sector has now to operate in a political environment in which national policies must be reckoned as important as the pursuit of private profit. If there is no such balance between national income goals and private success, the chances of survival will be small when the political current becomes more restive.

It is difficult to be certain how restive the political current already is in respect of the present concentration of industry in the hands of the large managing agency houses. It is probable that the new Lok Sabha will be somewhat more radical than the last, and it is not unlikely that, as time advances, government itself will reflect a desire, by licensing and otherwise, to prevent the larger managing agency houses from growing at the expense of medium and small industries. The decision in the Small Industries Board this week to reserve certain chemical industries for the small-scale sector is in this respect an indication of the political current already in force. It is for the large-scale private sector to recognise that greater decentralisation of production and greater participation by small and medium industry is a necessary condition of the maintenance of the current pattern of harmonious economic development. There are good economic reasons for this

scale units. The more is the reason for large-scale managements not to impinge on the what is rightfully the province of medium and small entrepreneurs.

All in all, one might argue—as Mr. G. L. Mehta argued in his address to the Federation, which was reproduced in part in a Special Article last week—that the private sector in the Indian Union is on trial again for another period of five years. It is sincerely to be hoped that the political forces which have so often been ignored—because the stature of Jawaharlal Nehru has been great enough to induce indefinite patience—will not be overlooked. It is time for the business community to take a larger view of national policy and to provide a harmonious base inside itself for the distribution of the undoubted opportunities that the Third Plan provides.

Development Banks in Asia

IT was, indeed, a very happy thought on the part of the Industrial Credit and Investment Corporation of India to invite representatives of the Development Banks in other parts of Asia to the Regional Conference of such banks held in Bombay last week. Obviously, Mr. G. L. Mehta, who took the initiative in convening this Conference, was influenced by a similar conference which the International Bank for Reconstruction and Development had convened in Washington four years ago. Last week's Conference represented, therefore, a further step "in the process of facilitating mutual discussion of problems germane to Development Banks".

Considering the different environments in which Development Banks have to function, a separate Conference of Developmnt Banks in this region was particularly necessary. For, what Ambassador Galbraith of the U.S. told the Gujarat University in a different context, namely, that "we must now and promptly abandon the assumption that there is a single explanation with its fatal presumption that there is a single remedy" applies with equal force to the problems of Development Banks. The work of Development Banks, especially in the Asian region, must not get into a rut and there is always scope for revising procedures and policies, no less than for improving perspectives. It is only conferences such as the one held in Bombay last week that could provide an opportunity not only to have an exchange of views and form valuable contacts, but also to widen our horizon and make our own work more meaningful and significant.

Development Banks are of fairly recent growth, and it was not until the establishment of the Industrial Finance Corporation of India, followed by the establishment of its State counterparts, that we had anything resembling Development Banks in this country. But it was not until the advent of the I.C.I.C.I. in 1955 that we really began to have a Development Bank not only suited to the genius of this country, as it were, but also appropriate to the happily still current "Mixed Economy" concept of our Government. Indeed, in more ways—not only in some ways, as Mr. Mehta would have it—a Development Bank is an expression of a Mixed Economy. The I.C.I.C.I. Chief said: "It can combine—I would say it *must* combine—the best of both public and private sectors—a sense of service, an emphasis on public interest, along with initiative and enterprise: profitability harnessed to economic growth". In the nature of things, any institution claiming to perform such function or functions must be autonomous, free from Government interference as well as pressures of powerful private interests.

Since the common objective of all Development Banks is to foster healthy industrial development, it follows that the problems arising from the attempted implementation of this objective must also be common. But then there is also bound to be a great variety in regard to such common problems, depending upon the state of economic development, the availability of resources in material, men and money alike, and the technical know-how required at different levels. It was just proper, therefore, that the principal participants at the Conference dwelt on these points. They went further and dwelt quite at some length on some of the more important problems as well, such as the determination of viability of a given project, the terms on which finance should be made available to a project, and the conditions that ought to determine the profitability of operations of a Development Bank. The main interest of the Conference also seemed to lie in the discussion on identifying industries for development. The discussion on the technical appraisal of projects too was interesting.

As regards viability, Mr. Mehta was quite right in emphasising the point that "it is necessary to find this (viability) out not only from the narrow point of view of the security of the Bank's own investment, but also from the wider point of view of bringing about healthy economic development". Only the question of what "healthy economic development" is might present difficulties. Depending upon the ideals or ideology of the Government of a country at any given time, ideas on what constitutes "healthy economic development" also may differ. Even so, broadly speaking, there should be some common ground as to what "healthy economic development" means.

Be that as it may, in order to adjudge a project as viable, an appraisal of it is a necessary pre-condition. What kind of appraisal must it be? Technical appraisal of projects for rendering financial assistance figured prominently not only in the inaugural address of Mr. P. C. Bhattacharyya, but also in the discussion that followed. As though to give a start to the discussion, Mr. Bhattacharyya himself aired his views and said: "Appraisal of term loan applications has many facets: assessment of managerial competence, economic prospects of the borrower's products, technical feasibility of the project and financial appraisal. The relative weightage to be accorded to each of these elements is a matter for judgment of the lending institution. In a sense, financial appraisal is the most comprehensive of the lender's tasks. Generally, amongst under-developed countries, the tendency of Development Banks is to give greater emphasis to the types and values of security available for loans than to assessment of the earnings potential of a project".

One problem in regard to appraisal, thus, relates to the balance to be maintained between the development criterion, on the one hand, and the criterion of commercial profitability, on the other, in the selection of projects for receipt of financial assistance. This raises the vexed question of identification of projects for receiving financial assistance from among schemes which have been accorded priority. As industrialisation proceeds, this problem will come more to the fore.

On a unique characteristic of the Development Banks to which Mr. Mehta referred, one would have liked to know more from the participants, in particular, whether they endorse his view that "a Development Bank does not only provide finance, but also seeks to inculcate discipline in promoters and brings into being sound projects by insisting on standards." Although he described it as a bye-product of the operations of a Development Bank, it is very important, perhaps as important as the main product itself, if Development Banks, in a sense, ensure planning at the project level. What, one may ask, will happen if this planning at the project level by a Development Bank goes counter to the overall planning of the country concerned? The answer may be that the system of priorities followed by the Development Bank of a country will be—and cannot but be—within the framework of the overall planning of that country. The discussions, at any rate, would appear to have shown that the general trend was to accept that, in many countries, Government played an important role in laying down priorities and the Development Banks just conformed to these priorities.

Guest Editorial

A New Deal for Gold

By PAUL BAREAU, Editor, "The Statist"

IMPORTANT and fascinating initiatives have recently been taken by the leading central banks of the free world to stabilise the price of gold quoted in the free markets. These efforts go back to October 1960 and to the dollar crisis which then came to a head. That crisis caused the price of gold in the London market to rise to $40 per ounce or $5 above the parity. It was not immediately apparent to the American authorities that this was a grim danger signal. For a time they chose to regard the free gold market as a speculative bazaar fed only by hoarders and irresponsible operators. They were ultimately convinced, largely by good educational work put in by Bank of England representatives, that the London bullion market was the thermometer registering international confidence in currencies. They learned their lesson and, as a result of a co-operative effort between London and New York, the price of gold was brought down through heavy sales of the metal. The Bank of England was the seller but it did so as agent for the U.S. Treasury.

Soon after this, in March 1961, it was sterling, the other international reserve currency, which had to take the strain of another shift in international confidence. On this occasion, too, gold was involved but in a negative manner. The pressure on sterling was due to an enormous outflow of foreign money which left the London market. The immediate reason was the upvaluation of the German mark and the Dutch guilder which led to widspread expectations of a general readjustment in exchange values in which sterling would have been doomed to some devaluation. The pressure was met by arrangements between the principal European central banks which undertook to support one another's currencies by holding foreign currency balances acquired in repelling speculative attacks or abnormal movements of hot money. Gold entered into these operations because central banks agreed not to exercise their right to convert these balances into gold. These arrangements came massively to the rescue of sterling which at one time in June 1961 had received assistance from European central banks amounting to nearly £350 million. These debts have since been repaid largely out of the drawing which Britain made from the International Monetary Fund in July of last year.

Towards the end of 1961 pressure on sterling and the dollar began to build up again owing to the recognition that the two international reserve currencies were bearing responsibilities and accumulating the liabilities of large reserve balances owing to other countries in amounts disproportionate to the available gold reserves. The price of gold in the London market, which had fallen below $35.10, rose again to $35.21. In order to resist any further increase ten central banks, led by the U.S. Federal Reserve Bank, set up a pool of $250 million to intervene in the gold market. This was used to such good purpose that early in 1962 the dollar price of gold quoted in the London market had again fallen below $35.10 and was once more, therefore, safely within the margins of the normal gold points. During all these operations the central banks had undertaken not to buy gold in the free market, but to convert any currencies they might acquire through direct inter-central banking or inter-governmental transactions.

This pool operation proved so successful that it is being followed by another and more ambitious project. This is an attempt under official American auspices to stabilise the free market price of gold between the margins of $34.92 and $35.08. Ten countries have been invited to participate and although negotiations are still going on, it can be assumed that they will succeed. The intention is to constitute a collective pool, the exact amount of which is still undecided, but which will be operated in both directions, not only as a seller but also as a buyer of gold. In that respect it will differ from the pool that was worked towards the end of last year and was intended only to bring down the price of gold to the range of the gold points. That pool worked so satisfactorily that there are now fears that the free market price of gold would fall well below $35. If it did, considerable temptation would be placed on central banks to exchange into gold some of the gold or sterling which they now hold as part of their reserves. This could put pressure on the dollar and on sterling again, and it is to avoid this that the new project has been launched.

One further type of central banking operation involving gold should be mentioned. An interesting precedent was set recently by an agreement between the Federal Reserve Bank of New York and the Bank of France, by which the Bank of France account in New York was credited with $100 million and the New York Fed. account in Paris was credited with an equivalent amount of francs. This was pure creation of international reserves, conjured up out of nothing more substantial than an agreement between the two banks in question. It was a perfect illustration of the truth that in certain circumstances two multiplied by nought equals two. If this habit were to grow it could produce a solution of the world's international liquidity problem, which would relegate the role of gold to a secondary position.

These various examples of inter-central banking co-operation, past and prospective, are full of significance for the future of gold. In one respect they are reassuring. They show that gold is still regarded as the ultimate standard of value and means of international payment. It is still the touchstone by which the soundness of currencies is measured. The price of gold is the best indicator of the measure of confidence with which the future of currencies is regarded. Nonetheless, these collective measures by central banks also reflect the efforts that are being made to control and to some extent to neutralise gold as a judge and a recorder of economic behaviour, good and bad. These attempts will be watched with the keenest attention. What can be said of them as regards the immediately foreseeable future is that they put out of court any likelihood of an early increase in the price of gold.

A DELHI DIARY

THE THROES OF CABINET MAKING

AN absence from Delhi, and then a Special Number have kept me away from this column for two weeks. Almost throughout this time there has only been one subject in Delhi — Cabinet making! It is an extraordinary thing how everyone's interest concentrates on Cabinet making when it is pretty apparent that so little is gained by raising one's own house of cards. There have been literally hundreds of people bringing pressure of some kind or another on the Prime Minister of India, and I believe that the Prime Minister's indisposition cannot be entirely unrelated to the post-election strain that he has undergone. I see that everyone, from Mrs. Indira Gandhi to Dr. B. C. Roy, has put the main blame on the elections and, of course, as everyone knows, the Prime Minister in his whirlwind tour spared neither himself nor any of his colleagues. I have a private opinion that much of this whirlwindness was unnecessary, since the Prime Minister's physical presence is not really the maker of votes. His prestige and influence are so great that he could operate by a remote control in at least half the cases where he chose to be physically present. I think, however, anybody even if he had a constitution of steel — which the Prime Minister currently does not have — would have succumbed to the tremendous strain which people put while making claims on behalf of others and asking others to make claims on their behalf. It has been a truly humiliating experience to find how many people, whether in the new Parliament or outside it, have sought to influence a decision which should belong at this stage to the Prime Minister only. They talk about the loaves and fishes of office and I suppose, notwithstanding the high cost of living, a Minister's salary and perquisites are still much sought after. But everyone knows that the substance of power inside a Ministry is relatively small, partly because of the famous metaphor — wheels within wheels — and partly because of the Prime Minister's dominant position in the Central Cabinet. Cannot we have a convention that at the time of Cabinet making no Member of Parliament and, indeed, if possible, no one should speak to the Prime Minister of India or to the Chief Minister of a State on any individual claims? I think one consequence of this would be that the Prime Minister would be able to make a quick recovery after the elections, however strenuous they might be!

THE PRIME MINISTER

Next to Cabinet making much the most important subject for discussion has been the health of the Prime Minister. A week or ten days ago when he was without a temperature, it was still quite noticeable that he was under strain, and that his tiredness at times was something never seen before. It is absolutely true that so far as the doctors' reports are concerned, there is seemingly no cause for concern, though I do not like the word 'infection' undescribed. But there is, in fact, cause for the Prime Minister himself as well as the country to recognise that it cannot drive his physical frame in the next five years as it was driven in the last five years. This is in fact not surprising because almost nobody of any age should be driven as the Prime Minister has been driving himself. At the present time there are clear indications that nature is resisting the enormous burdens which he has taken for the last fifty years. An iron will and almost reckless disregard of minor ills, such as coughs and colds, have hitherto overcome all obstacles. Practically everyone in Delhi is now convinced that except in exceptional cases this cannot be done again.

Three prescriptions have been laid down, all of which I submit for universal consideration. Firstly, the Prime Minister must have a holiday at least twice a year. Secondly, he must have one day in the week off, except for very urgent and immediate work. Thirdly, and this is most important of all, he should gradually delegate authority in all the areas in which he remains in direct charge, namely External Affairs, Industrial and Scientific Research and, last but not least, all Congress offices which do not seem finally to go into swing without his approval. It is time that the Congress Party spared its great leader the terrible burden of rescuing it from its own decline. There are some who believe that it cannot be rescued even by the Prime Minister. But in any case, everyone is certain that the Prime Minister will not be there to rescue it indefinitely. It is, therefore, time to make a compromise with the imperatives of human capacity. The Prime Minister is far too great a national figure for him to be sacrified at the altar of Congress salvation.

The illness of the Prime Minister has had more than one clear indication of the point that the Prime Minister has become so central that almost nothing can proceed in his absence. There has been a visible slowing down in the Secretariat, partly because the outgoing Ministers were all awaiting in some animated suspense, partly because the Prime Minister's own minutes and files were standing by. This is an indication, if one were required, that even in administrative matters it is the Prime Minister who is making the tempo. Surely standing orders should now be revised so that all this is not necessary. And at the risk of raising new controversies I would have said that a small committee of the Cabinet should be constituted to operate for the Prime Minister during his period of leave just as a Regency Council operates for the sovereign in the United Kingdom. The old solution which was to have a Deputy Prime Minister is even more likely now that last year to raise internal jealousies inside the Cabinet and at the time when one needs harmony, the remedy would be worse than the disease. There are not wanting indications that the fires of that particular controversy have not died down. It is noticed that Mr. Jagjivan Ram's 55th birthday was celebrated with considerable enthusiasm and a public meeting with Mr. V. K. Krishna Menon in the chair!

In parting, may I extend my sympathy to those who have been kept in suspense during this exacting week when both physical and mental temperatures have tended to rise with the political uncertainty which is to be dispelled tomorrow. My cartoonist has very wisely presented his patient, with his back to the public so that he cannot now be recognised!

What a Life!



"Hmm! The PM's rest is greatly affecting your blood pressure!"
Courtesy: "The Hindustan Times"

ARGUS

THE WEEK'S NOTES

China

THE TIGHT CURTAIN

A TIGHT curtain was pulled over the important deliberations which the National People's Congress—China's Parliament—was recently summoned to hold over urgent issues. It is intriguing that the NPC's session was postponed twice and this aspect appears all the more so, when it is recalled that the NPC was not convened at all during 1961 for the stipulated session—once in a year. Perhaps, the first postponement from March 5 to March 19 could be explained in the light of the fact that the Central Council of the Communist Party of the Soviet Union was scheduled to be held (by a subsequent coincidence) on March 5. Convenience lay in having Mr. Khrushchev's address and the version of the other proceedings for the benefit of the leaders of the Government and the NPC. But the explanation offered for the second postponement to March 25 seems plausible—that the formal session of the meeting on March 19 was devoted to preparatory work. The People's Political Consultative Council, a mammoth body of 800 members, was also subjected to postponement on March 5. Was it the embarrassment created by the internal economic crisis and the external crisis of the widening rift with Russia that caused hesitancy about a firm line to be prescribed for policy? Or is it a cleavage on basic issues inside the Communist Party of China.

When the NPC eventually met on March 27, a thick veil of secrecy was drawn round the conference. Official handouts of the proceedings were not doled out even to the Chinese press, not to speak of the withdrawal of permission to foreign press correspondents to attend. China's big leap forward—now bigger with the radical reform of the village communes—proved a great mis-adventure further aggravated by the set-back which the agricultural economy received as a consequence of the serious failure of three successive harvests; but the attempt to maintain a semblance of the communes has apparently made a complex situation more difficult. How far to demand greater sacrifice from the peasantry and the people at large was a real dilemma. The rift with Russia on the ideological plane has precipitated a gratuitous crisis, although it is too obvious that the present is not the time for China to aspire to the leadership of the Communist camp. The withdrawal of Russian technicians and stoppage of economic aid cannot fail to bring home to China the painful realisation of dependence on the Soviet Union, Mr. Chou En-lai's clarion call for self-help notwithstanding. But how far will Russia go to stretch non-collaboration, understimating the capacity of the Chinese masses for physical endurance and of their government to impose privations?

Madhya Pradesh

THE PERSONALITY CONFLICT

MR. TAKHATMAL JAIN has found it hard to reconcile himself with the choice of Mr. Mandloi as leader of the Madhya Pradesh State Legislature Congress Party and harder still to accept his discretion in deciding the distribution of the portfolios. It is asking too much to believe that Mr. Mandloi left the allocation of the key portfolio of Finance undecided, when no exceptional circumstances prevailed to warrant such a course. The Opposition had legitimate ground to raise a strong protest against the "absurd" situation created by Mr. Takhatmal Jain's disclaimer of having assumed charge of the portfolio and to demand an unequivocal explanation as to who was the actual incumbent. Mr. Mandloi's clarification that the responsibility finally rested on him could not escape the charge of equivocation and evasion. On the next day, when this ugly issue was again brought on the floor of the House, the Chief Minister was precise in stating that the portfolio was allotted to Mr. Takhatmal Jain on March 29. The latter, however, claimed the status of a Minister without portfolio. This polarisation of positions laid bare the personality conflict inside the cabinet and pushed its prestige to a pitiable point.

Dr. Katju, Chief Minister in the former Cabinet, is contesting the by-election in the Narsinghgarh constituency. Assuming that he is elected, apparently he will be elevated to the position he held before the general election. This prospect has helped to "resolve" the crisis and the claimant to the status of Minister without portfolio has been willing to discard it. Solutions of this kind cannot be available in every crisis and on the few occasions when they are available, they cannot eradicate the deeper disease of dissension.

The leaders of MPCC seem to be too obdurate to draw the plain moral from the electorate's verdict. In the State Legislative Assembly of 282 members, the Congress Party has a bare majority of 142. The real point, however, is that the loss of 90 seats in the last election has not opened the eyes of the factious leaders to the danger facing their own party and, more important, to the State. The Opposition parties and groups, although they have gained a considerable accession of strength from the Congress reverses, stand nowhere and are utterly unable to form a coalition. Blinded by aspiration, the local Congress leaders seem to bother little about the solidarity of their party and the stability of the State's administration. This biggest of the States (by area) in the Indian Union is fast deteriorating into a problem State for which responsibility must be borne by the Congress Party.

Syria

THE DRIFTING COUP

THE COUP staged by the military junta on March 28 seems to have ended inconclusively. It has only served to make a confused situation still more complicated. Three months of office was too short a span to judge the success or failure of Dr. Dawalibi's Government, but the few indications which are available go to confirm the belief that, given peace and time, his Government would have done better. It had already made a start with some ameliorative legislation in the industrial and agricultural spheres. The accusation of failure remains a mere allegation.

The picture is not yet finally clear and reports about the reinstallation of the civilian authority must be taken with reserve. The seven army officers who leapt into prominence have been exiled into Switzerland, but not before the mischief was done to the solidarity of the ranks of the army. The garrison in Aleppo rallied pro-Nasser forces, although finally it bowed before the obligation of allegiance to the army command. The one achievement of the coup was to halt the trend towards closer ties with Iraq. Nasserism without Nasser became a post-coup slogan for sometime. Whatever it may mean and however favourable some trends may be to reunion, President Nasser will keep aloof from intervention. If he bore the secession of September last with fortitude, he will betray no impatience in the new climate. The coup has shown once again that Syria would feel uneasy until she seeks security in alignment with a strong neighbour.

The World Abroad

INDIA WANTS NEW LIGHT ON OLD FACTS

By

ODYSSEUS

SOCIAL TENSIONS, whether between communities, castes, or different language groups, cannot be eased unless their historical origins are understood. In searching the pages of history for clues, it is important to study the most recent works available, for nothing dates so quickly as books on history. And this is especially true of India, because August 15, 1947, marks a dividing line in the questions that Indians asked of their historians. Before 1947, Indian historians were searching the records for evidence that would help India to free herself from foreign rule. Any evidence that suggested that the foreigners had no right to be in India, were acting unjustly towards Indians, were responsible for all India's discontents, was brought out for public ventilation. But those questions have (or should have) yielded place to new ones.

The problem today is not to get rid of foreign rule, but to promote the unity of India.

What causes the differences between ancient castes, suspicious communities, jealous linguists, and separatist regions? Unfortunately the answers that we get from pre-1947 histories do not answer these questions or answer them misleadingly. Let me explain why.

For many decades, the British, anxious to find answers in history that would justify the prolongation of their rule, emphasised the historical facts (for facts they were and are) that distinguished Hindus from Sikhs and Muslims, the Sanskritic North from the Dravidian South, and so on. Equally, the Congress Party sought to counter with the balancing historical facts (for equally facts they were) that virtually the whole sub-continent had been united under the Muslim Akbar's enlightened rule of tolerance and reconciliation, that Hindus, Sikhs, and Muslims were so intermingled as to be racially indistinguishable, that Bengali and Marathi were both Sanskritic languages, and that Hindi was spoken or understood by one fifth of the population (of undivided India), and so on. The fact was that both parties to the dispute were giving different interpretations and emphasis to the same facts in order to answer the particular problems of their epoch.

But these particular interpretations and emphases have no relevance to our present discontents.

That is why we need to consult such admirable new works as Percival Spear's "India: A Modern History" (Cresset Press. London. 1962. 63sh.), Penderel Moon's "Divide and Quit" (Chatto and Windus. London. 1961. 30sh.), and Gardner Murphy's "In The Minds of Men" (Basic Books Inc. New York. 1953), a study of human behaviour and social tensions in India, carried out under the auspices of the Delhi Ministry of Education.

EUROPE AND INDIA: SUB-CONTINENTS

From Spear, we can see that historically "India" is not a country but a sub-continent, in the same way that Europe is. If it is true that Bengalis and Marathas both speak languages of Sanskritic origin, they can no more discuss together the government's policy on coal or sugar than can Italians and French, both of whose languages are based on a common Latin ancestor. Again, to anyone who learned his Indian history from pre-1947 books, it must be emotionally disturbing to find Spear producing evidence to show that Madrassis, Rajputs, Muslims, and Bengalis had no common culture. But once the fact of "India" as a sub-continent rather than a country is digested, the fact of distinguishable sub-cultures follows. Take Europe; it is true that all Europeans share a common culture, the legacy of Greece, Rome, and Christianity, but the national sub-cultures of Germany, France, Britain, and Italy, are also plainly distinguishable. While, for example, many Frenchmen put Racine on a higher level than Shakespeare, only a minority of Englishmen enjoy him at all. Again, parliamentary democracy means something vastly different in Germany, France, Italy, Denmark, Holland, Belgium, Italy, and Britain.

Only when a Frenchman and an Italian are confronted by an Asian or an African do they become conscious of themselves as "Europeans," just as the Punjabi and the Madrassi became conscious of themselves as "Indians" when confronted by Europeans or Americans. The pressure exercised by the presence of th British led Sikhs and Ooryias to unite against it. Now that that pressure is removed the urge to unite is relaxed. The new problem is how to overcome separatist tendencies. Here, India can take heart from the contemporary European scene, where there exists, as yet, no common central government in charge of foreign affairs, defence, communications, a single currency, and so on, so that the valiant "European" patriots, who seek to foster the post-war move towards European unity, have a long hard struggle ahead of them. By contrast, in India, a high degree of unification already exists. But this will not be further promoted by those who persist in rejecting the facts of history. To insist, for instance, that India is as closely integrated as the UK, with its decimal minorities of Gaelic and Welsh speakers, and, on that analogy, to insist that all "Indians" must conduct their public affairs in Hindi is simply to promote resistance by flying in the face of the historical facts.

There is, alas, no quick easy solution to the problem of Indian unity. It will be solved in the generations, rather than in the decades, to come, through the leadership of "Indian" patriots who combine the necessary fervour for the cause with sympathy, understanding, and humility, towards the viewpoints of those who uphold (what you and I agree to be) obsolete ideas of nationalism or regionalism. I do not have time to read more than a handful of Indian newspapers, but I regret to report that I find more of antagonism, denunciation, and misunderstanding, based on obsolete interpretations of history, in the comments of one community upon another, than I do of sympathy and understanding.

At the time of the distressing events at Aligarh last October, the most common cry was for the punishment of those found guilty of violence. Now, I do not condone violence, and those guilty of it should be punished. But in addition to the cry for retribution, I should like to have seen the Indian press of all regions and shades of opinion calling for investigation into what caused the violence to break out at all. Why, in the first place, did certain ordinary people, like you and me, feel the urge to attack members of another community? Have they wrongs that need remedying? Have they been made to feel persecuted? Are they received on an equal footing in government, industry, commerce, in your home and mine? May their resentments not arise in part from their conditioning by history books that are answering pre-1947 questions?

Before you can build a bridge, you need to ascertain the local geographical facts. Where is the bridge most needed? On what soil must the foundations be laid? It is useless to insist that the bridge must be in modern steel if the soil will not take the necessary foundations. What volume of traffic will the bridge have to stand? To enlarge an old bridge to cope with modern traffic involves difficulties. If so, it does not help to blame your predecessor for weaknesses in an old structure intended for different traffic. Likewise, before you can build bridges between Ayrian and Dravidian, Sikh, Hindu, and Muslim, you need to ascertain the historical facts. And if the British are responsible for some of these facts, the problem is no longer theirs but yours—today—and it is as well to make sure that some aspects of today's problem is not of your creation as well, and that you are not continuing to create difficulties for yourself by failing to re-orientate your own ideas.

CHURCHILL AND INDIAN INDEPENDENCE

Here is a concrete example from current Indo-British relations of what I am getting at. It is commonly believed that India gained her independence in 1945-47 because a Labour government was in power, and, it is, of course, true that links between the Congress Party and the British socialists had been close for half a century. I detect the continuing influence of this belief on the Indian press in much of the reporting of, and editorial interpretation of, events in the UK. There is some bias towards Labour and against the Conservatives (usually called "Tories" in a slighting sense). But Mr. Spear calls attention to the historical fact that it was Winston Churchill's Conservative "Caretaker" government, which opened negotiations with the Congress within a few weeks of the German surrender. And as the Conservatives have been more consistently in office since 1886 than their opponents, it would be helpful for the smooth conduct of Indo-British relations not to develop a bias in their favour, but at least to discard a bias against them.

Are the British responsible for the creation of Pakistan? The Churchill government of May, 1945, regarded Pakistan as a counsel of despair. Under Attlee's Prime Ministership, Wavell refused to allow the Muslim League to take office in the interim government without the Congress. Alan Campbell-Johnson's "Mission With Mountbatten" (Robert Hale. London. 1951.) reveals how exasperated Mountbatten and his staff were with Mr. Jinnah's tactics and personality, whereas they formed warm friendship with the leaders of Congress.

How, then, did Pakistan come into existence? Mr. Spear says that while every credit must be given to Jinnah's leadership, one man could no more create Pakistan without a volume of popular support than Churchill could have saved the UK without popular backing in 1940.

We will consider these matters further next week.

[This is the second of a short series on the theme "India—A House Divided?", inspired by an editorial of that title in "The Eastern Economist" of October 13, 1961. While each article is complete in itself, Odysseus hopes that his friends will file their copies of "The Eastern Economist" for a collected reading, which will bring out the trend of the argument more clearly. Statements which may seem stark in one article may be elaborated or qualified in subsequent articles.—Ed.]

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The European Scene

THE CONSUMERS' COMMON MARKET

From Our Special West European Correspondent

PARIS, March 23.

A PARISIAN department store this week opened a "Common Market Exhibition" where it displayed the 62 "price-cutting champions of Europe"—a series of commodities manufactured in France, West Germany, Italy and Benelux whose selling price has fallen notably since (and because of) the introduction of the Common Market. Naturally, this was a sale, a commercial stunt, but it was also extremely instructive. Having their eye on a selection of goods likely to sell well, the store's buyers were not pretending to give a complete picture of the economic consequences of the Common Market as seen from the ultimate consumers' standpoint. Nor could a display of this sort (or for that matter, accurate economic study) separate out what was really due to the Common Market and what was due to technical progress, long-term price trends and generally freer world trade, these being factors that would have made for price reductions even without the Common Market. One noticed, for example, that there were no leather shoes on display, because leather footwear (plastic is another matter) has jumped sharply in price all over the world in recent years; fundamental price trends here obliterate all the effects of industrial improvement and commercial liberation. Moreover, once one gets down to consumer goods like clothing and furniture, the influence of fashion is immense and confuses the picture: thus, the West was swept a few years ago by Italian pointed-toe shoes (this style is going out) and is still being so by Italian seamless stockings and Scandinavian furniture, so that one tends to ascribe these waves of international limitation to economic factors—until one sees how short-lived they can be.

Still, after making all these reservations the impact of the Common Market on the variety, quality and price of consumer goods is underable. Variety has of course increased, because of the abolition of quota restrictions; quality has almost universally improved; prices have generally fallen, and in some cases quite spectacularly; there are even signs (though here the influence of fashion is especially confusing) of a unification of taste throughout the region. To take the last point first, buyers in the furniture trade report that Germans are at last giving up the ghastly deep green and mustard yellow furnishing fabrics that disfigure their drawing rooms, in favour of the brighter floral designs of Mediterranean taste; thirty per cent of furniture sold in France is now "Swedish-style" teak (it is made in Belgium actually) against almost none three years ago; lampshades and table-lamps throughout the Common Market are increasingly of the Empire and "modern" styles to the exclusion of the baroque horrors that reigned in the generations between those two styles; and Dutchwomen, we are solemnly assured, are shortening their nightdresses to the length thought reasonable elsewhere. Some such unification of consumer standards is no doubt an inevitable result of freer trade and the wider scale of manufacture by the more efficient firms. The retail trade itself is organising its own Common Market, and the department stores have an international arrangement for joint buying. For example, a German store reveals its list of suppliers to French and Italian stores in the same club in return for equivalent help in procuring French and Italian goods. In buying from countries outside the region, they co-operate similarly: a French store will prepare the list of Spanish goods likely to sell in North Europe while a German firm surveys Scandinavian sources of supply. Thus a unification in the style of goods offered to the public is normal, even before consumers' choice begins to operate by encouraging manufacturers previously unknown outside their own country.

This encouragement has been considerable wherever consumers have discovered that articles of better quality and lower price are available from a neighbouring country. A Parisian department store, only 1 per cent of whose sales were imports in 1958, now sells 8 per cent foreign goods—and its total sales have risen about 50 per cent in the meantime. Taking 1958 as 100, it reports the following index numbers: 1961 sales volume 146, Belgian goods 290, Italian 350, German 380 and Dutch 1,160. Another store reports that its sales of Common Market goods have quadrupled in three years, the lion's share going to Italy. But these are far from telling the whole story of consumer benefits, for in numerous cases the local manufacturer, seeing the invasion of cheaper foreign goods, has cut his own prices and improved quality or style. The result has been a fall in prices of all the goods in that line, whether imported or local. At the risk of boring readers who never do their own shopping, I shall quote some of the more noteworthy illustrations. The prices given in rupees are accurate only to the nearest five per cent, but they will provide an interesting comparison with prices charged in India for similar goods.

Among the 62 "price-cutting champions" I noted a German camera that has dropped in price between 1958 and 1962 from Rs. 366 to Rs. 249; a German pocket alarm clock from Rs. 35 to Rs. 20; an Italian chair from Rs. 35 to Rs. 20; a German carpet from Rs. 90 to Rs. 65; five French saucepans from Rs. 120 to Rs. 70; six Belgian glasses from Rs. 12 to Rs. 10; a French vacuum cleaner from Rs. 230 to Rs. 109 (an Italian vacuum cleaner appeared this week at Rs. 59!); a natural silk dress from Rs. 130 to Rs. 65; a nightdress from Rs. 40 to Rs. 18 and a man's waterproof coat from Rs. 109 to Rs. 40. Among the 62 items claimed to have fallen most in price, 36 were French, 16 Italian, 7 German, 2 Belgian and 1 Dutch. I repeat that this was a commercial stunt, and one cannot conclude that the various nations of the Common Market have benefitted in just those proportions; but this order of magnitude seems reasonable, for the high-tariff countries would have been forced to make the sharpest price adjustments as trade became freer. To benefit from these price-falls the consumer did not have to start buying foreign goods; his local supplier matched the cuts where he could. The following items, turned out by the same French manufacturer in 1958 and in 1962 respectively, have fallen in price under the influence of foreign competition; a jersey dress from Rs. 70 to Rs. 50; a quilted windjacket from Rs. 75 to Rs. 47; a 125-litre refrigerator from Rs. 1,000 to Rs. 500; and transistors from Rs. 200 to Rs. 100.

These spectacular price reductions have been accompanied by improvements in quality. I find the case of a manufacturer of refrigerators who was making 15,000 a year in 1958 and who now turns out 200,000 a year, which he exports to 18 countries. He has increased his standard size from 100 to 125 litres, increased the thickness of the walls from 0.8 to 1.2 millimetres, mounted the doors on pivots and made various other improvements, while reducing the price from Rs. 600 to Rs. 500. While we are in the kitchen furniture department, note that the old wooden stool has virtually disappeared from commerce, being replaced by a chromium-plated tubular steel product with a plastic top and rubber feet, of which the price has dropped in three years from Rs. 12 to Rs. 9. Naturally, this combination of lower cost and better quality has everywhere stimulated sales. A store reports that woollen pullovers have fallen in price by 50 per cent while its sales of them have just doubled. The same has happened for other goods of which the price is half what it was three years ago: printed handkerchiefs and electric trains for boys.

This list may seem too detailed, but the point is that one has to come down to homely details to answer the general question, what has the ordinary European got out of the Common Market so far? Perhaps his main benefit has been sustained full employment, but you will never find anyone to be grateful for that: unemployment is a scandal but employment seems the most natural thing in the world when it is available. Worse, the full employment that now obtains all over the Common Market is accompanied by transitional pockets of unemployment as labour and capital are shifted to better uses, and both the immediate victims and the readers of popular newspapers are more sensitive to the temporary inconveniences this technological adjustment causes than to the blessing of overall full employment. There are well advertised cases at present in the coal industry, as various marginal mines have to be closed down, basically because of the shift to liquid fuels. Normally, this causes no trouble, for the mines are mostly in industrial areas where alternative and better jobs are readily available; but in a notorious recent instance the mine was a backwater region of central France, so that the men had to migrate to get work. They stayed down the mine on a hunger-strike until the Government made even more generous the already lavish terms of transfer. Now, a full month after this isolated incident, I find the French Communist Party describing the Common Market as a conspiracy of German-dominated monopolies which is ruining the French worker and holding up the case of this one mine as "proof". The readiest answer to that is the sort of price list I have cited, plus a recall of the benefits of full employment.

The complaint that the Common Market is "the bosses' Europe" (this is a pun in French: l'Europe des patrons, bosses' Europe, for l'Europe des parties, the Europe of nations), or that it is the private property of supranational technocrats headquartered in Brussels is heard well outside Communist circles. Inevitably, the big decisions that make the economic union are taken by capitalists and administrators, and in the former case, most of the immediate profits too. The gains of workers will show up only in sustained employment at constantly rising wages; and the gains of consumers in the evolution of prices that I have illustrated. If you do not count the first, or take it for granted, and are too impatient to read a list of prices in detail, you can pretend that "the ordinary man" is getting nothing out of the venture. Not for long however; the changes in variety, quality and price of consumer goods I have quoted result from only the first steps toward economic union, involving a reduction of only 40 per cent in tariffs. This will be carried to 50 per cent in July and 60 per cent next year, while the unification and perfection of European industry and commerce gather further momentum. The consequences, in the form of goods and their price tags, will then be too evident to be overlooked.



Our West German Letter

IN FAVOUR OF INDO-GERMAN CO-OPERATION

From Our West German Correspondent

BONN, March 25.

WHEN the Chamber of Commerce and Industry in Dusseldorf, the centre of the famous industrial Rhine-Ruhr district, invited its members to a lecture of Mr. A. B. Parakh, President of the Indo-German Chamber of Commerce of Bombay, one could be sure that a distinguished audience would be present. It goes without saying that the leading newspapers in the Federal Republic published extensive reports on this meeting. A similar convention with Mr. Parakh as speaker took place in Frankfurt, one of the main trade centres of West Germany, and we shall give our readers a condensed account of both these gatherings as we think it will interest them how India's present economic situation has been explained to European businessmen. Mr. Parakh started by asking his listeners whether their experience with India had been better or worse than with other countries. If European or American businessmen avoid in default of confidence in the political and economic ideas prevailing in India to take some risks and prefer to wait for a more favourable climate then the answer to it is that a grain of experience is weighing heavier than a ton of theory. The speaker asked for understanding of India's needs and drew the attention of the eagerly listening assemblies to the immense possibilities which offer themselves to the foreign partner. India is learning by experience and much that now is happening is depending on particular circumstances. In 1951 only 16.6 per cent of the population were able to read and write, now there are 24 per cent. Still, the standard of living is dangerously low and planning could under no circumstances ignore the crying needs of the huge masses of people. One has also to consider the religious, historical and provincial differences within the country which, to a certain extent, are decisive as to what sometimes could be done or had to be left off. Before this background one has to judge the present Indian politics. Taxes are considerable because the available means are very small but the need is very high. If the methods of taxing are not as good as they could be, India would be pleased to get the advice of her foreign friends, Mr. Parakh said. He also mentioned the extensive rate of the growth of the population which during the last decade amounted to 2 per cent a year.

The speaker then quoted a practical example of Indo-German co-operation. In 1953-54 when a co-operation with the German firm Mercedes-Benz was first planned by the Tatas, the demand for motor cars of all kinds was estimated at 12,000 per year. At first an annual production of 1500 trucks was intended. But the demand was rising to such an extent that it was raised to 12,000 and will now further extend to an output of 24,000 per year. During the past 7 years the Tata-Mercedes-Benz combine has sold 50,000 trucks. But, the speaker continued, this example is by no means a special case. There are, in fact, quite a number of similar projects, bigger and smaller ones, in various branches of industry. Further it has to be considered that such favourable results have been achieved within a relatively short time and that the annual income per head of the population still amounts to only Rs. 330. The industrial production rose from 1955 to 1960 in India by 6.5 per cent per year.

Mr. Parakh, who within the Tata group is also looking after TELCO (Tata Engineering and Locomotive Company) which co-operates with the German locomotive builders Krauss-Maffei in Munich, is at present, as he told a representative of the "Handelsblatt", Dusseldorf, negotiating with German firms which might grant licences for the manufacturing of accessories for motor vehicles. A contract has already been effected with the well-known firm Fichtel & Sachs in Schweinfurt (Bavaria).

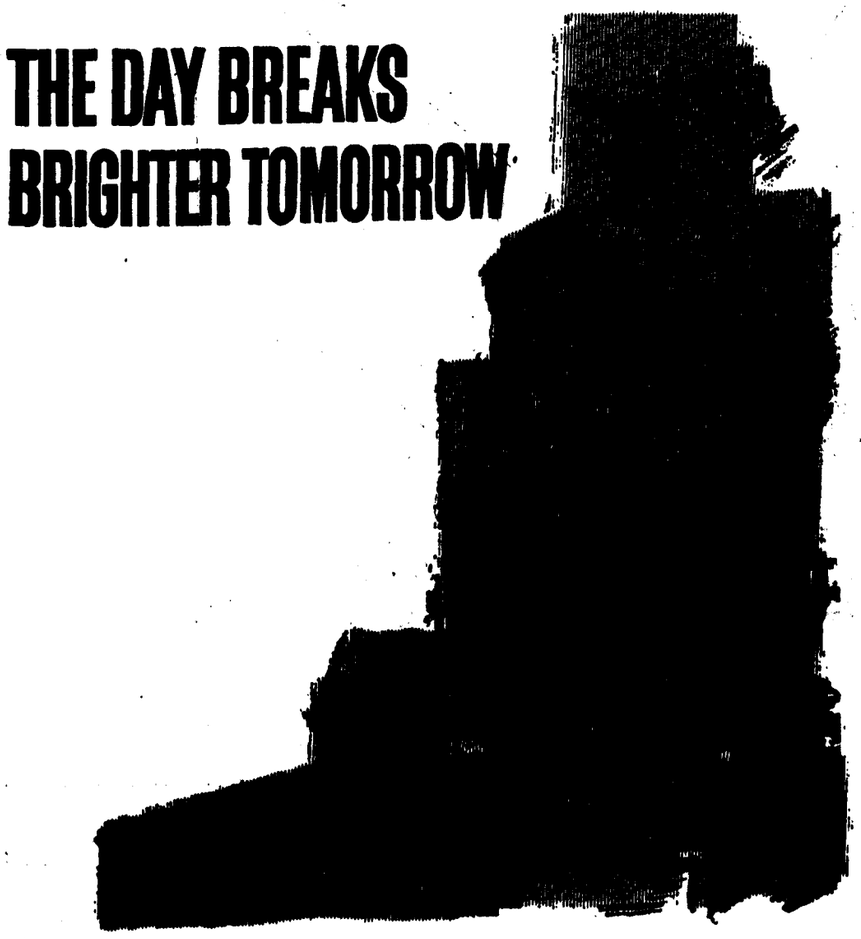
DATES ARE DIFFICULT TO SELL

Also Prof. Dr. Erhard, Minister for Economic Affairs, pleaded before the Marketing Club in Bonn for the establishment of productive undertakings on partnership basis in developing countries. The risk is not as big a sometimes assumed, he said, and the returns are often higher than in the case of investments in Europe. He mentioned especially French and Italian entrepreneurs who are very active in developing countries. If one leaves this kind of business to others it would not be feasible to make good later on because the then existing productions in these young nations will mostly be protected against competition.

Prof. Erhard's ministry is at present trying very hard to sell dates in the Federal Republic. This peculiar situation has arisen by an offer from the Iraq Government. Iraq produces annually 4.8 lakh tons of dates or 80 per cent of the world's output. Now the Government has suggested to West Germany a barter agreement by which it will exchange 10,000 tons of dates against various kinds of machinery. On a similar basis Iraq had already sold dates for the equivalent of 50 million DM to the Government of Bulgaria which now by way of barter is modernising the airport of the capital Bagdad. But unfortunately, nobody in West Germany seems to be prepared to buy dates at the price of 150 DM per 100 kilo which is far too high for producing alcohol or sugar or to use it even as forage.

We have to report about an interesting, newly established combine, the "Ruhr Consulting Gesellschaft mit beschraenkter Haftung" ("Ruhr Consulting Limited Liability Company"). The fact that the German name of the company contains the English word "Consulting" shows that an institution quite common in England and USA has now entered the Continent. There were already firms of consulting engineers in Germany but they were generally of a limited scope. In this particular case four of the largest heavy industrial groups of the "Rhine-Ruhr district" have joined forces and started the above company. They are: The August Thyssen Huette AG., the Hoesch AG., the Phoenix-Rheinrohr AG. and the Mannesmann AG. Actually, this is not a completely new foundation as these firms have taken over the shares of the "WEDEXRO, Westdeutsches Ingenieur-Buero Dr. Rohland". The capital of this company has now been raised to 4 million DM and the name was changed. One of the main aims of "Ruhr Consulting" will be to make available German technical know-how to developing countries. It is intended to form "task forces" who will not only supervise the execution of a project on the spot but they will also be responsible for the training of the staff recruited in the respective country. Engineers of the WEDEXRO have already experience in Asian, African and South American States, and the four founder firms are prepared to put at the disposal of "Ruhr Consulting" their own specialists whenever necessary. But otherwise they are not interested in executing projects themselves and, therefore, "Ruhr Consulting" will provide unbiassed expertise.

In the budget for the forthcoming financial year, at present being discussed in the Federal Parliament,



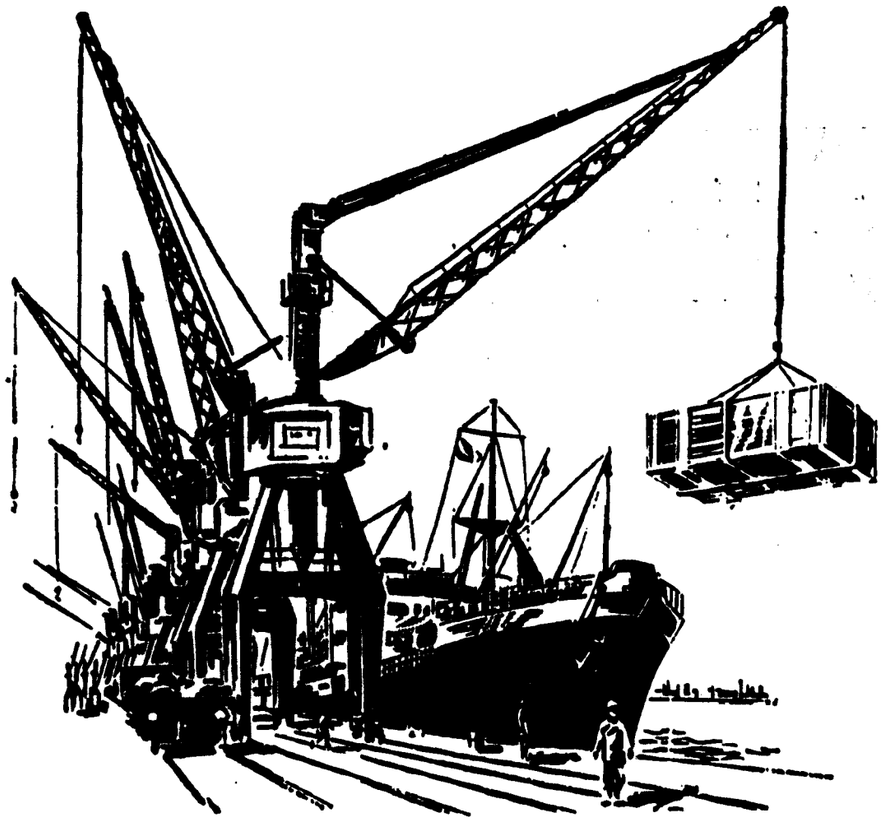
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there is for the first time an item of 100 Mill. DM inserted to be given to Catholic and Protestant Missions which are to be spent exclusively in developing countries. This amount will be used for educational, social welfare and health institutions. But under no circumstances are these means to be utilized for pastoral purposes or the construction of churches. Furthermore, such projects will be especially supported which are recommended by missions on the spot, based on their long-time experiences, i.e. the final decision to start a planned project will be made by the mission concerned in collaboration with the cultural section of the Foreign Office in Bonn.

GENTLEMEN PREFER SCOTCH

High tide for Scotch Whisky and low tide for Cognac, this is the result of statistics for 1961. The rise of the "whisky wave" is proved by the following import figures: In 1958 West Germany imported 6.5 lakhs litre, the following year 9.6 lakhs litre, in 1960 already 18 and last year, without the month of December when the Christmas and New Year's business brings always a boom in sales of alcoholic drinks, even 23 lakhs litre. For the first time whisky was topping the list of all alcoholic drinks. While in 1959 Cognac was imported from France to the tune of 9.8 lakhs litre, i.e. 20,000 litre more than whisky, the import of Cognac went down during the first 9 months in 1961 (for the last quarter figures are not yet available) to 11 lakhs litre. The German connoisseur prefers Scotch to the American Bourbon and the Canadian whisky. Out of the 23 lakhs litre of foreign whisky, 21 were Scotch. The production of German whisky is negligible. According to the trade, there is more whisky drinking at home than in the pub. The reason is that drinks at the pub are too expensive and secondly television keeps people at home which they enjoy with a sip now and then. The retail price for Scotch is at present 24.00 DM but it is assumed that after Great Britain has joined the European Economic Community the price will come down to 20 DM.

Drinks play in the cold climate of Europe (where although according to the calendar springtime has already started, the thermometer is still below zero) an important part which is also proved by a protest of the Federal Government transmitted via the French Embassy in Bonn to the Government of France. The protest refers to a decree of the latter which permits the plantation of additional vineyards for the production of brandy with the protected brand "Cognac". During the question hour in the Federal Parliament the Minister for Agriculture, Mr. Werner Schwarz, said that this decree of the French Government is an offence against the treaty of the European Economic Community!

WHAT IS DE-MARXINATION?

According to an announcement of the Soviet Embassy in Bonn, after the de-Stalination has been carried out the name of "Stalin" will only remain in the official designation of "The battle of Stalingrad". At the same time the Municipal Council of Bonn has carried out, shall we call it a de-Marxination? At the famous university of Bonn there studied once upon a time a young fellow by the name of Karl Marx. Without being "Marxists", the city-fathers of Bonn some years ago thought that this man had become a person of world-wide fame and it would be proper to name a street after him. After all, he had acquired within the walls of the city on the Rhine his wisdom which was to shake the world. Now a new city-father has entered the council and when the majority of his fellow-councillors had left the meeting late in the evening and tired he suggested to change the name from Karl Marx to the plain and homely German first name of Max. The suggestion was happily agreed to. If one asks who is the "famous" Max one is informed that it was a rather obscure duke by this name. No further comment...

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Economic Report from the U.S.

ECONOMIC AID PROGRAMME

By GUY SIMS FITCH

WASHINGTON.

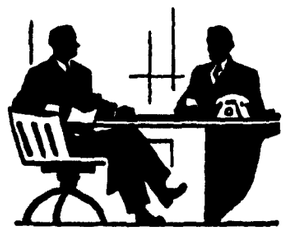
ONE must go back more then ten years, to the days of the Marshall Plan, to find a U.S. economic aid outlay larger than the $3,400 million President Kennedy has requested for the 1963 fiscal year that begins July 1. It represents a substantial $1,000 million increase over the amount appropriated by Congress for the current 1962 fiscal year. A breakdown of this proposed economic aid programme reveals $1,250 million set aside for development loans and $335 million for development grants—both exclusive of alliance for progress operations in Latin America. In addition, there would be $482 million to help support the economies of countries carrying heavy defence burdens, $400 million to meet unforeseen contingencies that might arise during the year, $149 million for international organizations, $100 million for guarantees of private U.S. investment in developing countries, $5 million for investment surveys abroad, and some $60 million for administrative expenses.

There are some significant new departures in the President's aid proposals. One of these is the $100 million Investment Guarantee Fund, which it is hoped will help expand the flow of development capital to areas where it is most needed. The biggest new item, however, is a "$600 million fund for the Alliance for Progress, the co-operative Western Hemisphere venture designed to speed the economic and social progress of Latin America. This $600 million, of which $500 million would go into long-term loans and the rest into grants, represents but the first slice of a proposed four-year, $3,000 million special assistance programme for Latin America. It is evident that Mr. Kennedy is proposing not merely to continue, but to enlarge and to broaden, a long-standing U.S. programme of economic assistance to other nations. This $3,400 million would bring the total of economic aid given by the United States since World War II to no less than $51,000 million. With military assistance included, the total would rise to about $78,000 million. Two significant and related trends lie behind these huge sums. One concerns the relative stress on economic as against military assistance, the other the geographical distribution of the aid outlays.

In the early post-war years, with European economic reconstruction an urgent and recognized need, most of the U.S. assistance went for that purpose. With the Communist aggression in Korea in the early 1950's, however, and the acerbation of international tensions, military assistance began to rise markedly. At the same time, as Western European recovery progressed, the need for large-scale economic aid to that region declined sharply. For several years, therefore, the total of military assistance consistently exceeded that of economic assistance. Also, as European countries recovered to the point where they no longer needed large doses of reconstruction help, and as new countries with new economic problems began to emerge on the world scene, the regional distribution of U.S. assistance began to shift accordingly. This shift has become especially marked during the past decade, as developing lands in Asia, Africa and Latin America have been taking an increasing share of U.S. aid dollars.

With this growing emphasis on helping the less-developed nations accelerate their economic and social progress has come another reversal in U.S. aid programmes. In the past few years, economic outlays have again begun to exceed the military. As against the recommended $3,400 million in economic aid, for instance, the Kennedy administration is proposing $1,500 million in military assistance for the coming fiscal year. Today, moreover, hardly a penny of U.S. assistance goes to Western Europe; virtually all of it is earmarked for the less-developed areas. Whether or not Congress actually appropriates all the foreign aid money the President has requested for the coming fiscal year, a basic trend in U.S. policy is clearly established. Its emphasis is on large-scale and long-term economic assistance to developing lands.

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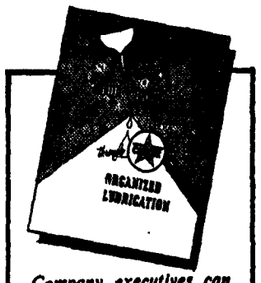
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Special Article

THE ROLE OF FERTILIZERS IN AGRICULTURAL PRODUCTIVITY

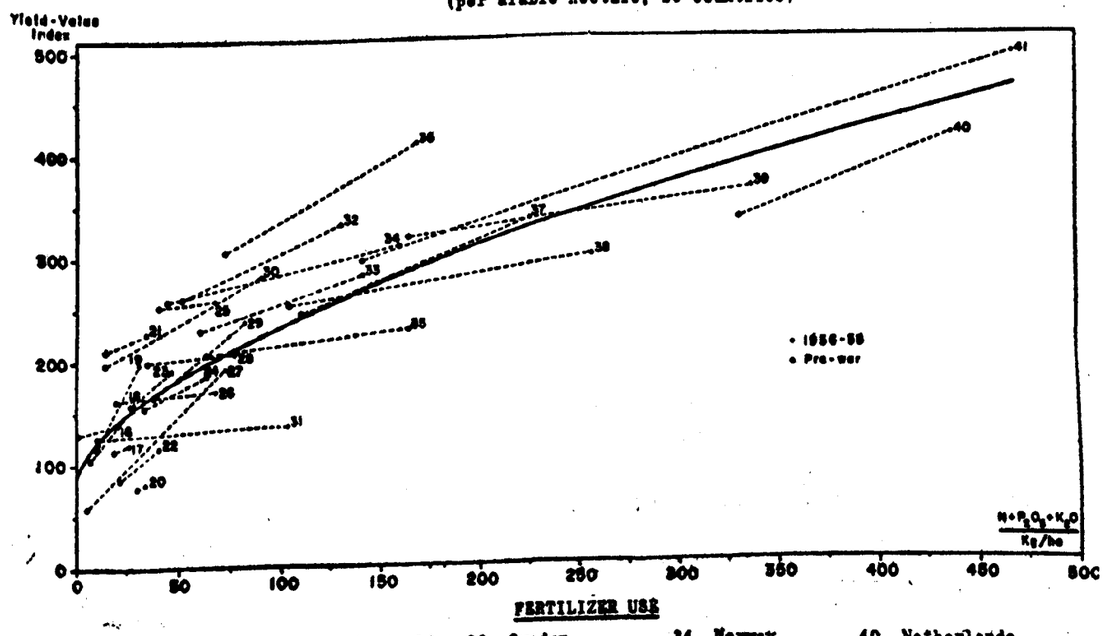
AT what stage does the extensive use of fertilizers become essential in any economy and how much can fertilizers contribute to agricultural and economic development? An answer to these questions has been attempted in a paper entitled "Fertilizers and Economic Development" by Mr. F. W. Parker, Assistant Director General, Technical Department, Food and Agriculture Organisation, Rome. Mr. Parker has arrived at the conclusion that economic development, specially in the countries approaching the "take off" stage, is dependent upon increased food and agricultural production. To achieve this objective, extensive use of chemical fertilizers is essential. He has estimated that the less developed regions of the world must increase their fertilizer consumption to about 30 million tons of plant nutrients by 1980 and for this purpose massive international assistance programmes need to be chalked out.

The basic premise of his thesis is that "people and crops are hungry because most of the soils of the world are of low fertility". In the more developed countries, substantial progress has been made in the use of fertilizers and enough literature exists to show the close relationship between fertilizer consumption and crop yield. In the table alongside are set out figures regarding grain yields and fertilizer consumption in France, the United Kingdom, Belgium and the Netherlands for pre-War and 1956-58 periods. All these countries have increased their yields substantially, the highest yield having been recorded in the Netherlands at 3310 kilos per hectare. Even though yield in France at 2280 kilos per hectare is the lowest for these countries, it must be remembered that the increase in percentage terms over the pre-War level is the highest in France.

GRAIN YIELDS AND FERTILIZER CONSUMPTION (PRE-WAR AND 1956-58)

	France	U.K.	Belgium	Netherlands
Grain Yield				
100 kilos per hectare				
Pre-war	14.9	21.1	24.1	27.2
1956-58	22.8	28.0	32.2	33.1
Fertilizer Use				
Kilos per hectare				
Pre-war	37.2	59.4	177.9	336.6
1956-58	80.9	141.2	349.3	438.6
Increases				
Yield	7.9	6.9	8.1	5.9
Fertilizer	43.7	81.8	171.4	102.0
Return				
Grain/unit Fertilizer	18.0	8.4	4.7	5.8

CURVE OF AVERAGE RELATIONSHIP BETWEEN FERTILIZER USE AND VALUE INDEX OF CROP PRODUCTION 1956-58, COMPARED WITH PRE-WAR
(per arable hectare, 26 countries)



16. Yugoslavia
17. Spain
18. Greece
19. U.S.A.
20. Portugal
21. Ceylon
23. Australia
23. Italy
24. Peru
25. Egypt
26. Finland
27. Israel
28. Sweden
29. France
30. Austria
31. South Korea
32. Denmark
33. United Kingdom
34. Norway
35. Taiwan
36. Switzerland
37. West Germany
38. Japan
39. Belgium-Luxembourg
40. Netherlands
41. New Zealand

Whereas the United Kingdom, Belgium and the Netherlands indicated more than 2000 kilos grain yield per hectare in the pre-War days, France could obtain only 1490 kilos per hectare. The use of fertilizer per hectare *in absolute terms* has increased the highest in Belgium, followed by the Netherlands, the United Kingdom and France. However, one fact which stands out very clearly from this analysis is that higher yields in these countries were obtained by employing substantially increased use of fertilisers.

A dramatic illustration cited by the author relates to Taiwan. The yield of paddy between 1936-38 and 1945-47 declined because the fertilizer used during the same period fell steadily and the fall in yield resulted directly from a drop in the consumption of fertilizers. After World War II, when the use of fertilizers was increased, the yield curve took a sympathetic upward course. After having established this close relationship between crop yield and fertilizer used, the author has evolved a method for forecasting the volume of fertilizer consumption necessary for taking agricultural production in any country to a specific level. This analysis based on 41 countries shows that not all the increase in productivity was due to fertilizers but it certainly showed that modern agricultural methods were highly influenced by the use of fertilizers.

The use of fertilizers becomes essential when an economy wishes to attain a level of agricultural production higher than 800-1200 kilos of grain per hectare. It was at the "take off" stage of economic development that crop output in Japan, the United States and most of the European countries ruled between 800 to 1200 kilos of grain per hectare. Since the economies of these countries demanded increased levels of production in agriculture, they resorted to increased use of fertilizers along with other improved agricultural practices. Like the Indian Union many other nations are currently at the "take off" stage of development and they will all find it essential to use fertilizers in increasing quantities for raising the level of production. Plans of economic development in the developing countries indicate that pressures of increase in population are demanding increase in agricultural production by 100 per cent in the next 15 to 25 years.

The graph on page 915 sets out the technique of determining the volume of fertilizer needed for achieving the targeted levels of production. Twenty-six countries have been considered and their pre-War and 1956-58 points have been correlated for increase in index of agricultural yield value per hectare with fertilizer used. Seventeen of these countries conform to the relationship exhibited by the slope of the curve i.e. the yields increased with the increased use of fertilizers. The relationship was not very close but was fair enough for five countries, but it was poor in the case of Finland, Sweden, South Korea and Taiwan.

The forecasts made by the author for the various regions have been summarised in the table below. It will be seen that by 1980, Asia and the Far East are estimated to require no less than 20 million tons of fertilizers in order to attain the nutritional goals. This also includes 5 million tons for Mainland China. The estimated requirements of fertilizers for the four less developed regions is placed at 39.5 million tons. If the area under cultivation could be increased, the estimate may be lowered to 30 million tons — nearly 7½ times the present level of consumption of four million tons.

Extending his forecasting technique to India's rate of growth and its probable implications in the future Mr. Parker has estimated that Indian fertilizer requirements would be 1.28 million tons of plant nutrients at the end of Third Plan. The Planning Commission has, however, estimated that the demand will be of the order of 1.60 million tons. The same method again yields a figure of 2.92 million tons for the Fourth Plan period as compared to the tentative estimate of 3.50 to 3.85 million tons for 1970-71 as estimated by the Planning Commission.

ESTIMATED FERTILIZER REQUIREMENTS FOR 1980 NUTRITIONAL GOALS

(Million tons plant nutrients)

Region	Food Supply Index	Fertilizer Consumption 1959-60	Fertilizer Consumption 1980
	(Base: 1960 = 100)		
Asia and Far East	219	2.53	20.0*
Near East	190	0.25	3.6
Africa	174	0.40	8.6
Latin America	194	0.82	7.3
		4.00	39.5 (30.0**)

* Includes 5.0 million tons for Mainland China.

** If allowance is made for expansion of the area under cultivation.

ANNOUNCEMENT

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THE BUSINESS WORLD

Control on Cotton Prices: A Critical Appraisal

By CROESUS

IF there is something on which there is complete agreement today among the concerned interests—the grower, the trader, and the consumer as also the Government—it is in regard to the supply position of raw cotton. With the disappointing prospects of the current season's crop, estimated at no more than 43 lakh bales, and the increase in consumption by our cotton mills, on the one hand, and the sharp fall in imports of cotton, on the other, even official circles have conceded that there has been a dangerous deterioration in the raw cotton supply position. The stark reality is that the country will be faced at the end of the current season with a carry-over of just about half the size of the carry-over at the beginning of this season, that is only 11 lakh bales, as against 22 lakh bales. In other words, the carry-over at the end of the 1961-62 season will represent hardly 20 per cent of the country's annual requirements, a level to which the carry-over of cotton in this country had not deteriorated during any year in the post-Partition period. The following table represents the position very vividly:

SUPPLY POSITION OF INDIAN AND FOREIGN COTTON FOR THE COTTON SEASON 1961-62

(In lakh bales of 400 lbs. each)

	Indian	Foreign	Total
Opening stock as on 1-9-1961 with mills and trade ..	18.10	3.93	22.03
Estimated Production ..	43.00	—	43.00
Imports	—	6.79	6.79
TOTAL AVAILABILITY	61.10	10.72	71.82
Consumption by mills ..	47.17	10.00	57.17
Exports	3.00	—	3.00
Khadi & ex-factory consumption	0.55	—	0.55
TOTAL CONSUMPTION	50.72	10.00	60.72
Carry-over stocks at the end of the season	10.38	0.72	11.10

This, certainly, was not the expectation at the beginning of this season. At that time, it was estimated, in fact, that the crop would be of the order of about 53 lakh bales (more or less the anticipated consumption during the season). But, as a result of adverse weather conditions, the latest estimate is no more than 43 lakh bales. Normally, sufficiently large quantities of imports of foreign cotton would have saved the situation, but, as everyone knows, these are not normal times. Last season, i.e. during 1960-61, when the total Indian cotton production was 54 lakh bales, this country could import nearly 10.5 lakh bales. But, during the current season when the crop is expected to be lower by as much as 11 lakh bales, despite valiant efforts, it has not been possible so far to arrange for importing a sufficiently large quantity. What the authorities have allowed for import (5.10 lakh bales) plus the balance left over from the previous season is not expected to be more than 6.80 lakh bales. The total availability of cotton for the current season will, therefore, be less than 72 lakh bales. As against this, consumption by mills, exports, and extra factory consumption will together account for nearly 61 lakh bales to leave a balance of only about 11 lakh bales. This is, indeed, an alarming prospect for the coming season, and it is not surprising, therefore, that the authorities became panicky and set about taking a series of steps with the twin objective of ensuring (1) that the statutory ceiling prices fixed by the Textile Commissioner were respected, and (2) that the mills got their essential raw material within the prices fixed by the Government. The various methods adopted by the authorities for achieving these results include the scheme of requisitioning cotton right from the time the crop started moving, advice to trade and other cotton interests to keep all their purchases of 'Kapas' within the corresponding limits of the ceiling prices on the lint, provision for varietal distribution, compulsory survey, etc., not to speak of persistent efforts to import cotton from abroad. Theoretically, all these measures should have made it possible for the mills to obtain their requirements of cotton in sufficient quantities and at the statutory ceiling prices, but, as the authorities have themselves realised, this result could only have followed, provided everybody concerned played the game. There is official admission that one or the other of the concerned interests has always tried to evade his responsibility, so that prices have pierced the ceilings in respect of many varieties. May be, requisitioning of cotton at this stage helped some mills, but, by and large, it cannot be claimed that controls have served their purpose.

This ineffectiveness of controls, and that after giving the controls a fair trial for nearly two decades, has naturally prompted the question whether such controls should be allowed to continue indefinitely. Even the Indian Central Cotton Committee, which had all along been averse to the removal of floors and ceilings on cotton prices, recently passed a unanimous resolution recommending the removal of ceilings, in effect of controls. Although, unfortunately, the Cotton Advisory Board could not come to a similar decision unanimously, it is known that there was considerable support even among the members of that body for the view that the time has come for the removal of price controls on cotton. But this has not deterred the trade which continues to agitate for the removal of all controls on cotton.

The trade bases its demand for decontrol of the statutory ceiling prices on cotton on the following grounds:

(1) Price Control on cotton was introduced as early as in 1943 and there has been no material change in the ceiling prices fixed for the different varieties of cotton since 1951;

(2) Any further continuance of controls on cotton prices in the light of past experience would not only be unrealistic but also injurious to the interests of the country;

(3) There has been no such control on other commercial crops, with the result that the prices of the latter have risen in time with the general level of prices all round;

(4) if the present cotton prices are allowed to remain unchanged, there would be a diversion of the area under cotton to other commercial crops; and

(5) When control was first introduced on cotton prices in 1943, it was as a corollary to similar measures on cloth. Now that there is no overall control on cloth prices, there is no reason why only cotton prices should be controlled.

Although it would be too much to argue that decontrol of statutory ceiling prices on cotton would 'ipso facto' result in ensuring the target of 72 lakh bales as laid down in the Third Five-Year Plan, it would be equally wrong to maintain that the chances of the target being reached are any day better with the controls on. It is true that the ceiling prices today are not strictly the same as they were in 1950-51, but no one can dispute the fact that cotton prices today are more out of tune with the prices of other commodities than they were in 1950-51, which is the same as saying that, vis-a-vis his confreres, the grower of cotton has not had a fair deal.

Secondly, the statement of the official spokesman that the acreage under cotton is not governed, to any large extent, by considerations of price is as untenable as the argument of some cotton interests that de-control of cotton prices would automatically lead to the production of cotton touching the target. While it cannot be denied that there was a net increase in the acreage under cotton over the First Five-Year Plan period, it cannot also be denied that, over the Second period, there was a net reduction, as will be evident from the fact that the acerage under cotton in 1957-58 almost touched the 20-million acre level, whereas, in 1961-62, the area under cotton is expected to be no more than 19.5 million acres. As a matter of fact, the acreage had gone down much further i.e. to 18.8 million acres in 1959-60. Even though, for argument's sake, it may be broadly conceded that the area has remained more or less constant this is certainly not an achievement worth mentioning. Had there been no diversion of the area under cotton in favour of groundnut as in Gujarat and Maharashtra, the acreage under cotton would not have been static, but would have shown a sizable rise by reason of the special efforts made to augment the output of cotton in the country. To dismiss this trend as being of no consequence and to hope that the cultivator's conservatism will keep him tied down to the growing of particular commodities and he will be unwilling to switch over to any other crop is to shut one's eyes to realities. One could have afforded to take a complacent view of the "fairly constant acreage under cotton", had the position in regard to per acre yield shown a marked improvement. But what is the position? From an average of 97 lbs. per acre for the First Plan period, all the improvement that the country has registered is to raise this average to just 99 lbs. per acre for the Second Plan period (the estimated yield per acre for the current year is even lower at 91 lbs., compared to the highest yield during the past decade of 116 lbs. per acre in 1960-61). It is fortunate that the authorities realise that the per acre yield of cotton in India represents the lowest performance in the world and also that it is necessary to take immediate steps to increase the yield per acre, but to ask the farmer to wait until this is done in order to obtain better returns is unduly severely to tax his patience. This is all the more so, because as much as de-control or a higher price cannot be a sure guarantee for either increased acreage or increased yield, as maintained by the officials, the question of raising the yield per acre also does not follow the steps taken to increase the yield per acre, as a matter of course, thanks to seasonal variations.

When the advocates of de-control of cotton prices argue that the prices of cloth and yarn are not controlled, they cannot be said to be unaware of the existence of the voluntary control. At the same time, they cannot be debarred from having their own views on the effectiveness or otherwise of such voluntary control, notwithstanding the certificate of official spokesmen that this scheme has enabled the consumers to get cloth and yarn at reasonable prices. This apart, their experience of the adverse effects of the control on cotton prices on the quality of cotton in the country also has to be taken into account. If, as they allege, "due to price control on cotton, the superior varieties are generally mixed with inferior varieties, with the result that purity of seed has been lost and the work of the Indian Central Cotton Committee for the past so many years in that direction has been undone", the situation does warrant careful examination.

One has also got to take into account the possible effects of either a rise in the ceiling price of cotton or its de-control on cloth and yarn prices. For, being an important constituent in the cost of living index, cloth prices cannot be allowed to go up in the prevailing potentially inflationary context. But this fear according to cotton interests, is more imaginary than real. De-control of cotton prices, they say, need not necessarily mean a spurt in the price of cotton, although the initial reaction to de-control may be to take it up somewhat. If a multi-frontal approach is made to augment the output of cotton and the cotton production rises, it is quite conceivable that cotton prices may not only not remain high indefinitely, but actually come down, of course after a time lag. For this short interval, the mill industry must be prepared—and cotton circles feel the mills can afford to do so—to foot the higher cotton bill. Again, it should be borne in mind that the existence of the free and unfettered hedge market will take care of temporary dislocations.

In the same category as the fear of higher cloth prices if there is a de-control of cotton prices is the apprehension that removal of control on cotton prices will hit our exports, say the cotton circles. In any case, it would appear, too much is made of the advantage of the lower price of Indian cotton enjoyed by the Indian mills, as though this advantage has been exploited by them fully. While it is true that, 'vis-a-vis' countries such as the U.K. and Japan which are obliged to buy cotton at international prices, it is an advantage to India to get her cotton supplies at a lower cost, total cloth exports from this country over the past three years do not establish that the said advantage has been capitalised. Thus, against our cloth export target of 1,000 million yards, our actual exports were 814 million yards in 1959, 695 million yards in 1960 and 575 million yards in 1961! In other words, cotton circles contend, the great expectations entertained of the textile industry as a sizable foreign exchange earner has not at all been fulfilled. In the light of this allegation, it would be worthwhile for the Government to examine, the extent to which the cotton mill industry has contributed to the country's foreign exchange kit and also the extent to which it has drained it on account of imports of cotton, dyestuffs and other chemicals consumed by the industry.

But it is not for anyone to view this problem, which is fundamentally a national problem, either from the point of view of the cotton interests or from that of the mill industry. There are also so many aspects to this problem besides the price aspect which seem to warrant a thorough examination. If only for this reason, I feel bound to commend the suggestion made in cotton circles that the Government should appoint a high powered commission to deal with the cotton problem as a whole.

Business Notes

Banking

CREDIT INVESTIGATION NEEDED

THERE IS no gainsaying the fact that, during the last decade, the Indian scheduled banks have played a crucial and notable part in the development of the country's economy. The passing of the Banking Companies Act, 1949, which has imposed healthy restrictions on the working of banks and given larger powers to the Reserve Bank of India for helping, guiding, and controlling the banks, and also the sound and satisfactory manner in which the Indian scheduled banks themselves were managed, have led to the overall improvement in Indian Banking. Thus, between 1950 and 1960, the number of branches of scheduled banks in the country rose to 4,080 from 2,713, while their deposits increased from Rs. 754 crores to Rs. 1,714 crores. Again, while their advances moved up from Rs. 327 crores to Rs. 860 crores, their investments, chiefly in Government Securities, rose to Rs. 683 crores from Rs. 361 crores. On the other hand, the advances of all scheduled banks increased from Rs. 475 crores to Rs. 1,010 crores; in particular, advances to industry increased from Rs. 152 crores to Rs. 562 crores and those to commerce from Rs. 246 crores to Rs. 295 crores.

Reviewing the past ten years of progress in banking and highlighting some of the important developments during this period, Mr. Tulsidas Kilachand, Chairman, Indian Banks' Association, (I.B.A.), told that body's 15th annual general meeting, recently, in Bombay, that some of the policies and precedents, pursued and established by Mr. H. V. R. Iengar, the former Governor of the Reserve Bank, had found their full fruition in the past five years. Firstly Mr. Kilachand pointed out, a happy precedent had been established by Mr. Iengar, whereby, instead of issuing directives to banks, voluntary agreements were reached with them through discussions, which helped banks to understand better policies of the Reserve Bank; secondly there was the introduction of the practice of the Governor explaining to the public financial policies of the Government and the role of the Reserve Bank vis-a-vis the Ministry of Finance; thirdly, the introduction of the ingenious three-tier system of interest rates for scheduled banks' loans from the Reserve Bank provided a welcome relief; and, finally, a new dynamism was introduced into the State Financial Corporations by streamlining their procedure. However, while accepting the three-tier system of interest rates as a unique and ingenious system meant to secure the advantages of an increase in the bank rate without its drawbacks, on the one hand, and as an anti-inflationary measure for securing an abatement of the pressure of monetary demand (which is a contributory factor to rising prices of commodities) on the other, Mr. Kilachand felt that this system was not without its drawbacks since an increase in the bank rate would principally, "depress the market prices of shares and securities, in the latter of which banks and other institutions have had to invest large amounts and increase the cost of borrowing by Government." Further, the I.B.A. Chief observed: "The three-tier system has created distortion in the economy by making the cost of borrowing in the private sector almost double that of borrowing in the private sector and by preventing banks and other institutions, which are compelled to invest large amounts in Government securities, from obtaining a just and proper return on their fresh investments." In other words, Mr. Kilachand, stressed although not in so many words, the urgent need for the modification of this system in a manner that would serve the better interests of the banks in particular and the country in general.

Mr. Kilachand also referred to the problem of credit investigation. In this connection, he noted that, for quite sometime, the Reserve Bank had been wanting to set up a Credit Information Bureau which would collect information, every quarter, from banks regarding credit granted by them to their customers, pool the information and supply the consolidated data to the banks so as to enable the latter in time to detect excessive borrowing, if any, by their customers. Obviously, this scheme does not envisage the collection of information regarding the financial standing and creditworthiness of the borrowers, which the banks would have to find out. Accordingly Mr. Kilachand called for the establishment of private credit agencies such as those that exist in the U.S.A. and the U.K. Needless to say, as the I.B.A. Chief remarked, the need for such agencies is all the more imperative in the case of our country, where rapid industrial development has been taking place.

TOWARDS AN ASIAN CO-OPERATION

IN THE post-war era development banks have come to be accepted as instruments for initiating as well as providing capital and skill for development. In fact, beyond the centrally planned economies for a planned development, such institutions were essential. The banks, while providing finances for industrial projects sought to inculcate discipline in promoters and, by insisting on institutions, brought into being projects which were sound financially. Mr. G. L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India, in his welcome speech at the Regional Conference for Development Banks in Asia held recently indicated that these banks carried out an independent examination of a project which assured the viability of an enterprise. "These are by-products of the operations of a development bank which are equally important to a developing economy. A development bank, in a sense, ensures planning at the project level". Mr. P. C. Bhattacharyya, Governor of the Reserve Bank of India, also stressed the same point when he referred to the technical appraisal of projects before rendering assistance. "Appraisal of term loan application has many facets: assessment of managerial competence, economic prospects of the borrower's products, technical feasibility of the project and financial appraisal". The development banks, therefore, have attained a unique position in the post-war economic development.

While it is true that each country has evolved its own pattern as far as development banks are concerned, it remains a fact that steps have to be evolved to facilitate mutual discussion of bankers associated with the development of banks. Several delegates at this conference felt that such institutions in their countries were hampered by shortage of funds and that of skilled personnel. This was natural because development banks were new to the Asian countries. As far as the finances were concerned, the gap in the resources was being bridged to some extent by government funds and funds from international agencies like the World Bank. Because of the lack of personnel in many development banks in Asia, top personnel had to be recruited from advanced countries. This conference naturally proved to be a fruitful effort.

Pharmaceuticals

AYURVEDA TOO CAN ADD TO OUR EXPORTS

THE INDIGENOUS system of medicine is still to develop and grow, and it has to do so in the face of considerable handicaps and prejudices. Even so, that Ayurveda is a scientific and rational system of medicine has ere now been thoroughly demonstrated by the pioneering efforts of enterprises like the Zandus. To many, the disclosure that 'Balshoolarka', an Ayurvedic drug manufactured by the Zandu Pharmaceutical Works Limited, is celebrating its Golden Jubilee, may come as a surprise. Started over fifty years ago, this firm of manufacturers of indigenous medicine, has so

far manufactured and put on the market some 1,500 different products. What is more — and this may not be known to many — the firm has also its own Allopathic Department which too has been manufacturing various medical preparations such as pills, tablets, as also biological preparations like liver extract, vitamins and protein Hydrolysate.

However, as Mr. G. M. Parikh, Director of Zandu Pharmaceutical Works Limited, pointed out at a recent Press Conference in Bombay, "in spite of our efforts to standardise our own products, we are aware that the industry in general, and this system of medicine, in particular, leaves much to be desired.....our progress and development depends on the progress of this system of medicine. The house of Zandu cannot prosper if Ayurveda itself is discredited". This concern for Ayurveda on the part of the Zandu Director is, indeed, commendable. If Ayurveda is to survive and thrive, it should get rid of some of the malpractices with which it is still associated. A very desirable move in this connection was made by the Government of Bombay when it appointed the Pharmacopoea Committee, under the Chairmanship of Pandit Shiv Sharma, to evaluate standards and to lay down standard procedures for the manufacture of Ayurvedic preparations. But as Mr. Parikh observed, unfortunately, nothing is as yet known about the findings of this Committee, even after the lapse of five years! It is just as well, therefore, that the Zandu spokesman called on the Maharashtra Government to expedite the publication of this report.

It is noteworthy that Ayurveda is not without its own modest contribution to this country's export trade. If Zandus have been able, as they claim, to export substantial quantities of their Ayurvedic preparations to Ceylon, Burma, the Fiji Islands, Middle East and East Africa, among other places, and if, as Mr. Parikh feels, the establishment of a separate wing or sub-committee for Ayurveda in the Export Promotion Council of Chemicals and Allied Products, would facilitate a further increase of these exports, there is no reason why the authorities should not act promptly and add to our export trade.

United Bank of India

INCREASE IN DEPOSITS

AT THE annual general meeting of the United Bank of India Ltd., Dr. N. N. Law, Chairman, dwelt at length on the bank's working and other problems connected with it. Dr. Law revealed that deposits have grown by 13.8 per cent over the last year and they compare favourably with the rise of 5.2 per cent for all scheduled banks and 10.7 per cent for scheduled banks excluding the State Bank of India. The rise has been well distributed throughout the year, enabling the bank to add to its investments portfolio and to meet the demand for advances without strain. The average ratio of advances to deposits was 68.6 per cent as against 65.9 per cent in 1960. Of the total advances 62 per cent was to industries and 28 per cent to trade and commerce; the comparative figures for 1960 were 66 per cent and 26 per cent respectively.

Dealing with the deposit insurance, Dr. Law pointed out that a scheme for insuring bank deposits has been initiated and steps have been taken to strengthen the capital base of banks. He, however, was of the opinion that the Deposit Insurance Corporation should so develop itself as to enable it not only to quickly spot the difficulties of the smaller banks, but also to provide suitable and timely assistance. Such assistance can be in the form of providing liquidity by way of providing redeemable capital, or by arranging amalgamation, where and when necessary, under its guarantee with regard to sticky assets enabling the bank taking over to assume 100 per cent liability to the depositors. Such a step would not only protect the depositor but would also ensure continuity of banking service to the borrowers and will, thus, have a stabilising effect on the economy.

Alkali and Chemical Corpn.

FROM PROGRESS TO PROGRESS

THAT THE Alkali and Chemical Corporation of India Ltd. is making an excellent progress is evident from the speech of Mr. A. R. Foster, Chairman of the Company, delivered at the 25th annual general meeting held at Calcutta recently. Sales and profits show a considerable increase over the previous year. Company's sales over the year have reached the record figure of Rs. 66 crores as against Rs. 5.4 crores in the previous year. Profits before tax have increased by Rs. 12 lakhs to Rs. 141 lakhs. Tax on current year's profit is Rs. 52.5 lakhs and the amount available for appropriation is Rs. 90 lakhs. In the light of these satisfactory results the Board feels justified in recommending that the dividend on the ordinary shares be increased to Rs. 1.50 per share. The Board has also allocated Rs. 20.5 lakhs to Dividend Equalisation Reserve, bringing the total on that account to Rs. 46.5 lakhs. Rs. 14 lakhs have been transferred to the General Reserve.

So far as production is concerned, it is interesting to observe that the polythene plant achieved a production of 4,000 tons in the previous year against the designed capacity of 3,500 tons. The performance of the plant in the year under review was even better and a total of about 4,700 tons was produced. Expansion plans are well on their way and construction on the site for the Rubber Chemical Project is proceeding at a satisfactory rate and it is expected that the plant will go into production within the next 12 months. Capital goods licence from the Government has been received and the construction work in connection with the Intermediate Density Polythene plant will be resumed soon.

East India Distilleries

ENCOURAGING RESULTS

AT THE 64th annual general meeting of the shareholders of the East India Distilleries and Sugar Factories Ltd., the Chairman, Mr. G. N. Noel-Tod while dealing with the problems of the sugar industry also dwelt at length on the progress of fertilizers. It is encouraging to find from the speech of the chairman that the construction of the compound fertilizer factory at Ennore is progressing satisfactorily and that it would contribute materially to the profits for 1962-63. There are even plans for doubling the capacity of this and an application has already been made to the Government for necessary permission. That the required permission will be forthcoming soon is now a foregone conclusion because the Government is encouraging the private sector to step up the output of fertilizers. So far as disposing of the output of compound fertilizers is concerned, there is not likely to be any difficulty as the company has already the necessary organisation.

The Visakhapatnam project is also making rapid progress. The contribution of the East India Distilleries' to this project is likely to be small because the American participants have taken the main responsibility. However the marketing of 350,000 tons of fertilizers annually would be undertaken by East India Distilleries and this is likely to contribute greatly to its earnings. When the doubling of the capacity of the Ennore factory is taken up, it will be necessary to find the additional resources and there may probably be an issue of equity capital at the appropriate stage. As regards ceramics, substantial progress has been made towards finalising a collaboration agreement with the well-known U.K. manufacturers' of Ceramic Ware, Messrs Doulton and Company Ltd. This agreement places at company's disposal technical advice of the highest quality and with this advice the company proposes to instal the third kiln plant at Ranipet and to improve the quality of output.

FROM THE CAPITAL'S CORRIDORS

NEW IMPORT POLICY

THE Government of India has announced its new import policy. A special feature of this policy is that for the financial year 1962-63, import licences in many cases will be issued on yearly basis, instead of for six months as has been the practice in the recent past. Reveral to annual licensing for some categories of imports follows the acceptance by the Government of Mudaliar Committee's recommendation in this respect.

Annual licensing will be done to the extent possible, subject to the availability of foreign exchange and will mainly cover the essential requirements of actual users both in the scheduled and non-scheduled sectors. Separate announcement will be made indicating the scope of annual licensing. Annual licences, where granted, will be subject to the condition that the first half of the annual licence can only be utilised within the first six months and the second half of the licence will, subject to such change in value and conditions as may be decided upon, be endorsed for utilisation in the second half of the validity of the licence. In other cases, licences will be issued for six-monthly entitlement/requirements as first instalment and supplementary licences covering next half-yearly entitlement/requirements will, subject to such cuts as may be decided upon having regard to the foreign exchange availability and other relevant factors, be issued in the next half year. (The system of annual licensing will provide relief to the importers inasmuch as they will, instead of making two half-yearly applications, submit the application for annual licence 'once'. This will also reduce the pressure of work on the staff of the I.T.C. Organisation to some extent and consequently lead to expeditious disposal of applications and other correspondence).

. .The initial period of validity of 12 months hitherto applicable to small value licences has now been extended to all import licences.

QUOTAS CUT

Having regard to the progress made by the indigenous industries, the stock position and other relevant factors, the import quotas have been reduced for items like oil line pipes and tubes; flexible pipes and tubes for passing gas or fluid; iron and steel screws; steel balls above 9/16" diameter; milling cutters; gear cutters etc.; electric insulation; thermocouples and pyrometers; electric motor starters; flexible metallic tubes; electric carbons; chemicals like hydrosulphite of soda; cation active finishing agents; textile preservatives; ultramarine blue and chemicals not otherwise specified; coal tar dyes; drugs and medicines also including Chloramphenicol, Oxytetracycline, Tetracycline, Glycero Phosphates excluding preparations thereof, and Vitamin C; printing material like brass rules and metal quoins etc.; radio parts; electric horns; fuel injection equipment and component parts thereof; piston rings and piston assemblies; fishing hooks; farinanceous and patent foods; parts of tape and wire recorders; roller composition; weighing machines; microscopes and accessories; laboratory balances and weights; electro-medical apparatus and vulcanised fibre in sheets; rods and tubes etc. The items like yeast, cartridges, Argon gas, Polyvinyl acetate resin powder, P.V.C. composition etc. have been banned.

A provision has been made, for the first time, to grant actual users' import licences for motor vehicle parts to co-operative societies with individual operators as members and having a fleet of 25 vehicles or above. Another new provision contained in the policy is that 'supplementary licences' will be granted to established importers of books for the import of books in sheet form only. (This provision will not only result in saving of foreign exchange, but will also provide additional

The basic period for certain items has been extended. The items for which the basic period has been extended are melleable iron pipe fittings, metal working saws, betelnuts, gum arabic, books and garage tools. Interchangeability of certain types of imports has also been provided in the new policy.

A provision has as well been made for allotment of newsprint to the extent possible to meet the requirements of additional circulation of existing newspapers and new newspapers.

With a view to helping the family planning programme, the quotas for rubber contraceptives and medicinal contraceptives namely Foam tablets have been liberalised.

The licensing work in respect of a number of items, which was hitherto centralised either at the Headquarters of the Chief Controller of Imports and Exports or at Port Offices, has now been mostly decentralised for the convenience of the trade.

Explaining the effects of the new policy, a spokesman of the Union Ministry of Commerce and Industry disclosed that a saving to the tune of Rs. 1 crore would be made owing to reduced quotas of established importers of various items. The policy by and large is rather more restrictive than during the past year. The spokesman also expressed the opinion that there is no justification for any increase in the prices of commodities for which import quotas have been reduced.

GOVERNMENT'S DECISION ON MUDALIAR COMMITTEE'S REPORT

Along with the announcement of the import policy for the next year, the Government has declared its decision on some of the recommendations of the Mudaliar Committee. The Government will bear in mind for the future the Committee's observations on "maintenance" versus "development" imports. Similarly, the Government has expressed its preparedness to entertain proposals for expansion of industrial capacity related to export targets and objectives and to provide assistance by way of advance allocation of foreign exchange to ensure that exports will take place.

Regarding the recommendations of the Committee on the issue of all import licences on an annual basis, the Government thinks that "as the foreign exchange position continues to be difficult and as percentage reduction of all imports would not permit of the available foreign exchange being utilised with due consideration for various items of priority, it would not be practicable to adopt annual licensing as envisaged by the Committee." The Government, however, has decided that all applications for licences should hereafter be on an annual basis. (This procedure is to be followed in the new import policy). But the import licences will be issued on an annual basis only to the extent possible. In respect of the rest of the categories of imports, the system of issuing half-yearly licence will continue.

Where annual licences are issued, these will be subject to the following conditions:

(i) Only 50 per cent of the face value of the licence can be utilised in the first half of the year.
(ii) The balance of the value will be utilisable only upon endorsement of the licence by the licensing authority with such change in value and other conditions as Government may decide.

PROCEDURAL MATTERS

The following recommendations of the Committee in regard to certain other procedural matters have all been accepted by the Government:

(i) The initial validity should be one year in the case of Actual Users' and Established Import- nd two years for CG/HEP licences

except CG/HEP licences issued against tied credits.

(ii) Except in the case of licences issued against tied credits, the power of revalidation should be delegated to the regional licensing authorities.

(iii) Normally, the validity of Established Importers' licences should not be extended, but in special circumstances such licences may be extended by three months.

(iv) Arrangements should be made for executing S.S.I. Committee's recommendations, as well as for attending to clarifications/appeals, at Headquarters.

(v) The C.C.I.'s Ad Hoc Committee should be more fully representative of the concerned technical officers of the Development Wing.

(vi) To expedite disposal of applications relating to scheduled industries, greater use should be made of inter-Directorate meetings.

(vii) Information regarding monetary ceilings for each licensing period should reach all the licensing authorities on the eve of the licensing period.

(viii) The application forms for the various categories of import licences should be examined with a view to simplifying them.

The Committee has also recommended that:-

(a) Actual Users' licences should be revalidated upto six months, and CG/HEP licences upto one year, upon request, without requiring the licence holder to produce evidence as to the unavailability of supplies.

(b) The IVC numbers should be valid for three annual licensing periods.

(c) As regards non-scheduled industries, the C.C.I. should evolve, on the eve of the licensing period, the general criteria for assessing essentiality, for the guidance of the Directors of Industries in issuing the Essentiality Certificates.

Recommendation (a) has been accepted so far as the period of revalidation is concerned, but the revalidation will be subject to the existing conditions and procedures. With regard to recommendation (b), the Government considers that I.V.C. period should be valid for two annual periods only. So far as recommendation (c) is concerned, the Chief Controller of Imports issues general instructions to the Directors of Industries at the beginning of every licensing period regarding the criteria for assessing essentiality, but it will be examined in consultation with the Directors of Industries, how the system could be made more effective.

DECENTRALISATION OF LICENSING WORK

The Government has also accepted the following recommendations of the Committee on the decentralisation of the licensing work:

(i) licensing of fresh fruits from Pakistan be decentralised, under a general policy laid down by the Chief Controller;

(ii) the requirements of the printing industry other than newsprint (e.g. printing machinery etc.) should be dealt with by the C.C.I's Ad Hoc Committee in the same way as for any other similar item;

(iii) all cases of investigation now dealt with by the 'newsprint cell', may in future, be handled by the Investigation Division, in consultation with the Registrar of Newspapers, whenever necessary.

As regards the licensing of newsprint, greases and lubricants, which the Committee would like to be decentralized, the Government proposes to maintain the existing system for the time being.

The Government agrees with the Committee that the entire TQR work (Transfer of Quota Rights i.e. recognition of new Established Importers and grant of quotas) should be decentralised. This recommendation will be fully implemented during the course of this year. The Government has also decided to appoint Public Relations Officers at the Headquarters and the regional offices of the C.C.I. & E., as recommended by the Committee.

The recommendations made by the Committee in regard to the publication by the Development Wing of an annual register indicating indigenous availability of raw materials, components and equipment, the Import Control Organisation's investigations into the import control cases and ICT and ITC classifications are still under the consideration of the Government. The Committee's view that ad hoc licensing should be minimised is acceptable to the Government in principal and efforts will be made to evolve procedures for dealing with items subject to ad hoc licensing. The Government has also accepted the Committee's recommendations for the creation of separate sections to deal with appeals at regional licensing offices and a legal cell at the headquarters.

The Committee's following recommendations in respect of aids and incentives to be provided to step up exports are receiving the attention of the Ministries concerned. Decisions on these will be announced in the near future:

(i) One of the most effective aids is to permit increased allocations of raw materials to industry, through additional imports. If internal allocations of foreign exchange do not allow of imports of marginally needed materials, components and equipment, certain case studies should be put to friendly countries to secure further assistance.

(ii) A revolving fund, to be called Import-Export Stabilisation Fund and administered by an autonomous body, should be set up to finance such additional imports.

(iii) Offers by foreign firms to finance imports of raw materials required by Indian export industries against rupee payment should be considered.

(iv) A three-fold system of income-tax remission should be introduced, viz,
(a) a tax remission on profits on basic exports,
(b) a tax rebate to enable the exporter to build an Export Development Reserve, and
(c) a special tax remission on additional exports.

(v) It is not necessary to resort to currency retention. Instead, the scope of the present Export Promotion Schemes should be widened to cover all exports. The exporter/manufacturer should be permitted to use the incentive licences to import a much wider range of raw materials, components and equipment for the manufacture of the export product and if the imported commodities are not required for a particular industry, they may be allowed to be sold to a sister industry. These concessions should be open to exporters as well as manufacturers, though the entitlement of the mere exporter (or the manufacturer who does not intend to use the store himself) may be only two-thirds of that of the manufacturer/exporter.

(iv) The Railways should grant a general rebate of 25 per cent on all goods put on board.

(vii) The special difficulties confronting certain export industries should be removed and in this connection the cases of tea, coffee and marine products have been mentioned.

(viii) A tariff of drawbacks should be drawn up for all, or at least the more important, items of export and the exporter claiming the drawback should be required merely to produce



hunger strikes
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G. S. SUNDARAM, *Secretary.*

SISTA'S-18-2

evidence of export and receipt of the right amount of foreign exchange.

(ix) The Central Government should assume the responsibility for the remission of the sales tax entering into export costs; a uniform rebate of say 2 per cent should be granted.

(x) The drawback of import duties, excise duties and sales taxes should be given at one central point, e.g., the Collector of Customs.

(xi) Leaders of industry and trade should be induced to levy a small cess on products sold for domestic consumption, utilising the profits for subsidising exports. The Committee is not in favour of compulsory exports.

The Government has taken note of the Committee's suggestions and recommendations on participation in international trade fairs, forging of liaison with merchants abroad, the role of chambers of commerce, tourism, rupee payment arrangements, State trading, bartar trade and quality control in stepping up exports, publication of a directory of exporters, strengthening of India's commercial representat.on abroad, provision of export risk guarantees, making available of additional staff to the office of the C.C.I. & E., and desirabili y of inter-change of staff between that office and the Directorate of Export Promotion and C.B.R. Action will taken on these matters to the extent practicable in consultation with all concerned.

NEW INCOME-TAX RULES

Rules framed under the Income-Tax Act, 1961 came into force with effect from April 1, 1962, replacing the earlier rules. The new set consisting of 119 rules, one appendix and 51 forms, is self-contained for the purposes of implementing the new Act. The new rules consolidate, rationalise and simplify the old rules to a large extent. The old rules had been interspersed over six sets. They had been amended from time to time and, as a result, suffered from a comparative lack of coherence and logical arrangement. The new rules have been arranged and grouped together in 15 parts, each dealing with a particular subject. The forms drawn up under the new rules form a separate appendix to facilitate reference. The schedule showing rates of depreciation has been arranged alphabetically to ensure speedy reference to find out the rate of depreciation applicable to any item of machinery.

The substance of the rules has also been simplified and the language amended, wherever necessary, to bring it in line with the new Act. Some of the more important points relating to the new rules are briefly listed below:

Return of Income: A simplified return for persons whose income consists solely of salaries, interest on securities or income from other sources has been newly added.

Assessment Form: A single form showing details of income and tax liability has been devised which will be sent to the assessee and also used for departmental purposes. This eliminates duplication of work by the same data being compiled twice under the old rules.

Registration of Firms: So far, there had been a great deal of uncertainty regarding some aspects of the law relating to registration of firms. In order to reduce the field of uncertainty and avoidable litigation, the new rules set out comprehensively the requirements to be complied with by tax-payers under different circumstances. Separate forms have been provided for cases where there is no change in the constitution of the firm and where there is a change. It has been specified as to which instruments of partnership should be submitted along with the application for registration. Clarification has also been provided as to which instrument of partnership should be registered on whose basis registration will continue to be available in subsequent years.

Returns regarding Salaries paid and Tax deducted: The old rules required an employer to furnish, in addition to an annual return, a monthly return giving almost the same details as the annual return. The monthly return has now been greatly simplified and only broad information will have to be furnished. Full details have been left over for the annual return.

Appeals to Appellate Assistant Commissioners: The diversity of 14 forms which sometimes led to inconvenience for the appellants, has been replaced by a single form. This has been devised to meet the requirements of all circumstances.

Lump sum Royalties etc., for Literary or Artistic Work: It has been proposed that wherever the time taken for the completion of a literary work or an artistic work exceeds 12 months, receipts received by authors and artists should be spread over 3 years. This will increase the scope of the present concession by making the 3-year period of spread-over applicable also to cases where the time taken is more than 12 but less than 24 months. The new facility also reduces the difficulties expressed in ascertaining the exact time spent in the completion of the work. It has also been provided that in the first year, tax on two-thirds of the royalty etc. will be recovered at the rate applicable to one-third of such royalty. Credit for such tax will be given in the next two assessments.

Dividends paid by New Industrial Undertakings: A new rule has been made laying down the manner in which the exempt portion of a dividend paid by a new industrial undertaking to any shareholder should be determined. The dividend paid by a company will be regarded as having been paid in the first instance out of, and to the extent of, the profits which are exempt in the hands of the company under the scheme of tax holiday. The corresponding portion of dividend will be exempt from tax in the hands of shareholders.

Life Insurance Premia paid by Authors and Artists: Broadly speaking, it is proposed to increase the rebate on account of Life Insurance premia paid by authors, artists etc. to 33-1/3 per cent of the professional income or Rs. 12,000 whichever is less.

Income-tax Practitioners: Procedure to be followed by the Commissioner of Income-tax before disqualifying any Income-tax practitioner who is found guilty of misconduct in connection with any income-tax proceeding has been prescribed. Provision has also been made for the maintenance by each Commissioner of Income-tax of a register of Income-tax practitioners who have been practising in his area for more than a year. The scheme of registration is, however, optional.

Approved Superannuation Funds. The new Income-tax Act provides for rules to be made for various purposes connected with the approval of superannuation funds. Sixteen rules which deal with this subject are mostly based on the existing practice.

Approved Gratuity Funds: Fourteen rules deal with this subject and they follow broadly the same pattern as those relating to approved superannuation funds. It is pointed out that the contributions which an employer may make to such a fund are restricted to 8-1/3 per cent of the employee's salary for each year of service. In other words, the annual contribution should not exceed one month's pay.

COMMONWEALTH PRIME MINISTERS' CONFERENCE

The British Prime Minister has written personal letters to the Commonwealth Prime Ministers, enquiring from them whether September 10, 1962, would suit them for a conference in London to discuss the implications of Britain's entry into the European Common Market. It has been suggested that the Prime Ministers should bring with them their Finance Ministers. Suggestions have also been invited in regard to the consultation machinery to be set up during negotiations

of the United Kingdom with the European Common Market Organisation; whether the Commonwealth countries would prefer to send their own Ministers (as was done by Australia recently) or would they like a British Minister to visit them (as was done in the case of Canada).

ESSO STANDARD EASTERN

The Flying Red Horse has disappeared from all the petrol stations controlled by the Standard-Vacuum Oil Company in India and has been replaced by the word "Esso" enclosed in an oval. This change has come about as a consequence to the separation of the two partners in Stanvac — the Standard Oil Company (New Jersey) and Socony Mobil Oil Company. After reorganisation and renaming, Stanvac has become Esso Standard Eastern.

The assets of Stanvac have been divided between Jersey and Mobil largely on geographical basis. In a few areas, however, Jersey and Mobil will continue to share joint ownership of the property and operations of Stanvac.

As an integrated company, Esso Standard Eastern will be engaged in the search for oil and in the production, refining, manufacture, transportation and marketing of oil, petro-chemicals and other oil products in an area whose combined population of 800 million people represents more than a quarter of the world's population. It will operate in Japan, Korea, the Phillipines, Taiwan, Vietnam, Cambodia, Laos, Thailand, Malaya, Singapore, Borneo, Burma, India, Ceylon, Pakistan, East Africa, Madagascar, Australia and Indonesia. In Indonesia, Stanvac's producing, refining and marketing operations will continue to be under joint ownership, but Jersey will have the responsibility of management.

Both the former owners of Stanvac are free to enter any territory where they are currently not operating. Secony Mobil Oil Company, thus, is not debarred from trading in India provided the Government grants it permission to do so. It will have to build its organisation here from a scratch.

Esso Standard Eastern will fulfil all the contractual obligations that have been made by its predecessor — the Standard-Vacuum Oil Company — to customers, agents, dealers, suppliers, employees and Government. Esso Standard Eastern, thus, will now carry on with the Government of India negotiations for setting up a lubricating oil plant and a petro-chemicals plant in this country, which were started last year by Stanvac.

According to the proposal, the lubricating oil plant will be a Government of India-Esso joint venture, each party having equal share in the equity capital and management, more or less on the pattern of Oil India Limited. The petro-chemicals project will be a joint venture of Esso Standard Eastern and the Indian public and will be controlled by a rupee company. The Indian public is envisaged to have 40 per cent share in this Company. Esso will have the remaining 60 per cent share. Esso will be responsible for making available all the foreign exchange that will be required for the project, either through its contribution to its equity capital or through raising of loans from the U.S. banks and also from European banks if necessary.

The company desires to set up this petro-chemicals plant with a capacity of 2 lakh tons. The Government, however, has uptil now agreed to allow it to set up a plant with a capacity of one lakh tons — the original capacity that had been asked by the company.

Esso Standard Eastern is also likely to take up afresh the business of oil exploration in this country. Stanvac's negotiations with the Government of India for oil prospecting in Rajasthan area broke down last year. Esso will now look for oil in some other area. Its new set-up, it is hoped, will facilitate an agreement being reached between it and the Government as now there is only one share-holding company which has to be consulted, instead of two which owned its predecessor, the Standard-Vacuum Oil Company.

TWO NEW LOANS FROM U.S.A.

The U.S. Government has authorised a third loan of $100 million to the Government of India to finance imports of critically needed industrial and agricultural commodities.

The three loans, totalling $220 million, will be utilised by India to finance "maintenance imports," which will serve both to maintain and expand capacity of India's industrial sector, and to permit higher rates of utilisation of the present installed capacity.

The first of these three non-project import loans was signed on October 26, 1961, and covered imports of non-ferrous metals worth $20 million.

The second non-project loan of $100 million was to finance imports of many raw materials, components and machinery including the following: non-ferrous metals, steel, fertilizers, synthetic tyre cord yarn, sulphur, carbon black, wood pulp, lubricants, synthetic rubber, other chemical materials, automobile components and spare parts, machine tools, rollers for steel plants, and other general purpose components.

Last week the governments of India and U.S.A. concluded an agreement covering a loan of Rs. 256.8 crores to India from the sale proceeds of agricultural commodities supplied to this country under the fifth U.S. Public Law 480 agreement which was concluded on May 4, 1960.

The loan of Rs. 256.8 crores will be utilised by India to meet the local currency costs of many economic development projects including hydro-electric and thermal power stations such as Sharavathi, Cambay, Bandel, Amlai and Talcher.

The fifth U.S. PL 480 agreement with India was the largest agricultural commodity agreement ever signed by the United States. Together with its supplements, the agreement provided for the sale of food and fibre valued at $1,370 million (Rs. 652 crores). The four previous U.S. PL. 480 agreements covered commodities worth $967.5 million (Rs. 461 crores). India pays for these supplies in rupees.

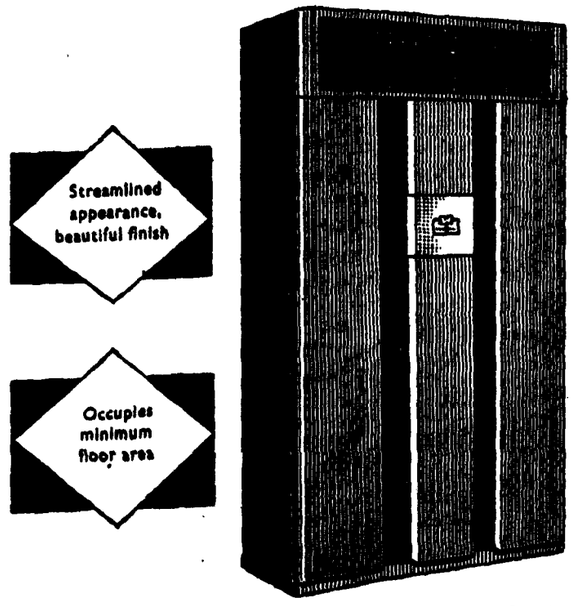
The United States will give India grants equivalent to 42½ per cent of the sale proceeds of commodities supplied under the fifth agreement to finance social, educational, health and other development projects. Five per cent of the sale proceeds is reserved for loans to private enterprises under the Cooley Fund and 10 per cent for the expenses of the U.S. Embassy in India. The 1960 agreement stipulated that a loan agreement, the one signed today, would be effected later covering the remaining 42½ per cent of the sale proceeds.

TARAPOREWALA NUCLEAR POWER STATION

Seven parties, belonging among other countries to the United Kingdom, the United States and France, have submitted tenders to the Government of India for setting up the nuclear station at Taraporewala, near Bombay, involving a capital outlay of Rs. 51 crores and having a capacity to produce 300 m.V. power. The real tussel for securing the contract appears to be between the French and the U.S. interests. India's reaction to the best British tender is that it is rather too high. Another comment heard in this connection is that Britain is interested in palming off to India its out-dated equipment. A third difficulty likely to be experienced in the case of British interests securing the contract is that financing of this nuclear power station would have to be outside of the assistance which Britain has promised to provide under the aegis of the Aid India Club. How far the British Government would be able to provide additional finances for this project it is difficult to say.

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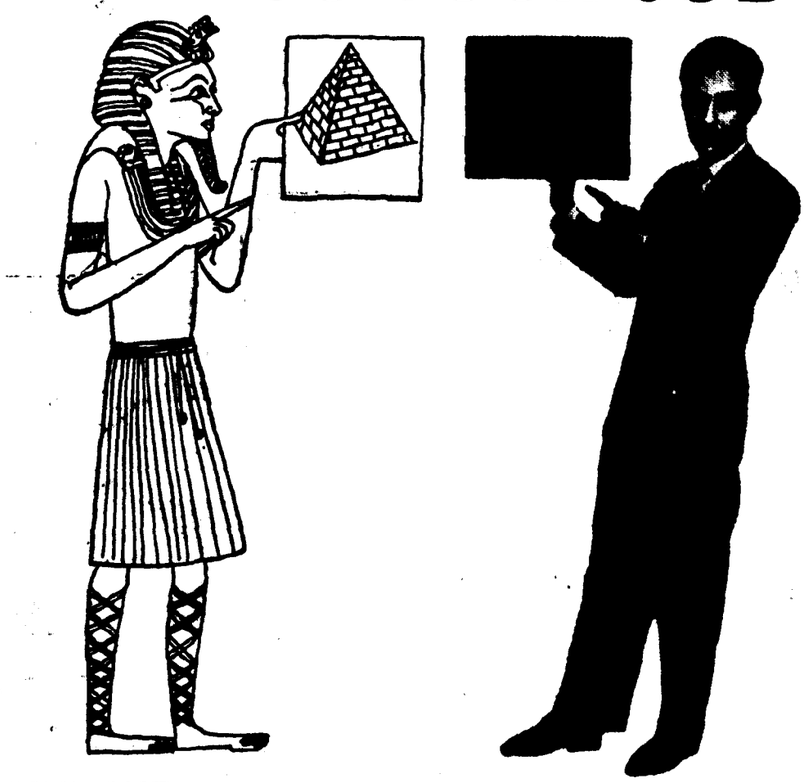
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at one stage declined to finance this project, presumably following a report from the World Bank. Opinion now seems to have changed.

France appears to be interested in securing this contract primarily because it would like to claim having assisted India in setting up a specifically crucial project for this country's industrial development.

Negotiations are expected to start shortly both with the U.S. and French tenderers. The station is scheduled to be commissioned into operation by 1966.

NOTICE TO INDUSTRIAL LICENCEES

The Union Ministry of Commerce and Industry, it is understood, has decided to issue "show cause" notices to all holders of industrial licences who have not taken any tangible steps in the last twelve months towards commissioning the projects for which licences have been granted to them. It is felt that a number of persons have taken licences to set up industrial units for starting of which they have neither the means nor the requisite aptitude. They thus, it is construed, are blocking out genuine industrialists in some fields where the Third Plan capacity targets have already been reached by the issue of licences already granted. The replies to these "show cause" notices would reveal how far the licences already issued are likely to prove infructuous.

The licencees who have not yet made any concerted attempts to implement their projects may have to forego these licences, in order to enable the Government to consider further applications in these fields.

MANUFACTURE OF NEWSPRINT

The Chairman of the Anglo-Newfoundland Development Company, Mr. E. M. Little, has been here recently to study the Indian newsprint market with a view to exploring the possibilities of Canadian newsprint manufacturers setting up a newsprint mill or mills in this country. He expressed the hope that the Canadian newsprint industry could come out to India in a big way. The coming months should show how far he would be able to presuade his colleagues in Canada to invest in newsprint manufacture in this country.

SWITCH-OVER TO FURNACE OIL

The controversy over the switch-over from coal to furnace oil by industries in Gujarat and Maharashtra continues without any definite decision being taken. The industry would like to effect this switch-over at competitive fuel costs. The Government, on the other hand, would like to retain the existing excise dufy on furnace oil as also keep the foreign exchange expenditure on imports within bounds. Within these limits, all appear to be agreed that in the interests of stepping up industrial production, switch-over from coal to furnace oil for power generation is called for.

L.I.C. ADVANCES FOR SETTING UP INDUSTRIAL ESTATES BY CO-OPERATIVES

Industrial co-operatives and joint stock companies will now be able to obtain credit facilities from the Life Insurance Corporation of India for setting up industrial estates.

Under a new scheme, formulated by the Union Government, the L.I.C. will grant loans to industrial co-operatives and joint stock companies to the extent of 60 per cent of the total cost of the industrial estate. Before the loan from the Corporation is drawn, the co-operative or the company should have raised the balance of 40 per cent by way of capital, or partly by way of capital and partly by way of State Government loans.

In this respect, the Union Government has advised the State Governments on the desirability of advancing 15 to 20 years term loans to industrial estate co-operatives and companies to meet the gap between the amount raised by them and the minimum margin stipulated.

The State Government should also give 100 per cent guarantee for the loan advanced. The loan will be first instalment being payable at the end of the three years from the date of loan.

The establishment of industrial estates on co-operative basis has recently attracted small industrialists. It is expected that during the Third Plan period, one hundred such co-operative industrial estates would be set up all over the country.

MINING OF IRON ORE IN ORISSA

The Planning Commission has approved, in principle, the development of iron ore mines in Orissa to produce 2 million tons of iron ore per annum subject to (a) the State Government accommodating the scheme within its overall ceiling, (b) the railways being able to move the surplus production from this area — surplus to what can be handled through Paradip port — through Calcutta or Visakhapatnam as the case may be, and (c) the availability of foreign exchange of Rs. 1.376 crores required for the implementation of the mining project.

IRON ORE SALES TO JAPAN

The following iron ore sales contracts have been concluded with the Japanese steel mills.

Grade	Period of Supply	Quantity (In Tons)
65/62% Fe.	December 1960 — March 1962	17,50,000
	April 1962 — March 1963	20,00,000
	April 1963 — March 1964	22,50,000
	April 1964 — March 1968 at the rate of 22,50,000 tons per year.	90,00,000
62/60% Fe.	Sept. 1960 — 15 April 1964	4,50,000
65/65% Fe.	April 1961 — December 1962	3,00,000

These quantities are in addition to the quantities the Japanese steel mills will be purchasing from Rourkela and Bailadila under the long-term agreement concluded sometime ago. From Rourkela, Japan has agreed to take 2 million tons per year from 1964 for a period of ten years and from Bailadila project 4 million tons per year from 1966 for a period of 15 years.

IN BRIEF...

The Government of India has under consideration several proposals for import of cotton and staple-fibre in order to mitigate the shortages of these two raw materials during the current year. An announcement in this regard is expected to be made shortly—as soon as negotiations with various countries are completed.

*

Negotiations are in progress with the Soviet Union for the import of four units of 100 MG. generators. Three of these are to be installed at Pathratu,, in Bihar, and the fourth one at Neyvelli, in Madras. Discussions with the Russian authorities on the technical suitability and delivery of these units are being carried on.

*

The National Coal Development Corporation has decided to increase the output of coking coal from the Kathara colliery, in Bihar, to 3 million tons per annum. The present capacity of the colliery is 1.5 million tons per annum. The decision, it is learnt, has been necessitated by the input requirements of the washery being set up at Kathara with Soviet collaboration.

*

Letters have been exchanged between India and Greece by virtue of which the validity of the current trade arrangements between the two countries have been extended upto December 31, 1962. Three new items, namely alumunium and copper sheets, copper wires and exposed cinematograph films have been added to the list of commodities available for exports from Greece to India. The list of goods available for expor

COMPANY AFFAIRS

BANK OF BARODA

The Bank of Baroda during the year to December 31, 1961, made steady progress in terms of profits, deposits and advances. The net profit for the year, after providing for taxes and depreciation, amounted to Rs. 68.73 lakhs which was nearly 50 per cent more than last year's profit of Rs. 41.69 lakhs. Deposits towards the end of the year were at Rs. 95.46 crores which shows an advance of Rs. 10 crores during the year. Advances also increased by nearly Rs. 10 crores and were around Rs. 70 crores. The Bank has improved its position in respect of its ratio of advances to deposits which has been reflected in the profits. An interim dividend at the rate of 14 per cent per annum subject to taxation was paid for the half year to June 30, 1961, which absorbed Rs. 10.50 lakhs. The directors have now recommended the payment of dividend at the rate of 20 per cent per annum per equity share for the remaining half year to December 31, 1961, subject to deduction of tax, making in all 17 per cent for the whole year.

Under the scheme of amalgamation, the New Citizen Bank of India Ltd. was amalgamated with the Bank of Baroda with effect from April 29, 1961. The Bank took over the readily available assets of the New Citizen Bank of India of the value of Rs. 1.69 crores as laid down in the scheme after providing in full for outside liabilities. Every depositor of the Bank was in the first place given credit to the extent of Rs. 250 or for balance in the account whichever was less. In the next place balances above Rs. 250 were paid at the pro rata share calculated at 0.66 nP. in a rupee in respect of the balance of each account. As a result of the amalgamation of the former New Citizen Bank of India all its 44 branches started functioning as the branches of the Bank of Baroda. During the year the Bank put up its own building in East Africa at Campala, Uganda which was in addition to the Bank's building in Nairobi. The Bank has also started mobile banking service under the control of its Kisumu Kenya branch for the benefit of six surrounding villages. The Bank has opened new branches during the year at Chandigarh, Indore, Ahmedabad, Bombay, Calcutta, Delhi, Baroda and Suva in Fiji Islands. More branches are likely to be opened which naturally will lead to further expansion.

NEW ISSUES

Seven companies, including a new one, have been authorised to raise capital totalling over Rs. 2.14 crores.

The new company will offer part of its issue to its foreign collaborator. Another company is issuing part of its fresh capital to finance subsidiaries. The consents for six companies is valid for 12 months and for the seventh for two months. Following are the details:

Pyrotenax India Limited, Bombay, a new company, has been granted consent to issue a capital of Rs. 55 lakhs at par. Of this, shares of the value of Rs. 27.50 lakhs will be offered for subscription to Pyrotenax Limited, U.K. The proceeds of the issue will be utilised for the manufacture of pyrotenax mineral insulated copper covered.

Larsen and Toubro Limited is to raise Rs. 55 lakhs in equity shares of Rs. 10/- each, for cash, to be issued at a premium of Rs. 8/- per share. The money will be used for financing certain subsidiaries and providing for working capital. The consent is valid only upto May 31, 1962.

Bennet Coleman and Company Limited, Bombay is to issue debentures of Rs. 50 lakhs divided into five thousand 7 per cent redeemable mortgage debentures of Rs. 1,000/- each for cash at par. The capital is intended to finance the modernisation and expansion of the company's printing presses at Bombay and Delhi undertaken in 1961, and construction of the company's own building for housing the presses and offices of Delhi at Mathura Road.

U.P. State Industrial Corporation Ltd., Kanpur, is to issue further capital of Rs. 20 lakhs in equity shares of Rs. 100 each for cash at par. The Corporation has paid-up capital of Rs. 25 lakhs.

Indian Drugs and Pharmaceuticals Limited, Delhi, is raising further capital of Rs. 20 lakhs in equity shares of Rs. 1,000 each for cash at par. All the shares will be taken up by the Government. Indian Drugs has an issued paid up capital of Rs. 80 lakhs.

T. I. Diamond Chain Limited, Madras, is issuing further equity capital of Rs. 10 lakhs for cash at par privately. The proceeds of the issue will be utilised partly for the repayment of loan of the holding company and partly for the purchase of plant and machinery.

Tanjore Permanent Bank Limited, Tanjore, will raise further capital of Rs. 4,23,450 divided into 16,938 equity share of Rs. 25 each. Rs. 15 per share to be called up at par for cash. The proceeds will be used for strengthening the Company's capital base. The present paid up capital is Rs. 3,56,230.

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AB-20

Company Meetings

KAMANI ENGINEERING CORPORATION LTD.
BOMBAY

Summary of the speech of Shri R. H. Kamani, Chairman, Kamani Engineering Corpn. Ltd. at the 16th Annual Meeting of the Shareholders on 30th March, 1962 at the Office of the Company at Bombay.

Extending a cordial welcome to the Shareholders of the Company Shri R. H. Kamani, Chairman of Kamani Engineering Corporation Ltd., Bombay, presented the Directors' Report, Audited Profit & Loss Account and the Balance Sheet and proposed them adopted.

ACCOUNTS

Referring to the working of the Company as per the Balance Sheet and Profit & Loss Account, he said that the results for the year under review were good, with profits before providing for depreciation and Managing Agents' remuneration showing a substantial increase over the previous year. Sales increased to Rs. 2,68,68,131 from 2,36,89,673.

Enumerating the allocations Shri Kamani stated that the allocations included Rs. 1.60 lakhs for Managing Agents' remuneration as against previous year's figure of 1.62 lakhs and Rs. 5.85 lakhs for depreciation as against 4.89 lakhs for the previous. The provision for taxation had been increased from Rs. 6.70 lakhs to 9.25 lakhs and the development reserve from Rs. 0.23 lakh to Rs. 0.40 lakh. The general reserve and gratuity absorbed Rs. 1 lakh and Rs. 0.10 lakh against no absorption in the previous year.

He announced that the Directors have recommended a dividend of 9 per cent (subject to deduction of tax at source) on ordinary shares as against previous year's 8 per cent (subject to deduction at source). They had also recommended dividend on Preference Shares. After providing Rs. 4.78 lakhs for the proposed dividend a sum of Rs. 5,162 has been carried forward against Rs. 3,381 brought in.

PRODUCTION

The production tempo had further accelerated during the year under review, the production having registered a slight increase over previous year's production, he told the meeting. Remarking on the availability of Steel, Shri Kamani stated that although the position had somewhat eased, certain lighter sections required for Transmission Line Tower Industry continued to be difficult, in spite of which, however, the production reached an all time record of 2107 metric tons for December, 1961. The production level maintained at present was on an average 50 per cent higher over the year under review.

Shri Kamani observed that the requirements of Transmission Lines during the Third Five-Year Plan will be about 15,000 miles. This will require, according to Shri Kamani, about 200,000 tons of towers for the Third Plan period, during which the generation of electric power will be raised from 5.8 million kilo-watts to 11.6 million kilo-watts. To achieve these targets, it was absolutely essential that the lighter sections required by the Tower Industry be made easier, Shri Kamani added. He informed the Shareholders that the Government has already appointed a Study-Group to assess among other things, the capacity in the Transmission Line Tower Industry and their development programme and to examine the difficulties experienced by them and he hoped for a good outcome.

ERECTION

Referring to the Erection activities, Shri Kamani stated that the Erection Dept. had been further strengthened and expanded and now it was one of the largest units of its kind in the country. New tools and tackles have been designed, tested and put to operation to ensure greater efficiency. During the year under review, the Chairman said, the construction of land route of the 220 kV Koyna—Bombay Transmission Line was completed. This was the first 220 kV line in the country to use one of the largest size conductor ever used and the terrain namely Western Ghats was one of the most difficult ones. He also informed that at present construction work is going on in various parts of the country viz: Behrampur, Burdwan, Chakradharpur, Chittaranjan, Daltangunj, Jammu, Nadiad and Villupuram.

Shri Kamani was glad to inform the Shareholders that satisfactory progress was being maintained in the execution of this pioneering work and that the most complicated operation of wiring was being carried out to the satisfaction of the authorities without the help of any foreign experts. There were only ten firms in the world today who could undertaken such a complicated job and he was glad their firm was one of them.

"TRACTAMOUNT" ROAD ROLLER

Shri Kamani referred to the successful launching of the production of the completely new and improved Model MARK II "TRACTAMOUNT" ROLLER, as a result of experience gained on earlier models already in use in the country, with the active collaboration of M/s. E.V. Twose (Mfg.) Ltd., England.

EXPORT

It was a matter of gratification to note that the active efforts put in by the Company since about two years had started showing some good results. However the Company had to face severe competition in the export market from well established international manufacturers which was becoming increasingly difficult in the absence of adequate facilities and active support of the Government. Shri Kamani said that the measures suggested by the Mudaliar Committee are under active consideration of the Government. He felt that it was important that these recommendations and various other progressive measures are implemented by the Government at an early date in order to encourage additional exports of specialised engineering goods like Transmission Line Towers.

AGENCY BUSINESS

Shri Kamani referred to the Agency Business as satisfactory and found ample scope for business with the increased tempo of the Third Five-Year Plan, as was evident from the fact that the Company had recently secured business for Kandla Thermal Power Station in Gujarat valued above Rs. one crore. He thanked all the workers and the staff for their good efforts and co-operation and the Shareholders for the continued encouragement for the present achievements and bright future.

NOTE: This does not purport to be a report of the proceedings of the Annual General Meeting.

ASIAN CABLES CORPORATION LIMITED

Extract of the Speech of Shri G. B. Kotak, the Chairman of the Asian Cables Corporation Ltd., delivered at the Second Annual General Meeting of the Company.

Gentlemen,

I should not fail to express my happiness to have this opportunity to meet you all once again to review the progress of the Company and the prospects of the industry in which we all have a stake. I may assure you that your presence at this meeting, besides being an evidence of the keen interest that you all evince in the working of the Company, will certainly be a source of inspiration to the Management to work more arduously for better achievements. I am reminded here of the assurance that I gave you last year that your confidence in the Management will be fully justified by the sustained progress of the Company's undertaking which was soon expected to start yielding results. And I am very happy today to report that the optimism I expressed in the working of the Company at that time has been fully realised in the shape of solid results in as much as, firstly, the Company's first cable plant has gone into production according to schedule, and, secondly, the first cables that came out of the factory have turned out to be of very good quality as has been proved by the results of Alipore Test House. As stated by your Directors in their report which is with you, the Enfields' representatives who recently visited the factory were very much satisfied with the processing techniques and also with the quality of the products which according to them was as good as that of Enfield Cables in England.

More than a million and quarter core metres of cables have been manufactured uptil now and the production is progressively increasing as more and more skill is being acquired by the operative trainees working on the machines. At the present rate of progress, I expect a production of the value of Rs. 40-50 lakhs during the current year, which would be considered quite satisfactory in view of the fact that this will be the first year of production. Our present production schedule covers cables from the smallest size with 1/1.12 mm conductor to flexible cables of largest size with 37/2.12 mm. conductor. These popular sizes include (1) Braided and Compounded Cables, (2) Taped, Braided and Compounded Cables, (3) Tough Rubber Sheathed Cables, (4) Glaced Cotton Braided Flexible Cords and (5) Tough Rubber Sheathed Flexible Cords. We have also commenced production of special cables like Welding Cables and Trailing Cables.

I may say that this by itself constitutes a signal achievement in the first few months of production, a success which is rarely achieved by any industry in such a short span of time. If this progress is maintained, and I have no doubt about it, we should not be surprised if the Asian Cables very soon capture the confidence of the consuming public — individuals and institutions alike, — by their superior quality and perfect workmanship.

I had given to you a picture of the needs of the country for the electric power at the last Annual General Meeting. I had then told you that from 6 million kW target for the Second Five-Year Plan the Third Five-Year Plan was to generate about 13.5 million kW. But the Planning Commission looks much further ahead. In the Fourth Plan the target for the power generation is expected to be about 30 million kW and within 20 years the demand for power is expected to be near 400 million kW. All these will need enormous quantity of cables to conduct the power to the consumers. With QUALITY goods in our factory and tremendous demand outside, I feel confident of reasonably good returns on your investment in this Corporation.

In Project II of our Corporation, we shall be manufacturing about 1,000 miles of Power Cables and 360 tons of Enamelled Copper Wires (Magnet Wires). The most noteworthy feature of our expansion is that our programme covers the manufacture of power cables upto 33 KV, which no other Unit is manufacturing at present as this requires very high order of technique. At present the country has to depend for its requirements of 22 KV to 33 KV cables entirely on the imports from foreign countries.

In this Second Project to manufacture power cables we are being helped by two of the World's most well-known and reputed manufacturers viz. Messrs. Phelps Dodge Copper Products International Corporation of U.S.A. and Enfield Cables Limited of U.K., both of whom have long years of experience behind them to ensure our products a high quality.

The drawings, designs and layout for the Project II are now ready. The list of machinery has been received from the Collaborators and we are applying to the Government for import licences for the machinery both for Power Cables and Enamelled Wires.

Messrs. Kotak & Co., Promoters of Asian Cables Corporation Limited, had applied in the middle of 1960 for an Industrial Licence to start the Rod Rolling Mill, very necessary to a Cable Plant, with a capacity of rolling 20,000 tons per annum per shift. Two other manufacturers had also applied to the Government. Instead of granting licences to any one of the three applicants, the Government asked the three applicants to join together and start a joint Rod Rolling Mill and in that case the Government would grant a licence. A meeting of the Cable Manufacturers of this part of India (Western India) was called and all of them agreed to participate in the joint Rolling Mill and asked M/s. Kotak & Co. to proceed with the scheme. As a result, the licence to start the Rolling Mill has now been granted by the Government to M/s. Kotak & Co. for the joint venture.

During the course of the short period of the Company's existence, the Management did have its trials and tribulations, which it has successfully weathered. I am proud to tell you that with the steadfast devotion of a happy team of loyal staff who have stood to their post with determination, and with the undaunted energy and unwavering faith of your Managing Directors and the Technical and Commercial Manager, we are now not only in safe waters but are cruising along towards a brighter future. I, therefore, take this opportunity to express my thanks, on behalf of the Board and on my own behalf, to the two Managing Directors, the Technical and Commercial Manager, and the staff members who have all worked hard as an organised team in the best interests of the Company.

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

THE EAST INDIA DISTILLERIES & SUGAR FACTORIES LTD.

SIXTY-FOURTH ANNUAL GENERAL MEETING

Mr. G. N. Noel-Tod's Review

Presiding over the Sixty-fourth Annual General Meeting of the Shareholders of the East India Distilleries and Sugar Factories Limited held at Madras on Wednesday, 28th March, 1962, Mr. G. N. Noel-Tod, Chairman, said:

"Gentlemen,

I extend to you a warm welcome to this, the sixty-fourth Annual General Meeting of the shareholders of this Company. The Accounts for the year ended 30th September, 1961, together with the Directors' Report thereon, have been in your hands for the statutory period and, with your permission, I will take them as read. The sad events which have led to my presiding at this Meeting have been recorded in the Directors' Report, and it only remains for me to place on record here our profound gratitude to the late Mr. Wonfor and the late Mr. Srinivasan for their outstanding services to the Group over a long period. Mr. Srinivasan in his speech at last year's Meeting covered extensively the development of the Group since the war, and I am indeed glad that there exists this record of the progress that was achieved under his Chairmanship and, before him, that of Mr. Wonfor.

You will have observed from the Accounts that the net profit before tax and the net profit after tax have declined slightly compared with the figures of the previous year. This largely comes about through a sharp increase in interest paid, by reason of the loans it has been necessary to raise to finance the construction of our Compound Fertiliser Factory at Ennore, which increase was forecast in last year's speech, and a decline in profits on sugar, on which I will comment later. On the other hand, I am glad to say that the profits from general merchandising have increased substantially. We are accordingly reaping the benefits not only of the reorganisation of our merchandising business, which has been effected over the past two years, but also of your Board's consistent policy of retaining diversification in our operations so that if circumstances are such that one particular side of our business is adversely affected, there remains the opportunity to make good a setback in one direction by an advance in another. You will also have noted that the ratio of total dividend paid to total net profits after tax is less favourable than it was last year, arising in part from the additional amount of dividend payable by reason of the increase in the equity capital which took place in 1960. Considering, however, that our Fertiliser factory at Ennore was under construction during the whole of the period under review and therefore no profits accrued therefrom, I do not think that there is any cause for apprehension over the long term prospects of the Group. In the shorter term, I expect the results for 1961-62 to be generally comparable with those of the year under review, even though little income may be expected during this year from our Ennore Fertiliser Factory. We are, however, confident that this factory will be contributing in full measure to the Group's profits in 1962-63, which means, in fact, that I have confidence that our contractors, Messrs. Simon-Carves, will "deliver the goods".

PROBLEMS OF SUGAR INDUSTRY

Let me now say something on the subject of sugar. The problems facing the sugar industry have received considerable prominence in the press for some time now and you must all be aware of the grave situation with which the industry is faced. For the past two years my predecessor has referred to the mounting surplus of stocks. The position today is that we are only now clearing stocks manufactured during the 1960-61 season which finished in June last year, despite having exported 9,000 tonnes to America in September last year. The whole of our production during the current season to date is lying unsold in our godowns, to a total value, at cost of Rs. 1.5 crores. You will appreciate what a heavy burden this means for the Company, especially at a time when we are engaged in commissioning our new fertiliser factory at Ennore.

Time and time again the attention of the authorities has been drawn to the fact, by official representations and in speeches of my predecessor, that cane is planted one year before it is crushed and it is more than desirable that both the grower and the factory should know at the time of planting what will be the amount of cane available and what price will have to be paid for it. For the current season the Government of India have imposed a 10 per cent cut on production throughout the country, but by reason of the exclusion of new factories and small factories from the scope of the Ordinance, only a few of the factories in Madras State will fully be affected during this sugar year. Nellikuppam's quota is 30,706 tonnes against 34,117 tonnes actually produced last year. We have pointed out clearly to the Government of India, with the support of the Government of Madras, that, as is our usual custom, we have entered into forward contracts with our growers. As things stand at the moment there may be 60,000 to 70,000 tonnes of cane left standing at the end of the season for which the growers will have no means of disposal, for the manufacture of jaggery is practically unknown in the Nellikuppam factory area. I am, however, hopeful that some way out of this impasse will be found, which will be fair both to the growers and to the factory. The Government of India are seized of the position and early orders are awaited.

Meanwhile, we still await an announcement of the cane prices for the 1962-63 season and also the quantity of sugar to be produced by individual factories. I fear that a further cut in production next year is inevitable.

As regards the All-India position, you know that the current sugar year started with stocks in hand at all factories in the country amounting to 12 lakh tonnes, rather more than half the normal yearly offtake. Despite the cut of 10 per cent, production this year is likely to amount to between 28 and 30 lakhs tonnes. Again, despite the relaxation of control on internal sales of sugar, it seems unlikely that internal consumption will rise to beyond 23 to 24 lakh tonnes, unless Government decide to slash the excise duty. The prospects of exporting more than 5 lakh tonnes of sugar this year are not good. Assuming, however, that 5 lakh tonnes are expected, still the surplus stocks of sugar at the beginning of the next sugar year will be not less than

they are at present, which justifies my apprehension of a further enforced cut in production.

To export the current surplus appears to be the only alternative to dumping the sugar in the sea. The type of sugar made in India is a factory white, as opposed to a refined sugar, and it will not keep indefinitely. In view of the high rate of loss per tonne of sugar exported I suggest that the long term future of this industry should not be linked with any idea of exports, unless and until there is a radical rise in world price. Until then, and for at least the next few years, there seems to be no alternative to Government facing up to a temporary loss of revenue by reducing the excise duty on sugar in order to stimulate internal consumption, and so use up the present unproductive excess stock, and by reason of the higher internal consumption gradually restore the quantum of revenue to something approaching its present figure. The present per capita annual consumption of sugar in India is 5.5 kilos, as compared with 55 kilos in the U.K. An increase of only 1.2 kilos per capita in India will represent an additional consumption of 5 lakh tonnes of sugar. My suggestion in this regard is that, at least as a first step, the basic excise duty may be restored to the pre 1957 level, i.e. Rs. 111 per tonne compared with the present rate of Rs. 222 per tonne.

There are other steps which should be taken to remedy the situation. These would involve a radical change in Government's attitude to the industry. One cannot escape from the fact that conditions for the manufacture of sugar at competitive rates are vastly different in different parts of the country, and the present policy of maintaining a high minimum price for sugarcane, this price being paid per tonne dead weight, without regard to quality, is subsidising uneconomic areas at the expense of those more fortunately placed.

Surely there can be no other agricultural commodity in the world which is paid for irrespective of quality. At last, however, there are indications that the Government of India is being converted to the view that we have propagated for so long that the cane price must be linked to quality. I hope they may go even further than this and appreciate that the best method of getting the right amount of cane grown to give the quantity of sugar the country needs, will be to remove controls both from cane price and from sugar price. Factories are dependent for their profit on having adequate supplies of cane and I suggest that their judgment can be relied upon to ensure that enough, but not too much, is paid to secure this end. A natural consequence would, of course, be that in some areas the cultivation of the cash crop of cane would give way to the cultivation of food crops, which would be most desirable. If Government cannot, for political reasons, go as far as this, at least the immediate introduction of a sliding scale price, according to quality, will go a long way towards achieving the desired end of lowering the cost of sugar and relating production more closely to consumption.

While Government have gone so far as to announce that no further licences will be granted for the establishment of new sugar factories or the extension of old ones, I would like to see this policy taken one step further forward, by the withdrawal of licences for new factories in respect of which active steps towards their establishment have not yet been taken. Even so, production in South India is likely to rise steeply in as much as six new factories will go into production in the 1962-63 season and at least an equal number appear to have taken active steps towards commissioning units within the next two years.

Although our relations with the Government of Madras have been generally most amicable, and we have received the fullest support from them in most of our difficulties, I must enter a protest against their refusing to refund the cane cess on sugar exported in the last three years. They have claimed that they see no necessity for this refund on the grounds that the Company has received a refund of excise duty. This is so, but, even so, the Company incurred a loss of Rs. 7,67,000 on sugar exported last year. Refund of cess would have amounted to Rs. 79,500. Further, there is an established precedent in that the Government of Madras did refund cane cess on sugar exported in the year 1958, and the Government of India has requested all State Governments to sanction this refund in the interests of helping to solve the superabundance of stocks with which the industry is at present burdened. I do hope, therefore, that our Government here will be able to fall in line with this policy and refund cane cess on exports, past and future.

PRICE LINKING FORMULA

Reference was made last year to a contingent liability for the Company to make some further payment on cane crushed since November, 1958 under the Price Linking Formula announced by Government, but not yet implemented. Since this Price Linking Formula was first announced, there has been a complete reversal in the fortunes of the industry, and I cannot see how the industry would find it possible to find the cash to pay anything extra in respect of past seasons. It is to be hoped that Government will soon clear the air by announcing what action, if any, they propose taking on the Price Linking Scheme.

We are still reasonably fortunately situated in the South in that we can sell whatever sugar is released without much difficulty within the period allowed for its sale. Prices, however, are still below those obtaining during the control period. Having regard to the smaller production allowed per factory and the probability that a certain part of the output will have to be exported, without any profit and possibly a loss, there can only be a contraction in the Company's profits arising from sugar. It would be wrong to gloss over the seriousness of the situation, and I can but hope that it will be possible to give you a more reassuring view of the outlook a year hence.

FERTILISERS — FURTHER EXPANSION

The picture as regards Fertilisers is more encouraging and the progress made during the year under review has been referred to in the Directors' Report. For the future, the addition of Ammonium Phosphate from our Ennore Factory to the range of fertilisers that we can market should result in a further substantial improvement. The confidence of your Board in the value of this side of our business is illustrated by the fact that we have already applied to the Government of India for permission to double, in due course, the capacity of our Ennore Factory. Assuming we obtain the necessary permission, the actual expansion will take place after we have gained some experience in manufacture and marketing of this fertiliser, and when that time comes, possibly in 1962-63, it will be necessary for your Board to give consideration to ways and means of raising the additional capital required.

Last year, reference was also made to the issue of a licence by the Government of India to a consortium of two well known American Companies and this Company to erect a fertiliser factory at Visakhapatnam to produce about 350,000 tons of fertilisers per year. Progress on this project has not been quite as much as might have been hoped for, the main stumbling block having been the finding of a suitable site at Visakhapatnam. I believe, however, that with the co-operation of the Government of India, this problem will soon be solved. The participation of this Company in the capital of the new Visakhapatnam Company will be small compared to the contribution of our two American partners, and it is they who have the major responsibility for the integration of the new factory, receiving of course from us all the assistance we can give by way of experience of local conditions, and contacts with the Governments concerned. I would like to take this opportunity of expressing my appreciation of the vigour which our American partners are displaying in overcoming initial difficulties, and I can assure them of our continued full support. When the Visakhapatnam factory comes into production, this Company will have an even more important part to play, namely in the distribution of the product. The distribution of fertilisers is a specialised trade, but I believe that we have the necessary organisation and experience to ensure that the very large production to be expected from Visakhapatnam moves without undue delay into the hands of farmers and so into the soil.

CERAMICS — FOREIGN COLLABORATION

As regards Ceramics, you will have noted from the report that last year, owing to the necessity to overhaul the Thrift Kiln, which occurs from time to time, production was reduced. We are still able to tell without any difficult our total output and during the year substantial progress has been made towards finalising a collaboration Agreement with the well known U.K. manufacturers of Ceramic ware, Messrs. Doulton & Co. Ltd. This Agreement places at our disposal technical advice of the highest quality from Daulton and with this advice we propose to instal a third kiln at Ranipet and to improve the quality of our output generally. There have been protracted negotiations with the Government of India as to the exact terms of this Agreement, but I am glad to say that these negotiations have now reached the final stage. I would also like to make a special reference to the fact that during the year under review, even though Government's final approval to the Agreement was still awaited, (and is still awaited), our friends, Messrs. Doulton, have without stint given us the most valuable expert advice on various problems.

I am glad to be able to report that labour relations have, in general, continued to be satisfactory during the year under review. The Sugar Wage Board recommendations have been the subject of detailed negotiations with staff and labour, and it is hoped that we shall shortly be able to conclude a satisfactory settlement with the Unions concerned. I am further glad to be able to record my sincere appreciation of the contribution to the maintenance and development of the Group's interests given by all members of the staff and the Directors of your Company. In particular, I should like to take this opportunity of placing on record your Board's gratitude to Mr. P. Hadfield, who relinquishes his appointment of Managing Director on the 31st of this month, for his services to the Group over more than 30 years. Mr. Hadfield recently left Madras to take up the appointment of Managing Director of our London subsidiary, Parry Murray & Co. Ltd. He remains a member of this Board, so that his vast experience and wise counsel will remain at our disposal.

Finally, you may have noticed in the announcement of my appointment as Chairman of this Company that I myself am nearing the end of my service in India. I am very happy to be able to tell you that Mr. H. V. R. Iengar, lately Governor of the Reserve Bank, has agreed to join the Board of this Company and, later in the year, to take up the appointment of Chairman and Managing Director. Your Directors will therefore co-opt him to the Board, and an announcement regarding the date of his becoming Chairman will be made in due course. On this coming about, it is the intention that I shall revert to my previous appointment of Vice-Chairman and Managing Director, until I leave India. Mr. Iengar needs no introduction to you and, for my part, I am very happy to feel that I shall be placing the direction of the Group affairs into such competent hands.

I would like to take this opportunity of announcing the following appointments which will be effective from 1st April, 1962:

(1) Mr. M. J. Edwards will retire from the Board of Parry & Co. Ltd., of which he is Chairman, to take up the appointment of Deputy Managing Director of this Company.

(2) Mr. John K. John, Vice-Chairman of Parry & Co. Ltd., will be appointed Chairman vice Mr. M. J. Edwards.

and 3) Mr. N. G. Bowen, Director of Parry & Co. Ltd., will be appointed Vice-Chairman vice Mr. John K. John.

I now formally move the adoption of the Directors' Report for the year ended 30th September 1961".

The Directors' Report and the Accounts for the year ended 30th September, 1961, were adopted and a final dividend on the ordinary share capital of the Company at the rate of 14-2/7 per cent subject to deduction of Indian Tax, was declared for the year ended 30th September, 1961, payable on 29th March, 1962.

Mr. V. Ramakrishna and Mr. R. Venkataswamy Naidu were re-elected to the Board and the Auditors, Messrs. Lovelock & Lewes, were re-appointed.

Note: This does not purport to be a report of the proceedings of the general meeting.

THE EASTERN ECONOMIST

Premier Economic and Financial Weekly

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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	Liquor & Tobacco	Fuel Power Light and Lubricants	Manufactures: Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	112.0
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	124.9
December 1960 ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
January 1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
February „ ..	116.3	111.2	121.7	159.4	134.2	128.6	129.3	126.8
December 1961 ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
January 1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
February „ ..	120.0	99.0	122.4	138.7	137.9	124.3	126.2	124.3
10-2-1962 ..	120.6	99.1	122.6	138.5	139.1	124.0	126.1	124.6
17-2-1962 ..	119.0	99.5	122.4	138.8	137.5	124.6	126.4	123.9
24-2-1962 ..	120.3	98.8	122.8	138.5	136.7	124.5	126.2	124.6
3-3-1962 ..	119.6	100.0	122.8	138.2	135.9	125.1	126.6	124.2
10-3-1962 ..	120.9	100.0	122.7	137.2	135.7	125.0	126.5	124.7

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934=100	Bombay: Ahmedabad July 1927=100	Delhi†	Bengal: Calcutta	U.P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E.P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
1956	336	352	244	142	347	424	397	151	358	152	146	148
1957	352	368	259	150	364	448	422	162	374	157	157	158
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	306	158	384	469	496	163	429	166	173	168
1960	401	420	296	158	397	476	512	165	467	167	166	171
1961*	412	431	300	167	400	486	495	—	478	173	170	173
1961 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	304	171	406	482	498	166	480	172	168	173
August	419	438	302	171	410	491	501	167	481	171	171	175
September	417	436	302	169	410	491	499	169	479	171	171	175
October	415	434	302	168	417	499	501	172	480	176	177	175
November	415	434	302	170	417	508	497	174	481	180	178	175
December	416	435	302	171	410	499	498	—	481	178	178	175
1962 January	417	436	—	170	400	513	495	—	482	—	—	—
February	419	438	—	170	—	513	492	—	480	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 23-3-1962			16-3-1962			9-3-1962			2-3-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	123.00	122.05	122.35	122.20	121.40	121.86	122.40	121.65	121.89	122.75	121.15	121.80
Silver (per kilogram)	219.35	217.15	218.24	218.05	215.50	216.62	216.50	215.10	215.62	215.30	212.60	213.55

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	LIABILITIES: Notes Held in Banking Dept.	LIABILITIES: Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	ASSETS: Foreign Securities (c)	ASSETS: Total of (b+c)	ASSETS: (b+c) as Percentage of (a)	ASSETS: Rupee Coin	ASSETS: Rupee Securities	ASSETS: 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										
Dec. 1960 ..	1,855,90	16,59	1,872,48	177,76	127,01	244,76	13.07	127,66	1,500,06	1.872.48
Jan. 1961 ..	1,911,58	16,83	1,928,41	117,76	128,01	245,17	12.75	124,35	1,558,29	1,928.41
Feb. „ ..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12,58	121,75	1,587,28	1,954,79
Dec. 1961 ..	1,937,46	14,76	1,952,22	117,76	116,86	234.62	12.02	122.78	1,594.82	1,952 22
Jan. 1962 ..	1,981.87	17,71	1.999.58	117.76	126,86	244,62	12.23	121,17	1,633.80	1,999.58
Feb. „ ..	2,022,55	18,29	2,040,83	117,76	126,11	243,87	11.95	119,51	1,677,45	2,040,83
Week-Ending										
16-2-1962 ..	2,034.31	18,46	2,052.77	117 76	126,86	244,62	11.91	118,95	1,689 20	2.052,77
23-2-1962 ..	2,027,42	25,82	2,053,24	117,76	123,86	241,62	11.77	11,942	1,692,20	2,053,24
2-3-1962 ..	2,040,33	11,49	2,051,82	117,76	123,86	241,62	11.78	118,01	1,692 20	2,051.82
9-3-1962 ..	2,078,52	15,85	2,078,52	117,76	123,86	241,62	11.62	115,56	1,737.19	2,078,52
16-3-1961 ..	2,073,07	21,49	2,073,07	117,76	123,86	241,62	11.66	115,77	1,737,17	2,073,07

BANKING DEPARTMENT

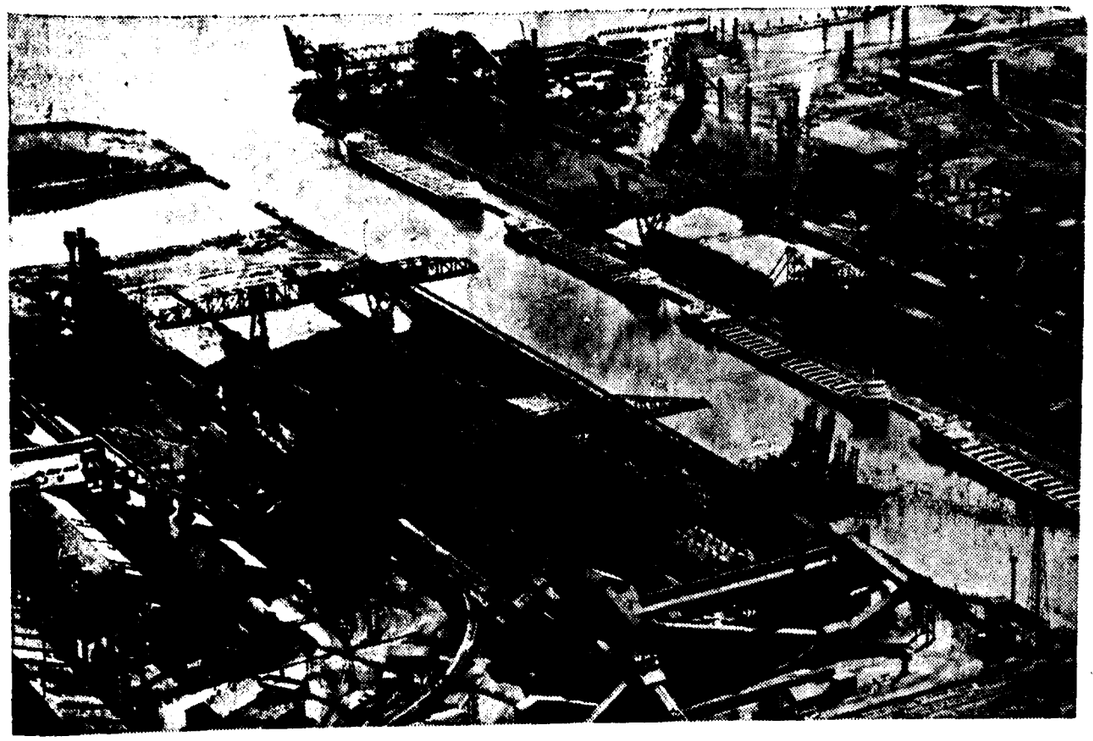
Period	Deposits: Central Government	Deposits: Other Governments	Deposits: Banks	Deposits: Others	Deposits: Total	Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
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														
Dec. 1960 ..	60.20	15,71	95,20	91,78	26,295	104.08	452,03	16,69	19,53	26,35	37,78	135,04	198,94	16,70
Jan. 1961 ..	53,48	19,71	79.57	93,82	246.58	110,37	441,93	16,91	57,41	19,54	41.17	145.25	144,11	17,55
Feb. „ ..	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,07
Dec. 1961 ..	56,83	20,23	82,90	147,22	307,18	120.02	512,20	14,81	28,61	31,95	66,61	136,85	207.67	21,70
Jan. 1962 ..	58,92	20,79	79,27	149,78	304.76	133,74	522,90	17,76	37,10	13,23	59.90	146.60	221,91	26,41
Feb. „ ..	57,52	16,38	77,10	147,85	298,75	137,30	521,05	18,34	31,16	10,68	61,15	162,63	207,44	29,64
Week-Ending														
16-2-1962 ..	59,33	15,52	76,17	146.85	297.87	138,36	521,24	18,52	43,27	10,00	59,10	162 26	197,21	30.88
23-2-1962 ..	52,70	11,20	81,10	147,97	292,97	141,97	519,93	25,86	29,50	11,96	66,65	160,75	193,93	31,28
2-3-1962 ..	53,78	10,28	76.73	148.85	289,64	139.40	514,03	11,55	30.64	10,86	67,91	167.72	193.23	32,11
9-3-1962 ..	53,21	3,43	82,73	151,57	290,94	134 32	510,26	15,89	50,67	7,65	75,63	174,40	153,35	32,68
16-3-1962 ..	86,04	5,47	77,49	149,64	318,65	144,09	547,73	21,53	51,48	10,19	84,44	193,77	153,17	33,15

* 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. 9 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities

Repayment of Foreign Loans

(In lakhs of

Details of Loan	Actuals upto 1955-56	Actuals from 1956-57 to 1960-61	Budget 1961-62	Revised 1961-62	Bud 1962-
(1)	(2)	(3)	(4)	(5)	(6)
(A) Countries					
I. Loans from U.S.A.					
(i) American Wheat Loan		1,63	..	..	
(ii) Development Assistance Loans		10	8	7	1
(iii) D.L.F. Loans		4,68	3,61	4,35	7,91
(iv) P.L. 480		—	—	—	1
TOTAL		6,41	3,69	4,42	8,05
II. U.S. Export-Import Bank Loans—					
Loans to Air India International.					
(i) First Loan				17	33
(ii) Second Loan					32
TOTAL				17	65
III. Loans from U.S.S.R.: Bhilai Loan		16,66	5,41	5,36	5,36
IV. U.K. Credits—					
, Lazard Bros			2,00	2,00	6,00
V. Canada					
Canadian Wheat Loan		1,64	2,24	2,24	2,24
VI. Federal Republic of Germany					
(i) Rourkela Credit		5,63	8,45	42,16	12,38
(ii) DM 168 M Credit		..	..	..	96
(iii) DM 100 M Credit		..	..	3,57	..
TOTAL		5,63	8,45	45,73	13,38
VII. Japan					
Export-Import Bank Credit		..	..	..	15
VIII. Kuwait Loan		..	..	2,64	2,56
(B) International Agencies:					
IX. I.B.R.D. Loans					
(i) Agriculture Machinery Project Loan	2,87	56	..	..	..
(ii) Railway Project Loan I	5,40	5,59	1,26	1,26	1,31
(iii) Railway Project Loan II		..	2,74	2,74	2,89
(iv) Railway Project Loan III		..	..	..	75
(v) Railway Project Loan IV		..	..	..	41
(vi) D.V.C. Loan I	41	2,13	48	48	48
(vii) D.V.C. Loan II		75	17	17	18
(viii) D.V.C. Loan III		..	42	39	39
TOTAL	8,68	9,03	5,07	5,04	6,42
GRAND TOTAL	8,68	39,37	26,96	67,60	44,76



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THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

APRIL 13, 1962.

The New Union Cabinet

THE new Union Cabinet announced this week contains no surprises, unless it be the conspicuous absence of Mr. T. T. Krishnamachari who, immediately after his unopposed return, was universally expected to be a prominent member of the Cabinet. The promotion of as many as five Ministers of State to Cabinet rank has shown that the pressures of Cabinet making in the States are not wholly absent from the Central Cabinet. In the result, some injustice has been done to Mr. Manubhai Shah, on his performance as Minister for Industry in the Second Plan, and to Mr. S. K. Dey, Minister of Community Development, who were certainly entitled to equal recognition. The argument that the former would have given three Ministers to Gujarat might sound convincing but, in fact, is not. There was a time when there were seven Ministers from Uttar Pradesh in the Central Cabinet and even the present Cabinet has no less than four. The arguments in favour of regional representation are important, but they cannot be over-riding, unless talent is to be prejudiced by no greater argument than the inclusion of a distinguished set of predecessors. The claims of excessive regional representation can work to the detriment of the country if exaggerated. It was not unnatural that Mr. Manubhai Shah should feel keenly his initial exclusion and, while agreement has now been reached, there is still a grievance if the disqualification is not to be temporary and only until the Cabinet is reorganised. The view has been prominently presented that the Prime Minister intends such a reorganisation in July or August, when some Governorships fall vacant. If so, not much harm has been done in spite of the fact that an unprecedented situation occurred that a Minister appointed by the President was not present at the swearing-in ceremony.

These might be called the slings and arrows of political fortune. Of more importance is the distribution of duties in the Heavy Industries Ministry which falls to the able guidance of Mr. C. Subramaniam, fresh from his laurels as Finance Minister of Madras. The decision to throw all heavy industry into one group is a wise one, although it raises a difficult problem of servicing in the Development Wing which is now poised dangerously between two Ministers. The decision to place a woman in independent charge of public health is a good one, and Dr. Sushila Nayyar was a good choice in a Ministry which was originally born under the inspired direction of Rajkumari Amrit Kaur. Few people remember now what a tremendous debt Public Health owes to her untiring efforts. Most of them happily continued after she ceased to be member of the Central Cabinet.

The structure of the Cabinet is as much a reflection of the mind of the Prime Minister as it is of the political pressures to which he is subjected. His decision to raise Education and Scientific and Cultural Affairs to Cabinet rank is as much a mark of appreciation of the services of Dr. K. L. Shrimali and Prof. Humayun Kabir as it is of the importance in the new scheme of things in the Prime Minister's eyes of Education and Scientific Affairs. In both cases, these promotions were well deserved, and those who have murmured against them have failed to appreciate the substantial prestige and preparation which these Ministers have given to the educational component of India's technological and economic progress. It is sincerely to be hoped that they will have a long period of office in order to consolidate a policy which should provide the mainspring of higher manpower development in this generation.

Only a postscript needs to be added in regard to the Prime Minister himself. It has been a matter of bitter disappointment that his illness has handicapped him at a critical moment of Cabinet making, leading to a lapse here and there which might possibly have been avoided. But the structure of the whole Cabinet has shown that the Prime Minister is not to be driven to the Left by a refusal to support old colleagues or that he weighs performance by vague ideological norms. All the members of the Central Cabinet have done service to the country, and one should not be querulous in questioning the inclusion of any name. The Prime Minister himself has set the tone by recognising that Rightism and Leftism have lost their meaning in the present Indian context. What is important is achievement and performance in a framework which belongs neither to the Right nor Left, but has the positive strengths of the mixed economy in which the career is to the talent, irrespective of the philosophies which provide the springs of an individual's behaviour. Largely because the Prime Minister himself presides over this team with a calm impartiality, it can become as harmonious as any of the Cabinets in the world. This is as much as one can expect and it is not a detraction from its representative character that it is broadbased in both political and economic philosophy as well as well-conceived in terms of the rewarding of past services. The complaint that it has no new look would be worth entertaining, if there had been marked failures to replace. There is no point in making changes merely to provide a new look; one must test all things but hold fast to those which are good.

Noonmati: What's the Truth?

WITHIN three and a half months of its inauguration by the Prime Minister, the Noonmati Refinery—the first to be set up in the public sector—has run into difficulties. Attempts have been made—at least that is the impression one gets from the reports appearing in the Press—to put the responsibility for these troubles on the delayed completion of the pipeline through which crude supplies are to be effected to the refinery by Oil India from its oilfields in Nahorkatiya and Moran. But how flimsy this excuse is should be evident from the statement of General

Sardanand Singh, the General Manager of the refinery. His statement makes the significant revelation that the refinery has already in its storage tanks nearly 13,000 tons of crude. A press release issued by Oil India on its pipeline project goes a step further and states that not only the 16"-pipeline to Noonmati has been completed and tested, but crude has also been pumped into it and this can be supplied to the refinery at the rate of over 2,000 tonnes a day.

In the face of these facts, the political capital sought to be made out of the issue by some is ill-warranted. One has apparently to look elsewhere for the genesis of the present travails of this refinery. It is unfortunate that not much light has been thrown by the authorities on the real causes for the troubles of the refinery; even a joint statement prepared by the Oil India's General Manager and the Chief of the Indian Refineries Limited, which could have given some indication of the problems faced at Noonmati, is understood to have been withheld by the Mines and Fuel Ministry for reasons best known to itself.

It is a matter of elementary commonsense that teething troubles, which are not uncommon to any medium or large-scale industrial unit, are afflicting the Noonmati Refinery at the present time. Probably they have been aggravated by the commissioning of the distillation unit of the refinery somewhat in haste and the slightly delayed completion of the kerosene refining and the coke processing units. These two units, though ready now, are yet to be tested. This has led to the products storage capacity having been exhausted by filling these storage tanks by off-specification products and partly refined crude. Unless this semi-refined crude is processed further in the kerosene refining and the coke processing units, the refinery will be unable to receive more crude through the pipeline which, it is understood, has been plugged off at a distance of about 15 kilometers from the refinery.

The delay in the commissioning of the kerosene refining and the coke processing units is understood to be primarily due to the recent breakdown of the electricity generating plant of the refinery and the boiler trouble. Both these troubles, of course, have been overcome. But a new spoke has appeared in the wheel. The initial start-up power, which was to be had from the Assam State Electricity Board, is not immediately available because of draught conditions in the hill areas. A request has been made by the refinery authorities to the pipeline management as well as to the Army for making available on loan portable electric generation sets to get over this difficulty. Power supply, thus, is the villain of the piece; it has meddled with the satisfactory working of the Noonmati Refinery.

In the light of these facts, it would be imprudent—notwithstanding the difference of opinion on setting up of the 0.75 million tons refinery at Noonmati against the advice of an expert committee, which entailed inexcusable loss of time in exploitation of Nahorkatiya and Moran oil resources and resulted in high capital cost of the project—to underrate the difficult job that has been performed both by Oil India and the Indian Refineries Limited against heavy odds; the prolonged monsoon season last year upset the construction schedule of the pipeline to a great extent and hampered the work at the refinery site to a considerable degree. This, however, does not obviate the need to secure better co-ordination between the suppliers of crude and the refinery management, especially when one of the partners in Oil India has a long experience in the refining of the high-wax Assam crude. This co-ordination needs to be fostered by more frequent meetings between the two sides. Oil India, perhaps, is a classic example of both the private and the public sectors working hand-in-hand in a national enterprise. To make the Noonmati Refinery a success, despite its high capitalisation, if need be, one or two directors of Oil India may be co-opted to the refinery's Board of Directors. Meanwhile, it is to be trusted the refinery will overcome its teething troubles in another month's time. No efforts must be spared to that end.

Ancillary Industries

THE decentralised sector is steadily rising to assert its place in the industrial economy of the country. Few will find reason to quarrel with the claim advanced on behalf of the small-scale industries that their progress in the Second Five-Year Plan has been impressive. Some typical figures have been cited by the planners to substantiate this claim. Even a superficial examination of the proof offered would bring out in full relief the fact that the claim is sustained by the performance of the ancillary industries, primarily in the group of the mechanical engineering industries. This trend follows the emphasis on incorporating an increasing measure of modernisation in small-scale industries. Partly, the orientation is taking place without a deliberate direction of the pattern of development—as a part of the structural transformation of industry in general.

Ancillary industries are reaching the lower level too. A sub-committee recently appointed to review the definition of small-scale industries has recorded its finding that the existing definitions of ancillary industries having a capital base of Rs. 10 lakhs and the ordinary or non-ancillary industries having a capital base of Rs. 5 lakhs should be substituted by a uniform definition raising the capital base to Rs. 10 lakhs, but reserving certain benefits of aids and incentives for units upto a capital base of Rs. 5 lakhs, as a safeguard against their vulnerability to strains of various sorts. One important reason assigned for the modification by the sub-committee is that the demarcation between ancillary and non-ancillary industries even at the capital base of Rs. 5 lakhs is tending to become obscure.

It was the ancillary industries which attracted the major share of attention at the recent meeting of the All-India Small-Scale Industries Board. Two developments were prominently brought out in his inaugural address by Mr. Manubhai Shah. An International Perspective Planning Team for Small-Scale Industries, sponsored by the Ford Foundation, was arriving in this country in a short time. The new urge for perspective planning for this sector is inspired by the strides made by ancillary industries in particular. In the second place, the specific lines of expansion prescribed for the ancillary industries in the course of the last four years have been developed to the point of congestion. New outlets have become essential. Those selected for this purpose include light engineering industries in the mechanical segment, but the accent unquestionably is on chemicals. A number of facilities are to be provided to foster the growth in the chemical items, subject to the obligation that the participants must subscribe to the Indian Standards Institution's scheme of certification marks to conform to approved specification of quality of output.

In no industralised country even have small-scale industries progressed without the provision of aids and incentives. The report of the Committee on Dispersal of Industries, which was released at the session of the All-India Small-Scale Industries Board, gives copious details of the fiscal incentives as well as incentives and facilities of other types provided to small industries in the West European countries. Tax relief, subsidies in freight, electricity and water rates, credit provision on easy terms, housing accommodation, building sites on cheap rentals, availability of machinery on the hire-purchase basis are the major aids recommended for the promotion of the decentralised sector in this country. Many of them are being provided at present and the rest are certainly unexceptionable.

The basic question is: How should ancillary industries (as well as non-ancillary industries) be diffused in the semi-urban and rural regions? As an integral part of the problem of dispersal, backward regions have received a full share of attention at the hands of the committee. It has approved a few selected backward districts in some States. The major difficulty in prescribing an exhaustive list of backward regions is that of lack of basic statistics—per capita income and consumption, to take a crucial test. But dispersal in the backward regions is a strategic part of the general problem of the dispersal of these industries. The committee has pleaded for provision of social overheads as a matter of priority in an elaborate list of aids. But it has uttered two warnings which ought to be heeded. Ancillary industries can spring up only within reasonable proximity of large-scale units on which alone they subsist. In the last analysis, therefore, there can be no escape from the economic factors governing location. And the problem of ancillary industries cannot be treated on a sectoral basis, in isolation from the parent units in the corporate sector. If necessary, large-scale units, which will not arise automatically in the process of regional growth, should be offered the necessary incentives to stimulate, in turn, the growth of ancillary units.

Barriers to Birth Control

INAUGURATING a meeting of research workers in the field of family planning and fertility control in New Delhi on Wednesday, Dr. Sushila Nayar, the Union Minister of Health, is reported to have stated that "national awareness" had been created in the field of family planning during the last decade and that the idea had gripped the imagination of the people. While she immediately conceded that the results achieved so far were insignificant, it will be hard to substantiate even a modest claim regarding "awareness". The latest surveys conducted in Trivandrum, Quilon, Kottayam, and Alleppey by the Demographic Research Centre have indicated that nearly one-third of the urban population in Kerala was not favourably inclined to planned parenthood. The findings of the Centre have brought home the enormity of the problem in terms of mental and economic barriers to the spread of family planning techniques.

One of the revealing conclusions of these surveys is that only two-thirds of the respondents in the urban areas indicated preference for family planning while others either refused to comment or had very strong views against birth control. There was a sizeable proportion of respondents who did not employ any of the known methods of family planning even though they were "aware" of them, the most important reason advanced for not practising birth control methods being that they were not effective. Some even went to the length of stating tha these methods had a "deleterious effect on health or fecundity". Quite a large proportion even stated that they could not practise these methods because of financial handicaps.

What action has been taken by the official agencies to break these barriers? Before planning to set up clinics and health centres it is necessary to reach the people with printed literature or by means of lectures and other publicity media. The surveys in Kerala have indicated that the knowledge about family planning methods is usually disseminated through the male members who rely, by and large, on books and pamphlets for this purpose. Low levels of income still stand in the way of the vast masses of people in seeking advice from doctors. Kerala being one of the most literate States in the Indian Union, the people there can certainly be approached through free distribution of literature. The psychological opposition must be overcome before any tangible investments in the shape of hospitals and clinics can be planned.

Amongst those who were favourably inclined to family planning, the use of costly artificial contraceptives, such as the condom and the diaphragm, was restricted to one out of every six couples. It is amazing that about half of the respondents relied upon the "safe period" while nearly one-fourth observed the "elementary precautions". All this points to the impact of low levels of income in Kerala. The purchasing capacity of the people is extremely low and the income distribution data have lent support to this basic hindrance to a wider use of contraceptives. Nearly 95 per cent of the respondents belong to the income brackets below Rs. 100 per month and naturally the elementary needs of life take precedence over artificial contraceptives. Sterilization, whether of the male or the female member, is the least popular of the methods, having only 2 to 3 per cent support in most of these towns. It is certain that the results would be much more disheartening for rural areas, where incomes are still lower and literacy ratio pitifully small and prejudice strongly entrenched.

The upshot of this discussion is that the family planning methods in Kerala and other poor States of the Indian Union need far wider and sustained publicity than has been attempted hitherto. The income factor will continue to be a dominant factor which will stand in the way of wider propagation of birth control methods. Even before setting up a clinic it is necessary that "simple" contraceptives at subsidised rates should be made available to the most needy classes who lack financial resources. Though the barriers of ignorance may be broken earlier through a speedy rise in education, the income barrier is likely to prove a much prolonged hurdle.

The results of the 1961 census of population were received in this country with something of a shock because the net rise in population during the last decade turned to be very much beyond expectations. At all levels extreme concern was expressed about the alarming rate of rise in numbers and the family planning programme was urged to be put on a priority footing. The Planning Commission struck a hopeful note: "Given a sense of urgency and spirit of dedicated endeavour, it is fully within the capacity of the nation to achieve goals it has set for itself." Almost a year has passed, but no signs of urgency or dedication are in evidence. When will the country awake to the dangerous population explosion?

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THE WEEK'S NOTES

The French Referendum

AN OVERWHELMING VOTE

THE SEAL of approval has been put finally on the Avian agreement. The outcome of the French referendum on the Algerian settlement was never in doubt, but the overwhelming vote in the affirmative has surpassed all expectations. Out of the 27 million or so who were entitled to put into the box one of the two voting papers—"oui" or "non"—over three-fourths came to the booths to exercise their right and out of these a massive majority of over 90 per cent voted in favour. Thus ended the seven years' war of Algerian independence. But for President de Gaulle's assertive intervention the Algerian issue would have lingered on like a festering sore. In cutting the Gordian knot and wiping out the last ramnant of colonialism, President de Gaulle has raised the stature of his country as well as his own. France now acquires a new dignity and moral authority to use her good offices in European affairs in particular and world affairs in general.

This referendum was not a referendum pure and simple to endorse the agreement with the Algerian nationalist leaders. President de Gaulle also asked for full powers without reference to Parliament—powers to be exercised by means of presidential decrees—to take appropriate measures to implement the Avian agreement and also to sign a treaty of alliance with the Algerian Government should it decide to opt for a status on the basis of full separation. The referendum has been criticised by some as demanding a single and categorical "oui" or "non" to two questions and placing the voters in an embarrassing position. The Communists and socialists, who voted "yes", later explained that their vote signifies "yes" for the settlement, but not for the personal powers to the President in what they consider supersession of Parliament's sovereign authority. This is to take a legally puristic view. Once the settlement has been endorsed, it follows by sequence that it must be carried to its logical implications. It is hardly controvertible that if the firm hand of President de Gaulle is substituted by the Parliamentary process in this extraordinarily delicate issue, the chances of drift, indecision or equivocation may emerge as a stark reality. The powers asked for may have a semblance of authoritarianism, but ever since President de Gaulle was placed in office as such, he has refrained meticulously from conducting himself as an authoritarian.

The last of the tasks in Algeria cannot be taken to have been accomplished with the referendum in France. There is to be held the referendum in Algeria in July. And the OAS in its fanaticism may indulge in violence out of sheer desperation to subvert the Algerian referendum. The blunder which the OAS committed in attacking French servicemen made the operation clearance far more expeditious than would have been possible only with the President's iron determination to crush Salan's forces. The loyalty of the army was seldom in doubt, but the OAS completely alienated its emotional sympathy for the settlers by its outrageous conduct. The OAS is driven to fight the last ditch battle, but it may not necessarily be taken for granted that it will be a short-lived action for that reason. The situation may continue to demand swift decisions and swifter execution.

Rourkela

THE LOCK-OUT

THE LOCK-OUT, which the management of the Rourkela Steel Plant had to declare last week in the Blast Furnace Department, consequent on the illegal strike of the workers, is the latest in the series of the troubles which have occurred from time to time in this important works. It has involved total stoppage of two blast furnaces and 450 workers, but in their magnitude the effects of the lock-out threatened to be grave and far-reaching. The loss in the output of pig iron resulting from the closure of the furnaces amounted to some 1,700 tons per day, and in view of the most intimately integrated nature of the works in the different shops and departments, the shortage of pig iron would have been reflected in a paralysis of work throughout. This was not the end of the gravity of the consequences. Already, the Chittaranjan Locomotive Works began to feel the strain of the poor supply of steel. This is a state of affairs which calls for a patient and thorough reappraisal.

It would appear that there is considerable dissatisfaction about the withholding of promotion to upper posts in which technicians have officiated. Also, expectations of confirmation seem to be frustrated for a long time. Whether entertaining this sort of grievance by the workers is right or wrong is a matter for enquiry, a frank talk with them and firm decision on policy. The difficulty of the management at Rourkela is that there are as many as five trade unions, none of which is recognised. The question of recognition has been referred to the Bihar Government. This handicap notwithstanding, the management would do well to remove the misunderstanding or any feeling of injustice harboured by the workers on the score of promotion to higher posts or confirmation. There have been very frequent changes of the incumbent of the office of the General Manager and the absence of continuity for a long time is one of the serious handicaps in grasping the personnel problems and adapting policy to actual requirements. A full probe into the grievance in the Blast Furnace Department may very probably disclose that the workers' grievance is sentimental rather than substantial. But whatever it is, a frank probe and a right decision on the policy for promotions and other connected issues would certainly go to improve the labour-management relations.

A team of German experts in its report had a significant finding to record. It emphasises that indiscipline among the workers was one of the contributory causes of stagnation in the output of the rolling mills. Likewise, go-slow on the part of the staff running the factory railway is also a cause of reducing the rate of output on occasions. All these are pointers to a situation which calls for an early solution.

The lock-out has been withdrawn. The management has acted with magnanimity in admitting back workers who would tender a formal apology. Of course, an exception must be made, as has been made, in the case of some recalcitrant elements which were responsible for complicating and aggravating the situation. No break in service is to be imposed as a penalty and this is still another gesture of magnanimity. This is the proper psychological moment when the whole question of industrial relations inside the plant should be re-examined and a policy for better relations evolved. As we go to press, the management has been constrained to fix a deadline expiring today for resumption of work.

State Planning

REDUNDANT REPLICAS

IF THE report that the Planning Commission has strongly urged the State Governments to set up planning bodies is correct, the balance of convenience would hardly favour the proposal. It is quite obvious that

the Planning Commission has been impelled to make this suggestion because it finds the present condition of planning at the State level too inadequate to be of substantial assistance to it. What is, therefore, required is to remove the existing imperfections in the preparation of the State Plans. The Planning Commission obviously takes the view that the merit of its proposal lies in placing at the service of the State Governments planning bodies consisting of whole-time experts, who would take a technically more well-informed, as well as a more imaginative and longer, view of the developmental requirements of the States than is possible for the departmental officials to do.

On the face of it this suggestion to set up replicas of the Planning Commission at the State level appears sound. But a closer examination would hardly reveal strong merits to commend it. The planning bodies at the State level would develop into large organisations multiplying their personnel by the operation of Parkinson's Law and creating mountains of paper work, not to speak of the waste of time and superfluous procedural work involved in the red tape. The proposed State planning bodies must include certain ex-officio members. The Chief Minister would be the ex-officio chairman, the Finance Minister will be an inevitable ex-officio member and, if there is a separate Minister for Planning, he cannot be kept out. Correspondence for requisitioning the data for preparing the plans or evaluating their progress will produce inflation of routine work. The planning bodies will also be expected to prepare perspective plans. In certain spheres, where a State has indisputable resources and claims to undertake development programmes in the longer perspective, such plans would be of assistance in the overall national perspective plan. But in a majority of cases the plans of different States will overlap or clash and be definitely at variance with the Planning Commission's perspective plan, raising problems of ruthless pruning for co-ordination.

Planning, as it has been evolved in the last decade in this country, is not immune from political pressures. The National Development Council's revisional authority proceeds usually on this basis. With the Chief Ministers as ex-officio chairmen of the State planning bodies, the deliberations at the National Development Council would tend to become increasingly contentious. Effective reform in the present state of affairs is indicated in strengthening the existing planning cells in the State Finance Departments, removing the statistical gaps and improving the quality of work with the association of non-official experts, if necessary.

The Socialists

THE MERGER MOVE

THE PRAJA SOCIALIST PARTY, which conducted a post-mortem examination into its unexpected and crushing failure in the last general elections, has emerged wiser, if sadder. The other parties with a socialist brand have not fared a whit better than the PSP; mostly they have fared worse. This common factor has brought home to the PSP the realisation that the future of the democratic socialists would be quite bleak, unless they come on a common platform of unity and form integrated opposition groups or parties in the State legislatures and Parliament. With this appraisal it adopted a resolution at its Patna session to issue an appeal to the Socialist Party and other socialist groups for forming a united socialist party.

Whether the Swatantra Party or the democratic socialists will ultimately emerge as the main opposition, it is too much to forecast dogmatically. But it would appear that the Swatantra Party has got off to a good start. However, in an economically backward country the emotional appeal of Communism proves irresistible and it is for this reason that the socialists should bestir themselves and organize as a counterpoise against the Communist Party. From this angle, whether or not the socialist parties will emerge as the main opposition of the future, their unity would be desirable. But it will be recalled that in the past the PSP as well as the Socialist Party took postures which were anything but conducive to a merger. Dr. Lohia spurned the offer of merger except on the condition that his party's policies and programmes should be adopted without question by the PSP and the PSP at its convention of June 1961 made it clear that unity between the two could be possible only on the basis of the adoption of its own programmes by the merged party. Both feel—and they are under this genuine handicap—that the Congress Party's professions of the socialist pattern of society have taken much of the wind out of their sail and they can exist by holding up more extreme brands of socialism.

It is quite possible that the two parties now feel that it was a mistake initially to have fallen apart. The election reverses have undoubtedly produced a considerable sobering effect on them, but it is premature to say whether Dr. Lohia would be in a mood of reconciliation. It will not be a surprise if the socialist parties continue to function as groups regardless of their rapidly dwindling influence.

Britain

A SOBER BUDGET

THOSE WHO expected Mr. Selwyn Lloyd to make dramatic proposals in his budget will feel disappointed, but they had no reason to expect anything dramatic. Likewise, those, who characterise the budget as uninspiring and colourless, are hardly justified in making this appraisal on certain presumptions. The Chancellor, presenting the pre-election budget, has necessarily to steer a sober course and this is what Mr. Selwyn Lloyd has done. The tax proposals which he has made represent moderate changes either way. The 10 per cent surcharge on the purchase tax has been abolished apparently because the emergency which was the cause of this levy does not justify its continuance. On selected items of consumer goods the duties have been reduced. This is either to relieve the rigour of the austerity measures or to prepare the ground in anticipation of the adaptations which Britain will have to make on her entry into the European Common Market. But there has been a stepping up of the tax in some directions. On sweets, soft drinks and ice-cream, there has been an imposition of a 15 per cent tax. Betting has also come in for a higher levy. The proposal for taxation of capital gains is quite moderately conceived. The limit of the death duties has been raised by a modest margin. But some measures of extra taxation, which were hinted at in the pre-budget period, have not materialised and in this class come the absence of any changes in personal income-tax and the corporation tax.

The present was certainly not the time for the Chancellor to make any spectacular changes in the tax policies. After a hard struggle against the forces of stagnation in the economy, Britain is beginning to recover confidence in staging moderate progress. Exports in 1961 rose by £156 million above the level in 1960. Monetary policy could be modified as the pressures of inflation have eased and this is reflected in the two cuts recently announced in the Bank Rate. Sterling is acquiring stability. In fact, a note of hope to consolidate stability in the economy runs through the budget proposals.

The World Abroad

CONGRESS AND LEAGUE

By

ODYSSEUS

THE PARTITION of India in August, 1947, created a mythology which needs to be dispersed if the problems of India's unity are to be tackled realistically today.

In his newly published "India: A Modern History" (Cresset Press. London. 63sh.), Percival Spear, the distinguished scholar who was for 28 years at Delhi University, shows that Churchill's "Caretaker" government of May, 1945, initiated negotiations for Indian independence within weeks of Germany's collapse. The war against Japan was expected to last at least another year, and the Conservatives thought that they would be negotiating with India from a position of power, with the British armies still intact, and the people braced for further difficulties. The Conservatives, on the one hand, refused to ignore Muslim minority rights and, on the other, rejected Pakistan as a counsel of despair. They sought to hand over an India united in some form of federation.

But the collapse of Japan on August 14, 1945, understandably made the British realise that they were war-weary, and created a mood in which, now that there was no international reason for keeping large forces in India they were not prepared for further sacrifices. The rapid reduction in those forces meant that the UK no longer had the physical means of control in India. Likewise, the end of the war and the withdrawal of British troops removed two restraints on the Indian parties. From being an umpire with power to enforce rules, the Viceroy shrank to a go-between trying to reconcile two independent parties.

The first step of the Labour Government, voted into office in July, 1945, was, by holding a general election, to ascertain the degree of support that the Congress and the Muslim League enjoyed among India's electorate, which at that time (it is often forgotten) numbered as many as 30,000,000. The results revealed that the League dominated India's Muslim areas and the Congress the Hindu areas. In the Central Assembly the League won all the Muslim seats. In the Provinces (except for the NWFP) it won 446 out of 495 seats. The League's failure in the NWFP, says Penderel Moon, in his dramatic eyewitness book "Divide and Quit" (Chatto & Windus. London. 1961. 30sh.), was of small significance compared with its smashing success in the Punjab, where it had utterly failed in 1937 when it secured only one Muslim seat and the Unionists (Muslim-Hindu-Sikh coalition) won the rest. In 1947, however, the League won 79 seats and Khizar Hayat Tiwana and the Muslim Unionists were reduced to ten. Moon says that Baldev Singh made a cardinal error when, in the face of the verdict of the electors, he induced Khizar to head a coalition of Congress Hindus, Akali Sikhs, and his nine Muslim followers. Moon notes that the mere existence of the Coalition made reconciliation impossible. If the Coalition had not been formed and the League had had the prospect of office, they would have been compelled, simply in order to gain office, to conciliate the Hindu and Sikh minorities, and once in office, responsible for the peace and prosperity of the Punjab, they would have had no inducement to stir up communal strife. As it was, they had no inducement to conciliate the minority parties, which, they felt, had combined to defraud them of the electors' verdict. Moon and Spear agree that this explains the mounting tension throughout the Punjab in 1946 and the explosion which followed in 1947.

CULTURAL AND RELIGIOUS FORCES

It was India's misfortune that the Congress and the League were not just office-seeking organisations, like Labour and Tories in the UK, but were bodies supported by cultural and religious forces. There is no question that the Congress leaders stood sincerely for a united India and believed in the secular aims which they proclaimed, but in 1945-47, the weight of Hindu feeling behind them was too great for them to be able to convince the Muslims that reason would prevail. Anyone who doubts this must admit that even in independent India, the secular leaders of the Congress have encountered substantial resistances to policies or legislation distasteful to Hindu religious or social feeling.

Since the League's accession to power was blocked in the Punjab, tension, with neither war to inhibit it nor large determined British forces to control it, mounted. "The British could only argue and persuade; they could no longer command," says Spear. I support this from personal experience. In the service of the Government of India, I watched events from the inside up to the end of 1945, and as a newspaper correspondent I watched them from the outside till 1948.

It is a human weakness to refuse to acknowledge those facts of history which impede policies that we cherish. Fortunately, human beings can learn from experience. I recall these incidents of an unhappy period solely in the hope that reflection over them may throw light on present discontents. Both Spear and Moon agree with the late Maulana Kalam Azad—an Indian patriot if ever there was one—that the Congress did more than anyone else to build up mass Muslim support for the League by their refusal to acknowledge the weight of feeling behind the League. In his autobiography, "India Wins Freedom", the Maulana recalls that when in 1937 he was negotiating, on behalf of the Congress High Command, the formation of the UP Congress Ministry, he went out of his way to secure, in writing, the League's agreement to nominate two members as coalition Ministers in the Congress Ministry. The Maulana characterises Mr. Nehru's subsequent failure to include League nominees in the Ministry as "a great mistake....Jawaharlal's action gave the League in the UP a new lease of life...."

Secondly, the Maulana reveals that the 1946 Cabinet Mission's plan for a federation was based on his own scheme, substantially accepted by the Congress (a) as drafted by him and (b) as eventually published by the Cabient Mission. After Congress had accepted, Mr. Nehru (in a speech described by his biographer and admirer, Michael Brecher, as "one of the most fiery and provocative statements in his forty years of public life") declared that the "Congress was committed to participate in the Constituent Assembly, but to nothing else." Dr. Brecher says that this speech "sparked the collapse of the Cabinet Mission" and "was a serious tactical error," a view which the Maulana sorrowfully elaborates over several pages, pointing out that it led to Jinnah's proclamation of "direct action." The Maulana's criticisms should carry weight because he is not "anti-

Nehru", to whom, indeed, "as friend and comrade", he dedicated his book.

Was partition "inevitable"? Since I believe in free will and oppose the Marxist determinist view of history, I reply "No", with the qualification that partition gradually became "inevitable" as one human decision after another deepened the channel towards it. What, then, was the final decision that opened the flood gates? Moon, Spear, and the Maulana, agree that it was the refusal of Congress to declare unequivocally their acceptance of the 1946 Cabinet Mission's proposals for a federation in the sense that the League understood them and the Cabinet Mission had intended them (See Moon pp. 42/64. Spear pp. 407/418. Azad p. 155.)

WAS PARTITION AN EVIL?

Was partition an evil? Spear has a point when he says (p. 417) that the loose federation that would have emerged, if the plans discussed in 1945-46 had been accepted, so limited the central government that it is doubtful if the great developments of Nehru's India would have been possible under them. Even in today's India, much political energy is dissipated by factions in jostling for position instead of concentrating on giving real life to the concept of "India". Partitioned India has, at least got rid of the powerful faction that the Muslim League, and its millions of supporters, would have added to an undivided India with a weak centre. Industrial development today is handicapped by competition from factions to secure favour for their particular regions. What would be the position if the areas covered by Pakistan had been added to the competitors? Would not development have been retarded by party tactics and the Five Year Plans have foundered in party polemics? Only a joint directorate of the Congress and the League, ready to co-operate without reserve, could have achieved the development which has actually occurred. The feelings created in both Congress and League by the successive decisions of each, that followed the rejection of the Maulana's scheme for a UP coalition in 1937, rendered it "inevitable" that a joint directorate would have failed. Moon (whose devotion to India is proved beyond question by the manner of his resignation from the ICS and by his subsequent years of service to independent India in positions of high trust) goes further than Spear. It was, indeed, fortunate, he says, that the final attempt to retain political unity failed, for, in the state of feeling reached by 1946, an Indian union would have been at sixes and sevens and "the end would have been a civil war far more devastating in its effects than the severe, but short-lived, blood-letting in the Punjab. The whole sub-continent....would probably have foundered in Chinese chaos."

Can further partitions be avoided today? To prevent this, I suggest, in the first place, that India's Prime Minister and Pakistan's President should pursue policies that strengthen and consolidate the other state, and that avoid the nursing of resentments in their respective minorities. One weak neighbour means trouble for the stronger. Two weak neighbours mean trouble for each other.

Henry Havelock (1795-1857) said that in any regiment there were 10 per cent goondas, 10 per cent men who would lead anywhere and do anything, and 80 per cent who would go anywhere and do anything if properly led. In a democracy, elected leaders tend to follow the 80 per cent rather than to give them forthright leadership. This leaves the masses at the mercy of goondas. Now, you can't lead men without understanding, and I wonder if "The Eastern Economist" did not lay its finger on the truth when, referring on October 13, 1961, to the complacency of the National Integration Conference, it asked if these eminent people were not blind to realities, or "are they basically, in their passion for reason and intellect, removed from the masses in which these powerful political currents" (communalism, casteism, and regionalism) "are at work? If they are in fact blind, can the blind lead the blind....?"

Is the campaign for Hindi not an example of blind leaders leading astray the 80 per cent ordinary, decent, muddle-headed average men? Is it not true that, as Spear points out, the drive to make Hindi the national language not merely offended the non-Hindi speaking areas, but promoted separatism by strengthening the demand for local units of administration where a local language could be used for state business? If you force Hindi on a non-Hindi speaker for national purposes, it is only logical and human nature that he should insist that he be allowed his own language for local purposes.

BARRIERS BETWEEN COMMUNITIES

BUSY PEOPLE in industry, education, government, and the diplomatic service, have little leisure for reading. They want to be sure, therefore, that the subject of a particular book is one that concerns them and that the book itself is authoritative and worth while. One of the aims of this column is to draw attention to some of the more important books as they come out. But here we come up against a difficulty. If a book is worth reading, a columnist who creates the impression that he has summarised its essentials may do potential readers a disservice by leaving them with the illusion that they have read it.

Now, for all those concerned with the problems of social tensions and political integration in India, I believe that the three books which I have mentioned in the prvious articles in this series: "India: A Modern History" (Cresset Press. London. 1962, 63sh.), by Percival Spear, "Divide and Quit" (Chatto & Windus. London. 1961. 30sh.), by Penderel Moon, and "In The Minds of Men: a Study of Human Behaviour and Social Tensions in India" (Basic Books. Inc. New York. 1953), should be compulsory reading. I have indicated various points that these distinguished authorities have made, but you will be making a big mistake if you now sit comfortably back in the fond belief that you have read them through this column. My home-work consists in picking them out from the unending flow of new books, mulling over and assessing them, and drawing your attention to them. Your home-work consists in borrowing them, (or, better still, buying them because they will remain the standard works on their subjects for years to come).

Another important contribution to these problems was made by Dr. C. D. Deshmukh, now Vice-Chancellor of Delhi University, in a paper read before the conference on tensions in developing countries held last winter under the auspices of the Overseas Development Institute, 160 Piccadilly. London. W.1. (from whom copies of the text may be obtained). Dr. Deshmukh's paper is a symposium of views submitted by many leading authorities at the seminar on Tensions of Economic Development in South-East Asia, held under the auspices of Bombay University in 1961.

DR. C. D. DESHMUKH'S VIEWS

In the course of this paper, Dr. Deshmukh said that Indian observers of all shades of opinion felt that the functioning of the parliamentary system in India, although not perfect, would gradually improve in practice, particularly as a result of "prudently supervised democratic decentralisation. "However," he added, "it would be rash to indulge in prognostications....as the course of history is often influenced by powerful individuals or their absence." (This is the most discreet

formulation of the crude question "After Nehru who and what?" that I have yet come across). "Already in India," Dr. Deshmukh continued, "positions are being taken up against the possibility of the break-up of the existing ruling party....An asset in the bigger countries of Asia is that people are largely civilised, shrewd, and intelligent, even if unlettered, and they are willing to be educated and led. Essentially therefore the issue is good and enlightened leadership. We are too near the events which led to independence, and to the formal introduction of democracies into these countries, to be able to say whether a competent normal leadership will arise or not. There is no reason why it should not, given some imagination and rectitude on the part of the existing leaders, and an adequate measure of foreign assistance in their efforts to raise standards of living in the quickest possible time. It is particularly for the top leaders to give up the trade union sort of attitude, enlarge their ranks by talent from outside—which is available—and consciously to build up the echelons of second rank leaders. Particular care should be taken to give a sense of participation in the national effort to everybody, by encouraging the development of an effective opposition party. This necessarily means the abandonment of the many questionable devices now used for the prepetuation of power by a small group in power because of some historical circumstances."

"So far as India is concerned," Dr. Deshmukh went on, "I am convinced that Mahatma Gandhi was right in advising the dissolution of the Congress Party and the formation of more natural parties according to important social and economic principles. The present governmental struggles often range round persons, because there are hardly any principles round which they could range. One of the great weaknesses of the present situation is the absence of a real or effective parliamentary opposition. The internal party disputes are often necessary, nevertheless, in order to bring up leaders of the required calibre, and too much interference from the central party organisation in such processes seems authoritarian and anti-democratic. In the final analysis, the conduct of human affairs is conditioned by leadership at all levels, and that order of society will flourish in the long run which gives ample opportunities for the growth of leadership at every level."

Tension between social groups, it should not be forgotten, are not peculiar to India. They are characteristic of every dynamic society, undergoing change and growth. They are inevitable as new ways of producing goods displaced old ways, and inventions displace old-established goods. The difference, however between India and, say, Germany, is that the bulk of Germans do not live at subsistance level; they have a margin of income or savings to tide them over a period of adjustment, whereas the bulk of Indians do not. Hence the fierce resistance to change. It is all very well for intellectuals to criticise the caste and joint family systems, or communal exclusiveness, but, by and large, caste and community provide India's most effective and cheapest system of social security.

HOW TO REACH THE MASSES?

Social tensions can, nevertheless, be reduced if national leaders keep explaining the reasons for their development, social, and other policies, and the long-term benefits to be expected. Unfortunately, in India, the means of communication to the people open to the national leaders have their limitations. In the first instance, their messages reach the people through press and radio. But of India's 6,000 newpapers, the circulation of only some 3,000 is known, and is estimated at only 110 lakhs, and the number of radios licensed is only slightly more. It is true that several people read each copy and listen to each radio set, but even so the number reached direct is tiny. The masses get their information indirectly at second, third, or fourth hand, because the statements of the national leaders made in one language have to be translated into many others, and in so doing they may lose much of their force, or may be distorted in the filter of translation. Moreover, considerations of space rarely allow them to be more than summarised (and if given in full they are usually so verbose as to daunt the average reader). Next, all news is sub-edited in accordance with local interests. Local news normally takes precedence of national developments. Finally, how many people read their papers thoroughly? How many radio listeners remain switched in when popular music yields to news and serious talks? If these considerations apply to the first line recipients—those who can read and listen—how much news will reach the masses of non-readers and non-listeners, and how distorted will it be?

Gardner Murphy in his study "In The Minds of Men", made at the request of the Delhi Ministry of Education, points out that the channels by communication to the masses are inevitably and largely along the lines of language, community and caste. Since, also there is both a Muslim and a Hindu press, it is not surprising that news of communal disturbances takes on two essentially differing guises, one of which is circulated to Hindus through Hindi sources and the other to Muslims through Muslim sources. Supposedly authentic and factually well documented news therefore becomes accepted as such by all members of one community but not by the second. The basic facts and interpretations of one group are unknown to the second group, since each relies entirely on its own separate sources. In Europe, there are, of course, newspapers devoted to special interests of, for example, Roman Catholics and Jews, but these are normally small circulation weeklies, not dailies, and in a Protestant country, Roman Catholics and Jews normally rely on daily newspapers read primarily by Protestants; vice versa in a Catholic country; and even newspapers aimed at one religious group are likely to be restrained by the knowledge that any sectarian view will be seen and criticised in the non-sectarian press.

There is no quick and easy solution to this problem of communication in a vast multilingual, multicaste, and multi-regional country like India. But surely one of the biggest weapons for breaking down the barriers should be improved primary and secondary education. When I see that out of a total budget of Rs. 1023 crores, no less than Rs. 283 crores, or 27 per cent, are spent on armaments, I cannot help wondering whether the people of India would not be better defended if, say, three quarters of this sum were spent on Gandhiji's Basic Education schools. I wonder whether, if the suggestions were made to him, President Ayub would not hasten to agree to a similar proportionate cut in his own armaments expenditure for diversion to education. As far as China is concerned, India and Pakistan are not primarily defended by their armies, which could be swallowed up by China's hordes, but by China's knowledge that if she started up something serious against India or Pakistan, she would unite not only the whole free world against herself but the USSR as well.

I propose to discuss suggestions made for education in India by Gardner Murphy, and in the developing countries as a whole by Mr. Max F. Millikan, Director of the Centre of International Studies at the Massachusets Institute of Technology, in the final article of this series next week.

The European Scene

BELGIAN IDEAS ON WORLD TRADE

From Our Special West European Correspondent

BRUSSELS, March 31.

IT'S an ill wind that blows nobody any good. The vast industrial expansion that has taken place in the West in recent years, and which has widened the gap between the rich and poor nations, has not been long in producing signs of near-saturation in certain markets and of excess capacity in several industries, so that manufacturers realise that the only chance of sustaining their sales is to offer longer and easier credit to potential customers in the developing regions. It is a fair guess that the life of export credits will be lengthened until the present limit of five years, under the Berne convention, is honoured more often in the breach than in the observance. Switzerland has already extended export credits to as long as seven years, and in fact the regulations no longer specify any limit. Canada has gone further, and credits can be up to fifteen years long. Belgium this month joined the movement and created a fund for the re-financing of credits beyond the five-year limit so far observed. The State organisation charged with the matter is henceforth able to finance credits as well as insure them, though in theory its financing activities are to remain exceptional. Belgium (and hence Luxembourg, for this concerns the Belgo-Luxembourg customs union) is the first Common Market country to have an export credit mechanism as generous as Britain's. Since Holland has agreed this month to combine her export-market prospecting with Belgium, it is likely that easier terms will be available for all Benelux exports. In time, the other three members of the Common Market will probably bring their credit facilities into line with those of Benelux.

It is easy to understand why Belgium should be in the forefront, at least as regards the Common Market, in this affair: extraordinary as it may seem, this small industrialised nation exports 40 per cent of her gross national product, and between 65 and 70 per cent of all her industrial output. Indeed, one finds among the leading Belgian companies cases where the reliance on export markets is even greater than that. For example, Gevaert Photo Products, the star of the Brussels Bourse and the world's second in this line (after Eastman Kodak), exports no less than 94 per cent of its output! And its output last year, covering 13,000 different products, was worth the tidy sum of 5,000 million Belgian francs, or about Rs. 50 crores. These exports were genuine exports, and not just the addition of the output of foreign subsidiaries, for Gevaert does not believe in manufacturing abroad, claiming that quality control is too difficult in overseas plant. Furthermore, Gevaert is directly concerned with the purchasing power of the developing countries because they count among its main clients for medical and industrial photographic equipment (X-ray film for medicine and for material-testing in steel and other industries, quality control apparatus, photo-copy and sound-recording equipment for offices, etc.); the medical and industrial divisions of this gigantic firm far overshadow the division making material for amateur photographers.

Gevaert's 94 per cent is perhaps an extreme case even in Belgium, but firms selling 70 to 80 per cent abroad are far from rare here, and they include some heavy industries such as steel, mechanical construction and weapons. Whereas the French company Alsthom, maker of the record-holding electric locomotives, is regarded as a curiosity because it has been exporting 50 per cent of its output for the past ten years, and whereas French, German and British automobile companies are held to be in an unsound position when they have to rely on export markets for 40 to 50 per cent of their sales, in Belgium such situations are perfectly normal. A tiny country with nine million inhabitants, so heavily populated that it has more per square mile than any other in the West, with a negligible agriculture but a highly developed industry that is heavily biassed toward basic production (steel and metallurgy) and that gives it the highest revenue per head in the Common Market, Belgium is inevitably sensitive to the currents of international trade and feels, before her bigger partners, the need to keep export moving by subsidising the purchasing power of promising customers.

Of course, most of her exports go to other industrialised nations. About 76 per cent are absorbed by West Europe and 53 per cent by the rest of the Common Market alone. Yet far from making Belgian industry complacent about current trends in international trade, these facts make it aware, earlier than others, of the difficulties that are blowing up for Western industries that have installed excess capacity and done little to boost the buying power of the developing nations. The liberalisation of trade between industrialised economies (and Belgium has been at the front of this movement from the start, first in the Belgo-Luxembourg union, then in Benelux, then the Common Market, next as the advocate of British admission to the latter and lastly as favouring the US plan for freer trans-Atlantic trade) is not taken by these dynamic global merchants as the panacea; quite the contrary, it often serves to bring out the extent of over-investment in the West when it leads to competitive dumping. Going through Belgian company reports this week, one has seen literally dozens of warnings about the cut-throat competition that is developing between Western industrialists and complaints of dumping practised between rich nations that will not assist poor nations to buy their surplus goods.

The coal companies, still recovering from the crisis in the Borinage last year that led to a general strike and rioting, warn of the glut of solid fuels and the likelihood of a chaotic energy surplus unless West Europe rationalises its fuel policies, cuts back production, limits imports and prevents over-investment in new energy sources. The oil companies (the Belgian Petrofina belongs in the top bracket of this department) warn of excessive outlays in pipelines and tanker fleets; the recent discovery of a natural gas deposit in nearby Holland, the appearance of Russian oil and the invasion of German distributors into the Belgian market underscore their point. The shipbuilders (Cockerill-Ougree's yards rank among Europe's biggest and can launch vessels of 70,000 tons) refer, needless to say, to the current excess of world tonnage, which is being worsened by sustained investment in new vessels as owners seek to meet competition by modernising their fleets. Cockerill-Ougree, which is responsible for 32 per cent of this country's steel output, complains of the limitation that the Coal and Steel Pool has imposed on its production because of the recent steel glut; while other steelmakers denounce the plans of Cockerill-Ougree and Arbed (of Luxembourg) to build a big new mill at Ghent, which will exacerbate the surplus. Union Chimique Beldge, which has just emerged from the amalgamation of three of the country's biggest public chemicals companies, an amalgamation that was dictated by the increasing competition inside the Common Market, complain bitterly of American dumping of synthetics and basic chemicals on the European market. Belgium has no motor car manufacturing industry but it is a favourite site for the implantation of assembly plant; German Ford have just announced that they will follow the British and French firms that already assemble here, with a Rs. 35 crore investment at Genk to assemble the "Taunus"; so Belgians are well aware of the frantic competition in this industry too, which is leading manufacturers to build plant that cannot possibly all be working at full capacity in five years' time.

Moreover, Belgium finds itself right in the line of fire in the struggle between the USA and the Common Market, firstly because it is a haven for US firms seeking to get established on the right side of the common external tariff (Ford, Du Pont de Nemours, Parke Davis, Procter and Gamble, Outboard, Twin Disc Clutch and a score of others have rushed in these last few years); secondly because as a major exporter Belgium has run head-on into the difficult trading conditions now known inside the USA, and the protectionist measures being taken to relieve them. While Washington was publicising its grandiose schemes for freer trans-Atlantic trade, Belgian exporters encountered the hard realities of American trade practice. Washington announced last week that the import duty on glass was raised brutally from 1.3 to 3.5 cents per pound weight; it happens that Belgium is the USA's principal supplier, mainly because of the firm Glaverbel which makes 90 per cent of Belgian production and has the world's biggest capacity for plate glass: 60 million square metres. Simultaneously, the American duty on wool carpets was raised from 21 per cent to 40 per cent, a measure that will hit Japan first but will also stifle all Belgian sales and thereby reduce several thousand workers around Courtrai to idleness. The subsequent warning that the USA might impose special duties to prevent "dumping" of six makes of European cars could also affect Belgium, where certain of these brands are assembled for export. Petrofina's annual report contained the customary complaint about US restrictions on oil imports, for this firm's Canadian subsidiary, Canadian Petrofina, is thus prevented selling just over the border to the northern American states. Belgian shipowners, finally, joined their European colleagues in condemning the flag-discrimination introduced by the USA to assist its maritime industry.

In brief, Belgian industry is well placed to measure the extent of excess capacity that has appeared after the Western industrial boom, and the inability of freer trade within the Western world to relieve the situation —even where freer trade is sincerely practised, which it is not so far outside the Common Market because hampered by so many unavowed protectionist instincts. Perhaps Belgian apprehensions are exaggerated by the circumstance that this is a small nation, with a restricted home market, and with a living standard that is already the Common Market's highest in many respects. One finds here, therefore, none of the blissful confidence that an indefinite widening of the domestic market and the raising of living standards must surely absorb all increasing output; this being the mood that dominates in France and Italy in most, but not all, industries. No one here concludes that a classic over-production slump will develop, because everyone feels vaguely that it would be an impossible absurdity for the West to collapse under the weight of its own wealth and industrial power at a moment when its obligation to assist progress elsewhere is admitted by all. But for that, a vast and generous extension of the terms on which the industrial West trades with the developing nations will be necessary. Hence the support, which one hears expressed here more often than in other European business capitals, for measures to increase the earnings of raw-material producers (such as the fixing of higher world prices, suggested last year by M. Baumgartner) and to facilitate their purchase on credit of industrial goods.

A EUROPEAN ECONOMIC PLAN

PARIS, April 7.

HOW long will it be before there exists a European economic plan, in the sense that there already exist national plans in France and Holland? The question is a fair one, since it is sure that the Common Market (and even more, the enlarged Common Market) will have to have a plan eventually and it is only a question of how long recalcitrant members take to recognise the fact. Indeed, one may now say recalcitrant member in the singular, for it is only West Germany that maintains doctrinaire objections to the very principle of economic planning. France and Holland have plans, as noted, though of very different sorts. Italy was already coming round to admit the necessity of a national plan last year, and the "opening to the Left" constituted by Socialist support for the new Ministry has hastened the evolution. The present Government proposes to create soon a Plan Committee charged with preparing a general economic orientatoin plan (what is called here a "prospective") as well as detailed Five-Year Plans for all industries. It seems likely that as from next year Italy will have a national plan comparable with France's.

In Belgium, the evolution of opinion started earlier and dates in fact from the near-collapse of the Belgian economy in last year's general strike. A Bureau of Economic Programming (Belgium still bridles at the word "plan" but not at the reality) was set up last year under the professor Baron Kervyn de Lettenhove and, although its staff is small, it will have ready in three months or less a report on a Belgian national plan, on the relation between national planning and regional planning (this issue is live in Belgium because of the discrepancies between the Flemish and Walloon parts of the country), and on the sociological aspects of planning. Already the Bureau has published a target for the economy: an annual rate of expansion of 3.9 per cent up to 1965. Of course the mere publication of this figure (despite the bogus accuracy of saying 3.9 per cent instead of 4 per cent) does not constitute a plan, and one will want to know how the Belgian Government means to go about ensuring that rate of progress. Nevertheless, just by uttering the figure the authorities place a weapon in the hands of the opposition, which is henceforth entitled to ask the Finance Ministry to square its policies with this objective. (It will be remembered that it was the political exploitation of such target figures that was adduced by the Tory Cabinet some time ago as an argument against national planning.)

The Belgian plan, when it is available later this year, will be specially interesting from the point of view of a Common Market plan because, as mentioned in the previous article Belgium exports 40 per cent of her gross national product and 65-70 per cent of her industrial production—and more than half those exports are to present members of the Common Market and another quarter to candidates for membership or association. Thus the target of 3.9 per cent expansion yearly requires that Belgian exports in 1965 be 55.3 per cent higher than in 1959. Obviously, in planning their own expansion the Belgians are by implication planning (or making assumptions about) the expansion of the rest of West Europe. So they run into, earlier even than the French, the problem that brought up the discussion of a European plan: how to plan any nation's growth inside an economic union without general agreement about the rate of growth in the whole area? For the French this is already difficult; for the Belgians it is impossible.

With France, Italy and Benelux committed in principle or in practice to national planning, West Germany is in a minority of one. If the West German economy remained, as it was some years ago, the most prosperous of the six, it could be held up as a living

example of the beneficence of dogmatic liberalism. The example would be highly contestable, of course, for it would be easy to show that German expansion rested on accidental factors, such as the inflow of adult, trained labour, which no liberal theory can take for granted. But as long as the country boomed under the sign of Erhardian liberalism, Bonn could maintain that planning of any sort was a sugar-coated pill of Marxism. It happens, however, that the West German growth rate has fallen from 10 per cent to 3 per cent annually this year, whereas prices are 3.5 per cent higher than a year ago. Dr. Erhard warned last week about the deterioration of German competitiveness on world markets, the inflow of consumer imports, the excessive increase in wage-costs and even the danger of unemployment if present trends continued uncorrected. There is no need to dramatise West Germany's situation, or even to accept Dr. Erhard's interpretation of its troubles. The present point is not to argue that liberal Germany is doing worse than her planning neighbours (that would be hard to prove, and when proven would leave undemonstrated the assertion that it was planning that made the difference) but simply that as an object lesson of unplanned prosperity West Germany is less convincing a case than it was. The most one could say, at this moment, is (to quote a Parisian capitalist paper this week) "by dent of becoming more and more American, Germany runs the risk of encountering soon the same problems as America".

More important for Germany's opposition to a European plan is the approach of Great Britain to the Common Market, for London's conversion to the European ideal coincided with her conversion to the principle of national planning. If Britain becomes a member of the association just when she is making her first experiments in democratic planning, the camp of European planners will be considerably reinforced, and German aversion might be more readily overcome. Whatever the feelings about Britain's admission among other sectors of opinion, it is no secret that the French Plan Commission is an ardent supporter of London's application, for it sees in this the best hope of convincing the Germans that the enlarged association needs an overall economic plan. Needless to say, British backing is not expected for any essay in dictatorial planning of a socialist type, but then no one is suggesting that sort of plan. It is just to the extent that Britain, and under a Tory Government at that, agrees that there is value in French indicative planning, that Paris hopes to overcome German reticence.

In reality, piecemeal planning is implicit in the effort of economic unification. The Six have already discovered that the venture is impossible without a joint agriculture policy, an all-Europe fuel policy, and so on. Not that they have succeeded in elaborating all such sectional plans; they have for agriculture, but have not yet done so for fuel, transport and other matters. Yet everywhere that difficulties have blown up in a field where there was no general agreement on planned objectives, the work of integration has been undone. In coal for example, the Six waited passively until the overproduction crisis began, they made no attempt to co-ordinate their coal imports and they made no study beforehand of the likely effects of the relative fall in liquid fuel prices or of the transfer in industry from coal to oil. The upshot was an immense accumulation of coal at the pitheads, of course, but that is less my present point than that the slump inevitably hit one member worse than others and so that member had to be allowed to withdraw temporarily from the united coal market. It was Belgium, as it happened; that country is at present isolated from the rest of the coal pool, and its government has prepared a recovery plan that is a violation of the six-nation treaty. In other words, integration was undone by failure to work out a joint fuel policy. And how can one work out that without making projections of the role of each sort of fuel in industrial expansion and about the pace of expansion itself? Thus, the very attempt at integration implies a general plan for the whole region, unless one assumes that by a miracle all private investment programmes are going to fit together harmoniously without any danger of over-production.

Such an assumption might be more or less defensible within any one national economy, but it is absurd in an emerging economic union of many nations, because the prospect of a wider market stimulates all producers to invest more. Each government might see that its producers are overinvesting and, if the national market were still isolated, would promptly prevent them, e.g. by making credit dearer. But when it meets the argument that its producers must be allowed to invest more lest other producers in neighbouring countries conquer the wider market, it withdraws its objections. Taken individually, the Governments in Bonn, Paris and Rome all know, for example, that German, French and Italian automobile manufacturers are installing capacity that has no hope of being fully employed, especially in view of the expansion of U.S. implantations in Europe and of the mutual tariff reductions on car imports between the USA and Europe. But no one of them is willing to restrain its own nationals (indeed, often its own enterprises, since car factories are among State or semi-public concerns in each nation) for fear of advantaging competitors who achieve economies of scale.

It is because current investment programmes in Great Britain, West Germany, France and Italy forecast production of 9,300,000 cars in 1965 (against 5,861,000 in 1960), whereas likely demand is only for 8 million including exports, that France was able to persuade her partners to study the future of this industry. The word planning has nowhere been mentioned, but when the ECM Commission set up a committee in Brussels to study and make recommendations about the expansion of the European auto industry, it is in fact the first step toward a plan that is being taken — for one industry only, admittedly, but a vital one and one that has an evident impact on public expenditures on roads and on rail transport as well as on other equally vital industries like steel, rubber, textiles and oil refining. The report and the recommendations of this committee will be available shortly. No one expects that, on reading it, the Council of Ministers will issue orders to this firm and that to stop doing one thing and start doing another; if that is what German liberals understand by planning, then of couse there is no planning in France and Holland and none contemplated in Britain, Italy or Belgium. On the other hand, it is very likely that the Council or the Commission will advise producers to put their heads together, adjust each plan to the other's and to what is known of public policy over the next few years, to take account of the simultaneous forward programmes of other related industries and to see that their own programmes are well known to those who will have to supply them with materials and credit. By whatever name this process of adjustment must be called to spare German liberal sensibilities, it is what others call democratic planning, and it is to that that West Europe is tending increasingly.

Economic Report from the U.S.

ECONOMIC POLICY FACES A NEW CHALLENGE

By GUY SIMS FITCH

WASHINGTON, March 28.

IN agriculture, no less than in industry, economic policy faces the challenge of putting men and resources to productive use. This is a matter of pressing importance to the changing and growing U.S. economy, where developments in the farm and business sectors are inextricably linked. Agriculture's role in U.S. economic growth has changed sharply in recent years. It may seem strange in a country noted widely for its agricultural abundance, but as recently as the first two decades of this century there was serious public concern in the United States whether agriculture could continue to meet the food and fiber needs of the nation's expanding population. Public attention was focused on ways of improving agricultural technology.

By the 1950's, the full effects of agriculture's rapid technological progress were being felt, despite the disruption in the intervening years of the great depression of the 1930's and two international conflicts—world war two and the Korean hostilities. Between 1950 and 1961, labour use in agriculture declined by almost one-third, while output increased by more than one-quarter. As a result, the relationship of the farm sector to the rest of the economy was transformed. No longer was there any doubt about U.S. agriculture's ability to meet even the most strenuous demands for food and fiber. In 1910, it required 13.6 million farm workers to feed a nation of 92.4 million; in 1960, 7.1 million farm workers fed a nation of 180.7 million with greater abundance and variety than ever before. Today the nation's farms continue to produce in undiminished abundance, although farm workers now constitute less than 10 per cent of the total labour force, and in the face of farmers' voluntary acceptance of production controls under government programmes. On the average, the outmigration of workers from agriculture has run between 100,000 and 200,000 a year during the past decade, and the process still goes on. Policies designed to stimulate over-all economic growth can facilitate this outmigration and can help promote better use of the nation's resources. President Kennedy's comprehensive farm programme, which Congress now has begun to take up in detail, is one important element in this national effort. It is designed, in the main, to reduce the resources devoted to the production and storage of commodities in excess supply. In addition, the Department of Agriculture has plans to make effective use of land released from production. At the same time, policies to increase the mobility of labour generally and the flexibility of the entire economy also are required if workers from the farms are to find worthwhile jobs in industry. The Kennedy administration's stress on such programmes as area redevelopment, vocational guidance and job training, and enlarged employment information services are important steps in this direction as they contribute to the vitality of the economy as a whole.

Two new and significant steps to broaden business and employment opportunities have been launched within the past few weeks. A vast manpower retraining programme to fit up to one million workers for new jobs in the expanding U.S. economy has become law, and President Kennedy has just recommended to Congress a large public works programme to stimulate increased activity in those parts of the country which have been lagging behind the general economic advance. All these moves are directly related to the economic growth of the nation. For new industrial skills will do the newcomer from the farm little good if large numbers of experienced workers with the same or similar skills also are seeking employment. In this sense, the availability of the jobs that a fully employed economy offers is central to the solution of what has become known as the "farm problem" in the United States.

SETTLEMENT IN THE STEEL INDUSTRY

PITTSBURGH, April 4.

THE entire nation has won a major economic victory with the early and non-inflationary settlement of the labour-management negotiations in the steel industry. Here, in a capsule, is an example of the free collective bargaining process at its best. Neither side gained everything it sought. But what has emerged is a reasonable and highly acceptable compromise, with important advantages to both management and labour and to the economy as a whole. The settlement reflected the primary concern of the Union—the United Steelworkers of America (USW)—with employment and job security rather than wages at this time. Under their old three-year contract, which expires June 30, steelworkers received a wage increase as recently as last October. Their average earnings come to about $3.30 an hour, just above the highest for any major U.S. industry.

A significant achievement in the new contract is the introduction of new vacation and savings plans which could help spread the work load and open up thousands of jobs. The agreement also calls for increased pensions and broadened seniority rights. Another important provision would increase the supplemental unemployment benefits paid to laid-off and short-time workers. In addition, a joint union-industry committee will take up a number of problems of mutual concern, expanding the work begun by a human-relations committee set up under the expiring contract. Union officials credit that committee with contributing substantially to the new accord and to the creation of a bargaining atmosphere which has brought the first peaceful steel settlement since 1954. The administration of President Kennedy is elated with the steel settlement — both by the speed with which it was negotiated and by the moderation of its terms. The belief is that the steel companies will be able to absorb the additional costs without general price boosts. The reported settlement is well within the bounds of industrial productivity increases in the United States, which have been estimated by the President's Council of Economic Advisers at roughly three per cent a year.

The settlement has been approved by U.S.W. officials, but it still must go to the local unions of various plants for their ratification. Representatives of the eleven major companies which participated in the bargaining sessions have begun a series of meetings with local unions to hammer out these local agreements. If all goes well, formal signing of the new steel contracts could come by the end of this week or next. One of the side effects of the early settlement may be acceleration of the entire pace of labour-management bargaining, to the further advantage of the economy. Now that the basic agreement has been reached, the U.S.W., which represents all told nearly one million workers in steel and related industries, is beginning the process of reaching speedy accords with the smaller and speciality mills. Bargaining with major aluminium makers is expected to begin in about a month on a new contract to replace the one expiring July 31. Union spokesmen are confident that the new agreement will win ready support from the rank and file.

Special Article

MAN MADE FIBRES

By N. A. MOLLAH

THERE has been a quiet revolution in the world textile fibre industries during the last two decades or so. Artificially produced fibres, popularly known as man-made fibres or chemical fibres, now encroach on almost every use of natural fibres, such as cotton or wool.

There are two main groups of man-made fibres. The first group is derived from cellulose—the basic materials of which are wood and similar pulps and cotton linters; and the chief products of this group are rayon and acetate. The second group—the synthetic fibres are manufactured from various chemicals derived from coal and oil. There is also a third group—the protein fibres made from casein—a derivative of milk and oilseeds.

By far the greater proportion of cellulosic fibres consist of rayon (viscose); and acetate products have various trade names, such as Arnel, Triacetate, Triabene, Trilon and Tricel etc. The synthetic fibres and their different sub-groups offer a wide variety of products. Within the polyamide sub-groups there are three different types of nylon. Terylene is the product of the polyster sub-group and poly-acrilic fibres have trade names like Orlon, Acrilan, Darlon and Courtelle. Polyproplyne fibres and other forms of synthetic fibres (such as vinyon, Reevon, Drylene, Manryon, Wooion, Rhovyl, Zefton etc.,) are manufactured in some other countries.

The man-made fibres industry is still in its infancy and new fibres are appearing all the time on the market with attractive trade names. All these fibres are produced either as continuous filament yarn, that is, a thread consisting of one or more filaments ready for weaving or knitting; or as staple fibre—were filaments are cut into short lengths for spinning in the same way as natural fibres.

The production of textiles has increased steadily along with the rising standard of living in the world. The table below shows the production of cotton, wool and man-made fibres in some selected years since 1913.

TABLE I

WORLD PRODUCTION OF COTTON, WOOL AND MAN-MADE FIBRES
(In million pounds and in per cent)

Year	Rayon & Acoetate	Synthetics	Total	Per cent	Cotton	Per cent	Wool	Per cent	Total
1913 ..	24	—	24	—	10,950	86	1,730	14	12,704
1929 ..	444	—	444	3	12,600	82	2,250	15	15,294
1939 ..	2,243	—	2,243	12	13,060	74	2,460	14	17,763
1949 ..	2,743	104	2,847	15	14,312	74	2,238	11	19,397
1951 ..	4,008	228	4.236	17	17,534	73	2,356	10	24,126
1955 ..	5,035	582	5,617	19	20,917	71	2,780	10	29,314
1960 ..	5,748	1,564	7,312	22	22,514	68	3,184	10	33,010

Source: I.F.C.A.T.I. Annual Report 1960 and Quarterly Report, December, 1961.

The production of cotton and wool increased steadily throughout the period, but in terms of percentage the figures reveal a slower rate of growth compared to that of man-made fibres. Since 1949 the production of rayon and acetate has been more than doubled. Synthetic fibres became a commercial proposition in the beginning of the fifties and within the span of that decade production multiplied eight times. The progress of man-made fibres is also marked by the declining share of cotton and wool in the total textile fibre production.

The production and development of man-made fibres are growing at a rapid rate and they offer tremendous possibilities by virtue of their multifarious uses, strength of filaments and their "wash and wear" qualities. The consumption of these fibres has steadily increased since the war. But cotton has maintained an adequate share in terms of volume of total production and the present consumption levels are still more than twice the quantity of wool and man-made fibres taken together.

The table below gives the production figures of the leading man-made fibre producers in 1960.

TABLE II

(In million pounds)

	Rayon & Filament	Acetate Staple	Total	Non-Cellulosic Man-made Fibres	Total
U.S.A. ..	654.5	374.0	1,028.5	677.2	1,705.7
Japan ..	314.8	640.8	955.6	260.8	1,216.4
West Germany ..	164.6	378.8	543.4	115.9	659.3
U.K. ..	186.4	269.6	456.0	136.0	592.0
Italy ..	179.6	176.5	356.1	74.3	430.4
France ..	121.2	140.2	261.4	99.8	361.2
U.S.S.R. ..	235.0	185.0	420.0	45.0	465.0

Source: Cotton Year Book, 1961.

The United States is the largest manufacturer of man-made fibres, though before the war the development of the rayon industries in Germany and in Japan put these countries well ahead. Since the war, the development of the artificial fibre industries has been rapid. Rayon is now manufactured by almost every country, but synthetic fibres are produced mainly by the industrialised countries of the West—the major exception being Japan which ranks second in man-made fibres production. The Communist countries are still lagging behind some of the countries of the West in the production of synthetic fibres.

In many countries the man-made fibre industries are a highly protected sector of the economy, and the spectacular rise of these industries throughout Europe and in Japan could be accounted for by the assistance given by governments in many forms to these industries which, unlike cotton and wool, are not dependent on imported raw materials. Another feature of the man-made fibre industry is its oligopolistic character marked by a well pronounced tendency towards vertical and

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horizontal integration. Vertically this industry embraces the manufacture of various chemicals and plastics for its raw materials while horizontally, the combination covers the production of different types of fibres.

Man-made fibres are being put to ever-increasing uses both for domestic and for industrial purposes. The table below indicates the main uses of the man-made fibres in the United States in 1959.

TABLE III

(In per cent)

	Clothing		Women's under garments	Tyre Cord	Carpet	Other furnishing	Industrial uses	Others
	Men	Women						
Rayon & Acetate ..	7	10	5	24	8	17	5	24
Synthetic	11	12	10	15	6	9	23	25

Source: Barclays Bank Review: August 1961

Rayon which was developed in the early part of this century as a substitute for silk, was mainly used for clothing particularly for women's stockings and under garments. Before the last war three fifths of the total United States' production of man-made fibres (mainly rayon viscose) went into clothing and only one twentieth for industrial uses. Now the clothing industries absorb less than one fourth of the rayon and acetate products, and of these a greater proportion of the latter goes to clothing. Industrial uses of rayon have increased steadily thus replacing traditional materials wherever possible.

Over one third of the synthetic fibre production finds an outlet in the clothing industries and this outlet is expanding at the cost of rayon and natural fibres. There is also heavy demand for these fibres for industrial uses. The tyre cord industry consumes about one fourth of the rayon fibre but the wider industrial uses of the synthetics counter-balance the large demand for rayon by the tyre cord manufacturers.

An increasing proportion of these fibres is absorbed into end-products that have been traditionally supplied by the natural fibres industries. Man-made fibres are popular for almost any kind of dress goods because of their crease resistance and "wash and wear" properties, their quick-drying qualities and, no less important, their durability. Nylon and Terylene are used for knitted goods which are now in direct competition with woven fabrics. The versatility of these new fibres is obvious when one considers the diverse products, such as fishing nets, ropes, fibre hoses, blankets, interior wall covering decoration, shoe fabrics, conveyor belting, which can be manufactured.

However, the artificial fibres are sometimes blended with the natural fibres to give better "touch" and texture. Terylene is mixed with wool for suits; nylon and terylene are mixed with cotton for shirts, sheets, rain coats, or with wool for knitting. There is ample scope in fibre blending.

Competition between the natural fibres and man-made fibres is ever increasing as the latter trespass into the end uses and industrial uses at a fast rate. In Western Europe the production of chemical fibres rose from a pre-war average of 707.8 million pounds annually to 2.8 billion pounds in 1960. As a result, cotton from all sources is supplying a declining percentage of the textile fibre requirement of Western Europe—the largest importer of cotton. Before the war, cotton represented 60 per cent of all fibres consumed domestically and this dropped to 54 per cent in 1957. On the other hand, man-made fibres increased their share from 19 per cent to 28 per cent in the same period. In the United States, cotton consumption did not keep up with the increase in total consumption expenditure. Per capita consumption of man-made fibre is growing steadily in the United States and in the industrialised countries of Western Europe.

Industrial uses of cotton and wool are giving ground to the high tenacity man-made fibres. Cotton received a heavy blow from the artificial fibres in one respect which is so spectacular that it over-shadowed the recent rising trends in cotton consumption. The tyre cord industries demand for cotton declined by 88 per cent between 1947 and 1957. Again, in the same period, for packing materials, cotton consumption fell by 56 per cent, part of the demand went to these new fibres.

However, there is no cause for pessimism. In the above mentioned period, cotton consumption for ladies' and teenagers' clothing rose by 52 per cent and 33 per cent respectively in the United States. Investigations also show that cotton consumption for clothing in the Western European countries might rise by about 30 per cent or more between 1955 and 1970. It is also expected that with the industrialization of many countries in Asia and Africa and the improved standards of living, per capita consumption of cotton will rise in these countries. This is particularly so with the cotton growing countries or with the countries having a domestic cotton textile industry. Apart from these prospects, a large amount of man-made fibres are utilized by the cotton textile industries for blending and there is ample scope for expansion in this direction.

Keen competition prevails within the whole range of man-made fibres. Nylon has replaced rayon in the manufacture of women's stockings and under-garments, but rayon made a return at the expense of cotton and wool and found new outlets in such products as motor tyres, tufted carpet and cigarette filter-tips. Synthetics invaded the motor tyre cord industry, the expansion of which is assured because of an expanding automobile industry throughout the world. Recently, to the dismay of the woollen industry, nylon, terylene and orlon have invaded the knitwear field and are keenly competing with each other as well as with wool.

Presently, with the major exception of Japan, a large proportion of these fibres is absorbed domestically. But there is growing competition for export markets as the break-neck growth in capacity of the man-made fibre industries in some countries (in many cases under government patronage), is in danger of outrunning demand. Fierce competition among the Common Market (E.E.C.) Countries will only be exacerbated by the entry of the United Kingdom. Du Pont of America—the largest organisation in man-made fibre production—is establishing factories in the Netherlands to compete in Europe. Japan has been carrying out a high-pressure export drive for her chemical fibres and no less than one third of the total Japanese textile export consists of man-made fibres.

The man-made fibre producing countries, sooner or later will look forward to the under-developed countries as a possible outlet. However, at present, the market is very narrow because of the limited purchasing power of the masses and of government policy in those countries to foster domestic cotton textile industries along with the general policy of economic self-sufficiency.

Man-made fibres are supplying a little less than one fourth of total textile fibres, and surely without their assistance the world will suffer from a shortage. But these man-made fibres are bound to go ahead at a faster rate both in volume and in terms of percentage of total fibre production. Competition with the natural fibres and within the whole range of man-made fibres can only be intensified.

THE BUSINESS WORLD

Rationale of Rayon

By CROESUS

BY and large, the Estimates Committee Reports presented to the Lok Sabha are known to be objective and accurate. This is not to say that the Esimates Committee is always infallible. One is driven to this seemingly rash conclusion after reading the Committee's Report on the Art Silk Industry in which it has made two observations which do not stand scrutiny. The first of these observations is that the prices fixed for indigenous art silk yarn are higher than the international prices; the second relates to the control on prices and distribution of art silk yarn and is to the effect that this control has not achieved the objective for which it was introduced.

Now, it may not be known to many that the control on prices and distribution of rayon yarn is a voluntary one, and, according to the officials concerned with this commodity, who ought to know, the control has been quite successful. There seems to be a complete agreement among the concerned interests, namely, the spinners and the weavers and, of course, the authorities also. Under the control as it obtains today, allocation or authorisation cards are issued by the Textile Commissioner or the Distribution Committee set up by the Textile Commissioner, and the yarn has to be distributed strictly according to these cards and at the prices fixed and approved by the Textile Commissioner. There is, thus, no scope for any doubt as to whether the rayon manufacturers charge higher prices or prices other than those fixed by the Textile Commissioner. Evidently, the Estimates Committee's conclusion is based on the open market prices where rayon yarn is said to be selling at a premium. It is unfortunate that a part of the yarn sold by the rayon manufacturers against allocation cards should find its way into the open market. But how can the rayon manufacturers be held to ransom for this? If, as the Estimates Committee has suggested to the Textile Commissioner, any corrective measures have to be taken to remove the alleged shortcomings of the present distribution scheme, the authorities must get at the holders of the authorisation cards who indulge in selling the yarn in the open market at a premium. Incidentally, this raises the question whether the basis on which the Textile Commissioner has issued the allocation cards is not faulty, in that it seems to offer scope for some holders of the allocation cards to receive more yarn than they can (or are entitled to) actually consume for their looms. In other words, it would be necessary to verify the accuracy of the number of looms with the holders of authorisation cards. Here, again, it is perhaps the powerlooms that pose the problem.

It is not clear as to how the Estimates Committee could venture a statement that the prices of indigenous rayon yarn are higher than the international prices. Apart from the fact that no one has cared to define the term "international prices of rayon", a comparison of prices of indigenous yarn with those of other countries is complicated because of a number of factors. In the first place, there are several countries producing art silk yarn of different deniers and of different qualities and shades; secondly, it is common knowledge that domestic prices of yarn, or, for that matter, of any commodity, are not necessarily the prices at which a user in the importing country can get it. For there is invariably a hidden element of subsidy in the prices quoted by yarn-exporting countries, for obvious reasons. For example, the domestic prices of 150 denier yarn in Italy is 139.33 d. per kg., whereas the price at which the same yarn is sold in India is 83.75 d. per kg. Notwithstanding this, it is noteworthy, if not surprising, that the price of indigenous yarn, even after adding the heavy excise duty imposed by the Government of India, compares favourably with the landed cost of imported yarn. The following table, showing the prices of Italian Art Silk Yarn (Snia-Cisa-Chatillion brand) of different deniers compared with the fixed selling prices of indigenous yarn, inclusive of excise duty, bears this out:

	100 Denier Cones	120 Denier Cones	150 Denier Cones
F.O.B Price per kg. in d. after adding one d. per lb. increase from 6-3-62 and deducting 1½ per cent L.C. discount on F.O.B. price	95.50	84.66	84.66
Nett F.O.B. Value in Rs. per kg.	5.35	4.74	4.74
Add Freight, Insurance, Clearing charges and import duty	5.96	4.81	4.81
Landed cost in India . Rs. per kg.	11.31	9.55	9.55
Fixed selling prices of indegenous Yarn (inclusive of Excise duty) (in rupees per kilogram)	10.51	9.14	8.44

It will be seen from the foregoing table that the fixed prices of indigenous yarn are lower than the landed cost of imported yarn. Even if we take the latest domestic prices of yarn in various foreign countries and compare them with the ex-factory selling prices of indigenous yarn, exclusive of excise duty (vide the January 1962 issue of "Skinners' Silk and Rayon Record"), the indigenous yarn prices are relatively lower. Perhaps the only country with a price lower than India's is Japan, but, if we take the average price of a number of countries including Japan, Indian rayon yarn prices are still found to be comparable, as can be verified from the following table:

	Selling price (ex-factory) of indigenous yarn (exclusive of excise duty)	Domestic prices of yarn in various countries of overseas manufacturers (including the increase of 1 d. per lb. recently announced effective from 6-3-1962.			
	Rs./kg.	Country	d/lb.	d/kg.	Rs./kg.
150 Denier on Cones (Bright) ..	6.94	Britain	67	147.71	8.27
		U.S.A.	71.3	157.19	8.79
		Japan	40.94	90.442	5.05
		France	63.0	138.89	7.76
		Italy	63.2	139.33	7.80
		Switzerland	73.5	162.04	9.08
		Sweden	63.2	139.33	7.80
		+12% Average	66.02	139.248	7.79
120 Denier	7.64	Britain	78	160.93	8.96
		U.S.A.	86	189.59	10.60
		Japan	40.94	90.244	5.05
		+7.46% Average	66.65	146.854	8.21
100 Denier	8.26	Britain	76.5	168.65	9.42
		U.S.A.	100.6	221.78	12.39
		Japan	45.86	101.079	5.66
		+19% Average	74.32	163.836	9.82

Committee had indicated the time or year of production of the rayon yarn the quality of which has been specifically commented upon. Surely this cannot apply to the quality of all indigenous rayon yarn today, certainly not to the first quality rayon yarn. One can say unhesitatingly, and without any mental reservations, that the first quality rayon yarn of indigenous manufacture of very good quality is comparable to those of Italian and any other foreign rayon yarn. Until recently, it is true some of our rayon manufacturers were finding some difficulty in manufacturing high quality yarn. This was because of the several difficulties that they had to contend with. There was, for instance, an inadequacy, not to speak of the inferior quality, of spares; secondly, power supply was not only inadequate but widely fluctuating; thirdly, the manufacturers had to reckon with the widely changing climate from season to season; fourthly, we didn't have a sufficient number of suitable and well qualified technical personnel for supervising the delicate processes of rayon manufacturing; and last, but not least, there was difficulty with regard to our labour which has yet to become as productive and careful as labour in the other rayon-manufacturing countries of the world. Fortunately, things have changed and the industry has overcome many of these difficulties, so that the quality of the outturn of the indigenous rayon manufacturers has vastly improved. Even so, at times, because of a technical flaw here or there, the quality of some batches of rayon yarn of indigenous manufacture may happen to be below par, but it must be said to the credit of the rayon manufacturers that such sub-standard rayon yarn is not palmed off as high quality yarn and charged as such. It is time, therefore, that these facts are made known to the members of the Estimates Committee and the authorities, in particular, and the public generally. The Association of man-made fibres owes it to itself and to the public at large to publicise these facts as widely as possible.

The Estimates Committee has also referred to the quality of indigenous yarn. Remarking that "the yarn produced in India barring a few exceptions is not up to the mark", the Committee has asked the Government to take energetic steps to improve the quality of art silk yarn. As in the case of prices of yarn, so also in respect of quality, the Estimates Committee's conclusions would seem to be based on, what has been described as "the consensus of non-official opinion before it." It would have been helpful if the Estimates

Business Notes

Textiles

MILL INDUSTRY'S PROBLEMS

THAT THE Cotton Textile Industry—one of the oldest industries in India—is confronted with a series of problems which have affected its production and that if the Government fails to remedy this situation, the industry will not realise its target under the Third Five-Year Plan, constituted the main theme of the Chairman's address at this year's annual meeting of the Mill Owners' Association, Bombay (M.A.O.) Mr. Pratap Bhogilal singled out cotton as the bugbear of the industry. As he pointed out, the shortage of raw cotton has been causing alarm. Domestic production has consistently lagged behind the Plan targets, while the rate of consumption by the mills has shown a marked increase. The output of cotton for 1961-62 is estimated at only 40 lakh bales—not even 43 lakhs as trade expected—in the first year of the Third Plan which provides for a production target of 70 lakh bales. This means that supply falls short of demand by about 18 lakh bales. Accordingly, the cotton situation calls for serious thinking. The area under cotton today is about 19 million acres, the highest in the world for any country, but the yield per acre is perhaps the lowest. Higher cotton production should, therefore, be sought through better yields per acre by means of a more extensive use of superior quality seeds, fertilisers and insecticides, and if necessary, but bringing under cotton cultivation more irrigated land. At the same time it is imperative that the farmer should have freedom to obtain the maximum return on cotton as in the case of other cash crops. Viewing in the broader perspective, the M.O.A. Chief was realistic enough to declare: "If it is generally felt that control of cotton prices is a

serious deterrent to the farmer for putting in his best efforts for maximising his return from cotton cultivation, I for one would not stand in the way of decontrol of the cotton ceiling prices."

In view of the shortage of raw cotton within the country, the industry has to lean heavily on imported cotton and the Cotton Advisory Board has recommended to the Government that the deficit of 18 lakhs should be urgently obtained from abroad. This is understandable because any serious shortfall in cotton supplies is apt to have repercussions on cotton prices, with the consequent distortion of the cost structure of the textile industry which is anomalous enough as it is.

Mr. Bhogilal pleaded for a large allocation of available foreign credits to the industry to meet its requirements of imported capital goods, on the ground that the Cotton Textile Industry is one of the largest earners of foreign exchange for the country and is expected to increase these earnings. But how far this contention will be accepted is doubtful in the light of the findings of a recent Reserve Bank study which shows that the industry has been spending more foreign exchange than it has been earning.

Modernisation and reduction of costs are indispensable if our textiles are to prevail in the overseas markets, as Mr. Bhogilal observed. If these twin objectives are to be achieved, his plea that the rates of depreciation allowances should be so fixed as to enable the mills to write off their assets within a period of 12 to 15 years as in other countries, deserves immediate consideration.

Listing the other problems facing the industry, Mr. Bhogilal urged that top priority should be given to ensure a steady and continuous flow of coal from collieries to the textile mills. He also expressed the hope that the State Government would hasten the completion of the Koyna Project in all its phases and thus meet the need for an ever-increasing supply of power.

Textile Interests are all agreed that on the export front intense efforts should be made to achieve the target of 850 million yards of cloth per annum during the present Plan period. The Mudaliar Committee also has devoted a good deal of expert study to the vital question of India's overseas trade. While agreeing with this view, Mr. Bhogilal felt that the industry should not indefinitely rely on artificial support in the shape of incentives for promoting exports, but should galvanise itself by its own strength and increase production sufficiently to meet the need of both the domestic and the foreign markets. This, coupled with the co-operation of Government in surmounting the obstacles in its path, should enable the industry to retain its prominent place in the Indian economy.

Plastics

PHENOMENAL GROWTH

THERE COULD be no more vivid proof of the giant strides taken by the Indian Plastics Industry in recent years than the extensive range of plastic products one sees almost everywhere. Anything from polythene packaging film to umbrella handles or from automobile parts to radio cabinets one can have in plastics today. Displayed at the Seventh All-India Plastics Exhibition, declared open by the Governor of Maharashtra in Bombay, on April 4, 1962, there were also the numerous raw materials that are now being manufactured within the country. These include polystyrene, polythene, and polyvinyl chloride which are being developed as part of our growing chemical industry, to save lakhs of rupees of our valuable foreign exchange resources.

By virtue of its unique properties, such as lightness, toughness, transparency, translucency, flexibility, rigidity, corrosion resistance and insulation against heat and electricity, plastics have become a much-sought after material in every walk of life — industrial as well as domestic. A decided advantage enjoyed by plastics is that they are amenable to mass production methods which means that such a large number of items can be produced at a relatively low cost. Time was when plastics used to be considered only as a substitute for metal, glass, wood, procelain or rubber, but now they have come to be used in their own right as a basic material for industrial and constructional purposes.

Much encouragement has been accorded to this industry by the Union Government, as witnessed by the allocations made to this industry in the three Five-Year Plans. In the First Plan period, great attention was paid to the expansion and consolidation of the processing section of the plastics industry; during the Second Plan period, a firm foundation was laid for the production of various raw materials, and the target of 11,500 tons fixed for the production of plastics has since been achieved. According to Mr. Shadilal Jain, President, All India Plastics Manufacturers' Association, the target laid down by the Planning Commission for the production of plastics during the Third Plan period, that is to say, more than a six-fold expansion, amounting to 74,000 tons, should not be difficult to achieve, in view of the progress already made. In order to realise this target, however, emphasis must be laid on the manufacture of machinery and moulds, as also the development of technical know-how, the training of cadre, and research into the ever-widening application of plastics to industry. The importance of the industry can be guaged from the fact that approximately Rs. 25 crores are already invested in the industry, as also from the gainful employment to more than 30,000 workers that it has been providing.

As a foreign exchange earner, the Plastics Industry can make its valuable contribution, provided the raw materials are easily available and the licences are granted liberally. In this connection, Mr. Jain revealed that the All-India Plastics Manufacturers' Association, in co-operation with the Plastics and Linoleum Export Promotion Council, has been playing its part in increasing exports of plastics, which rose to Rs. 76.03 lakhs in 1960-61 from only Rs. 27.78 lakhs in 1958-59.

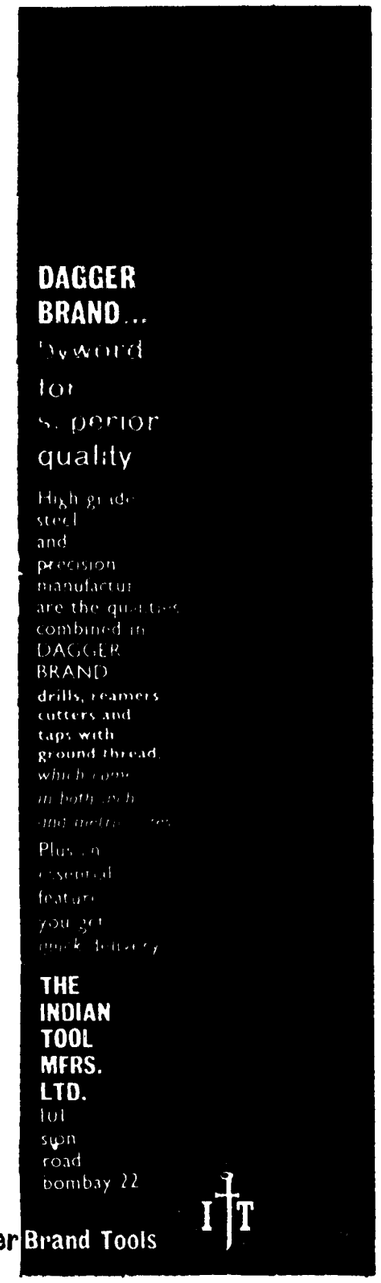
The Plastics Industry is playing a very important role in all the industrially advanced countries of the West, as also in Japan, by catering to various interests and supplying all manner of accessories and components. Although India is far behind these countries, there is no cause for alarm, judging from the phenomenal growth of the industry in the last few years.

Shipping

HINDUSTAN SHIPYARD'S DIFFICULTIES

WITH THE delivery — ahead of schedule for the first time — of MV "State of Punjab" — the biggest and the fastest cargo ship so far built by the Hindustan Shipyard — to the Shipping Corporation of India, yet another addition has been made to the number of vessels owned by the latter to make it the second largest shipping company in the country.

The picture of the Hindustan Shipyard has not been very bright, on the whole, although its performance during the past three or four years has been more or less satisfactory, thanks to Government assistance, as also to co-operation of Indian shipowners. However, several limitations still handicap the smooth working of the Shipyard, and Mr. G. L. Mehta (Chairman) drew attention to some of these, when formally handing over the ship to Mr. Srivastava, Managing Director of the Corporation. The absence of dry docking facilities at Visakhapatnam, about which so many distinguished persons, including the late Sir N. Gopalaswamy Ayyangar, have complained in the past, yet continue to be a serious bottleneck with the yard. It was for this reason that the delivery of the "State of Punjab" had to be made at Bombay and not at Visakhapatnam, as it should have been. This project — dry dock —





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(PIA. 1634A

are now told, has at last been included in the Third Plan, but it will take quite a few years more before the dry dock is completed.

A problem facing the shipping industry here, as almost everywhere, has been the dearth of trained men. Similarly, problems of procurement of materials have continued to present serious difficulties with the consequent delays both at the berths and at the fitting out jetties. Again, although the procedure for import of equipment and machinery from abroad has been simplified with the help of Government, according to the Chairman of the H.S.Y., delivery of material is frequently delayed, while negotiations between shipowners and the Shipyard in reaching agreement on specifications drag on unnecessarily, with the result that schedules of delivery are upset and the cost of structure is distorted in the result. Further, in view of the foreign exchange difficulties, it has become imperative to obtain suitable indigenous substitutes for imported materials. Mr. Mehta felt that the standing Advisory Committee on the Development of Ancillary Industries related to Shipbuilding and Ship-repairing, which has been set up and is doing useful work, ought to be helpful in this connection. But, as he added, indigenous manufacture involves several other problems, such as those in regard to standards, quality, prices, and delivery, which may not immediately conduce towards a reduction in the cost of ship construction.

Yet another matter which demands attention is the training of men to fill senior administrative posts. The Shipyard has only recently deputed an Officer-in-Charge of its Planning Office for special training in industrial engineering and production control and has also opened a Training School. The absence of a well-equipped Design Department is still another serious drawback. It is only when all these drawbacks are removed that the Hindustan Shipyard can hope to build many more ships of quality according to an agreed time schedule.

New Issues

ELECTRICAL INSTRUMENTS MANUFACTURING COMPANY

THREE COMPANIES will be entering the market in the near future to raise subscriptions from the public for their share capital.

Electrical Instruments Manufacturing Company Limited will be raising capital worth Rs. 20 lakhs, all in equity shares. The company has an authorised capital of Rs. 1,00,00,000, made up of 1,00,000 ordinary shares of Rs. 100 each. The shares being offered to public if fully subscribed will raise the issued capital of the company to Rs. 35,00,000; shares worth Rs. 15,00,000 have already been issued to the promoters and subscribers to the company's Memorandum and Articles of Association or their friends and associates. The list opens on April 16 and shall close on April 28 or earlier at the discretion of the directors, but not before April 20.

The company proposes to set up a factory at Naroda, near Ahmedabad, for the manufacture of house service meters (both single-phase and polyphase), electric switchgears, distribution boards and combined switch and fuse units. The project is estimated to cost Rs. 65 lakhs. As the share capital will be making available only Rs. 35 lakhs, two loans of Rs. 10 lakhs each are proposed to be obtained from the Industrial Credit and Investment Corporation of India and the Gujarat State Financial Corporation. The remaining sum of Rs. 10 lakhs is envisaged to be obtained through bank borrowings and cash accruals.

Technical collaboration has been arranged with Messrs. Valmet Oy, Helsinki, an undertaking of the Government of Finland. The products of the foreign collaborators, it is claimed, enjoy considerable reputation in the world market for their quality.

ASIAN REFRACTORIES

THE SECOND COMPANY which will be entering the capital market in the near future is Asian Refractories Limited. It proposes to offer for public subscription 3,30,000 equity shares of Rs. 10 each and 8,000 9.3 per cent preference shares of Rs. 100 each. The proceeds of the issue will be utilised for setting up a factory in the Hazaribagh District of Bihar to undertake, in the first instance, the manufacture of 24,000 tons firebricks and 6,000 tons silica bricks annually. At a later stage, it is proposed to go in for the production of magnesite bricks and chemical bonded bricks as well.

Technical collaboration for the project has been arranged with Messrs. CEKOP, a Polish State Foreign Trade enterprise. The foreign collaborators will not only supply the technical know-how, but also the plant and machinery required for the factory.

The Industrial Finance Corporation has sanctioned to the company a long-term loan of Rs. 35 lakhs and has also agreed to underwrite equity shares worth Rs. 5 lakhs.

BHARAT FORGE

THE THIRD COMPANY that shall be approaching the public for subscriptions for its capital some time in June is the Bharat Forge Company Ltd. It has plans to undertake the manufacture of heavy forgings upto 450 lbs. a piece at a factory to be set up near Poona. Preliminary work has already been taken in hand. The company has been licensed to produce 6,000 tons steel forgings per annum on a single-shift basis.

The authorised capital of the company will be Rs. 3 crores, consisting of Rs. 2 crores in equity shares and Rs. 1 crore in preference shares.

Technical collaboration is proposed to be secured from the Steel Improvement and Forge Company of Cleveland, Ohio, which is operating forge shops in several parts of the world such as the United States, Canada, Brazil, Argentina, the United Kingdom and Italy.

The company has been permitted by the Government to negotiate directly a DLF loan of about Rs. 1.5 crores to cover the foreign exchange component of the project.

Mr. S. L. Kriloskar will be the Chairman of the company's Board of Directors. Messrs. Kalyani Industries will act as Managing Agents for a period of ten years.

United Commercial Bank

ALL-ROUND PROGRESS

FROM THE statement of Mr. G. D. Birla, Chairman, circulated to the shareholders at the 19th annual general meeting of the United Commercial Bank, it is apparent that the Bank has made all-round progress during the year 1961. Deposits improved by Rs. 9.96 crores and stood at Rs. 98.90 crores on December 31, 1961. Profit increased from Rs. 67.43 lakhs to Rs. 72.61 lakhs. This increase probably could have been much greater if a lower liquidity ratio had been observed.

In disposing of the profit, the same pattern as followed last year has been followed and Rs. 30 lakhs have been transferred to the Reserve Fund, raising it to Rs. 2.35 crores. A sum of Rs. 4 lakhs has been added to the gratuity fund which was set up in 1960 with an initial contribution of Rs. 10,000. The most conspicuous feature is that after allocating Rs. 14 lakhs for bonus to the staff, a dividend of 12 per cent, less tax, has been repeated.

From the 10-year record of the Bank's progress it will be observed that the Reserve Fund has grown from Rs. 67.50 lakhs to Rs. 235 lakhs. But in spite of such substantial transfers to the reserve fund, the ratio of the paid-up capital and the reserve fund to deposits has declined from 9.04 per cent to 4.39 per cent owing to steep increase in deposits. It is now felt that the capital structure of the Bank needs to be strengthened. With this object in view, it is proposed to increase the paid-up capital by the issue of 2 lakh ordinary shares at a premium of Rs. 25 per share.

So far as the inter-bank agreement on rates of in-

terest on deposists is concerned, Mr. Birla specifically pointed out that it was not understandable how some banks could be given preferential treatment by allowing them to pay higher rates simply because their deposits for the time being were less than those of some other banks. He pointed out that a scramble for deposits through the offer of higher rates of interest would create stresses which might lead to the abondonment of the agreement and reduction in the profit margin to the point of imperilling the building up of capital funds of banks to anything like the extent to which banks are committed by the convention agreed to with the Reserve Bank of India. May it be stressed that it is only through competitive development and extension of banking services and in the environment of suitable interest rates and not in the atmosphere of a rate war that new deposits can be attracted!

Asian Cables

FAIR PROGRESS AND BRIGHT PROSPECT

IN HIS speech at the second Annual General Meeting of the Asian Cables Corporation Limited, Mr. G. B. Kotak, Chairman, said that the Company had picked up a fair rate of progress in a very short time in the production of quality cables. Mr. Kotak expects that at the present rate of production, the Company would manufacture cables worth Rs. 40 to 50 lakhs during the first year of production. The Company's production programme covers cables ranging from the smallest size with 1/1.12 mm. conductor to flexible cables of largest size with 37/2.12 mm. conductor. The Company has also commenced production of special cables like Welding Cables and Trailing Cables.

The Company's expansion project when completed will enable it to produce about 1,000 miles of power cables, the notable feature being the manufacture of cables upto 33 Kv. which demands a very high order of technique. This apart, the project will also be manufacturing 360 tons of enamelled copper magnet wires. Technical collaboration for this project has been obtained from Messrs. Phelps Dodge Copper Products International Corporation of the U.S.A. and Enfield Cables Ltd. of the U.K. both of whom have long experience at their credit. The drawings, designs and lay-out for the project having been ready, the company now awaits the import licences from the Government for the import of machinery.

In joint venture with other two manufacturers of cables, the promoters of Asian Cables and Corporation Ltd., Messrs. Kotak & Co. have been granted an industrial licence to start the Rod Rolling Mill, very necessary for cable plant, with a capacity of rolling 20,000 tons per annum per shift.

Within the short period of the company's existence, it has made a fair progress in its field of business and with the expansion schemes that are in hand, it now looks ahead to a period of more brisk progress.

Engineering

EXCELLENT RESULTS OF KAMANI

AT THE 16th annual meeting of Kamani Engineering Corporation Ltd., Mr. R. H. Kamani, Chairman, revealed that the Corporation was making excellent progress. If profits and sales are taken into account, they show an upward tendency over the previous year. Sales, for instance, have increased to Rs. 268,68,131 from Rs. 23,689,673. A dividend of 9 per cent subject to deduction of tax at source on ordinary shares as against previous year's 8 per cent subject to deduction at source depicts also an encouraging trend and the progress attained by the Corporation. Production record is no doubt to be commended. For instance, the production level maintained at present is on an average 50 per cent higher. Model MARK II "TRACTAMOUNT" Roller has been successfully launched.

It is equally encouraging that the Government has appointed a Study Group to assess among other things, the capacity in the Transmission Line Tower industry and their development programme and to examine the difficulties experienced so far. In connection with the requirements of transmission lines during the Third Five-Year Plan, Mr. Kamani specifically pointed out that to achieve the targets it was absolutely essential that the higher sections required by the tower industry be made easier.

So far as erection activities are concerned, it is by now well-known that they have been considerably strengthened and expanded. New tools and tackles have been designed, tested and put into operation to ensure greater efficiency. The construction of land route of 200 kV Koyna-Bombay transmission line has been completed. This is the first line in the country to use one of the largest sized conductors ever used. In the case of exports it is a matter of gratification that the active efforts put in by the Corporation have started showing good results. From the progress achieved there seems little doubt that Kamani Engineering Corporation Ltd. is bound to flourish year after year.

Technology

STIMULATING THE SCIENTISTS

THE PROBLEM of maintaining a fair standard of sound scientific and technological education claimed the attention of Mr. J. R. D. Tata while delivering his Presidential Address at the Indian Institute of Science, Bangalore.

It is quite imperative for a developing country like India to not only speed up education, but, at the same time, maintain its quality. In this fast-developing age, as Mr. Tata pointed out, we cannot afford to ignore the standards maintained elsewhere in scientific and technological education and research. While, in any case, our scientific education needed a thorough reorientation, he said, the fundamental objective in training science and engineering students should be to develop a grasp of basic concepts and a readiness to think for themselves and explore ideas. He regretted that there was too much formalized and wooden teaching of courses from text books too rigid and antiquated. According to Mr. Tata, merely to impart information is not to educate. Education should aim at encouraging and stimulating the curiosity of young minds. Young minds always yearn to know more. This is as it should be. Has not Charles Lamb observed: "Credulity is a child's weakness, but a man's strength"? Like the economists, the scientists also should make themselves heard and education should help them to do this. A scientist must transmit his faith and his vision in order that the Government and the people may appreciate the value of his work and the benefit it has to bring to all.

In view of the special place that the Indian Institute of Science occupies in the field of scientific and technological research, Mr. Tata pleaded for a greater recognition by the Central Government of its value and greater support to its work and efforts. For effectively carrying out its training and research programme, he emphasized the need to recruit additional staff and make the scales of pay commensurate with the kind and calibre of work done. He pleaded for an appreciable improvement in the resources of the Institute and for the provision and maintenance of increased facilities to keep pace with the rising tempo of work done there. With the help of the Government, Mr. Tata hoped, the Institute would be able to carry out successfully its objectives of disseminating knowledge, preparing men and women for the business of purposeful living, serving the community, fostering research and extending the frontiers of knowledge.

MBBC-13A

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THE SASSOON SPG. & WVG. CO. LTD.

Registered Office :

Mafatlal House, Back Bay Reclamation,

BOMBAY - 1.

NOTICE

NOTICE is hereby given that the EIGHTY-NINTH Annual General Meeting of the Shareholders of the SASSOON SPG. & WVG. CO. LTD. will be held at the Registered Office of the Company, Mafatlal House, Back Bay Reclamation, Bombay-1, on Tuesday 24th April 1962 at 4-30 P.M. to transact the ordinary business as specified in items 1 to 6 and to consider and pass the Special Resolutions contained in item Nos. 7 and 8 of the Notice dated 3rd March, 1962 already posted to individual members at the registered address with the Company along with the explanatory Statement in respect of the Special Resolutions in items Nos. 7 and 8 of the Notice as required by Section 173 of the Companies Act, 1956.

By Order of the Board of Directors,
For M.G. Investment Corporation Ltd.,

K. K. MAHADEVIA
Director,
Managing Agents.

BOMBAY,
Dt: 3rd March, 1962.

N.B. : 1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

2. The register of Members and Transfer Books of the Company will remain closed from Monday, 2nd April, 1962 to Tuesday, 24th April, 1962 both days inclusive.

3. Dividend as recommended by the Directors, when declared at the Annual Meeting, will be paid from Wednesday, the 2nd May, 1962 to Tuesday, the 31st July 1962 at the United Commercial Bank Ltd., Reclamation Branch, Bombay 1, and thereafter at the Registered Office of the Company during office hours, excepting Saturdays, to those shareholders whose names are on the Register of Members of the Company on 24th April, 1962. Shareholders are requested to intimate the Company immediately any change in their registered address.

THE MAFATLAL FINE SPG. & MFG. CO. LIMITED

Registered Office :

Mafatlal House, Back Bay Reclamation,

BOMBAY - 1.

NOTICE

NOTICE is hereby given that the THIRTY-FIRST ANNUAL GENERAL MEETING of the Shareholders of THE MAFATLAL FINE SPINNING AND MANUFACTURING COMPANY LIMITED, will be held at the Registered Office of the Company at "Mafatlal House", Back Bay Reclamation, Bombay-1, on Tuesday, the 24th day of April 1962 at 4-00 P.M. (S.T.) or soon after the Extraordinary General Meeting of the Company is over to transact the business contained in the Notice dated 3rd March, 1962 already posted to the members individually at their Registered Addresses with the Company.

By Order of the Board of Directors,
NAVINCHANDRA PURSHOTAMDAS & CO. LTD.
H. B. MAFATLAL
Director,
MANAGING AGENTS

Bombay
Dated 3rd March, 1962.

N.B. : (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER.

(b) The Register of Members and the Transfer Books of the Company will remain closed from Monday, the 2nd April, 1962 to Saturday, the 21st April, 1962—both days inclusive.

(c) The Dividends as recommended by the Directors when declared by the shareholders will be paid at The Bank of Baroda Ltd., Reclamation Branch, Bombay 1, from Wednesday, the 2nd May 1962 to Thursday, the 30th August, 1962 during business hours and thereafter at the Registered Office of the Company during Office hours, excepting Saturdays and holidays, to those shareholders whose names are on the Company's Register on 21st April, 1962. Shareholders are requested to intimate to the Company any change in their Registered address.

FROM THE CAPITAL'S CORRIDORS

THE NEW UNION CABINET

A 17-member Union Cabinet, the largest since Independence, was sworn in by the President on April 10. The new Cabinet consists of:

Minister	Portfolio
1. Jawahalal Nehru	Prime Minister. Incharge of External Affairs and Atomic Energy. Also will be Chairman of the Planning Commission.
2. Morarji Desai	Minister of Finance.
3. Jagjivan Ram	Minister of Transport & Communications.
4. Gulzarilal Nanda	Minister of Planning and Labour & Employment.
5. Lal Bahadur Shastri	Minister of Home Affairs.
6. Sardar Swaran Singh	Minister of Railways.
7. K. C. Reddy	Minister of Commerce and Industry.
8. V. K. Krishna Menon	Minister of Defence.
9. S. K. Patil	Minister of Food and Agriculture.
10. Hafiz M. Ibrahim	Minister of Irrigation and Power.
11. Asoke Kumar Sen	Minister of Law.
12. Keshava D. Malaviya	Minister of Mines & Fuel.
13. B. Gopala Reddi	Minister of Information & Broadcasting.
14. C. Subramaniam	Minister of Steel and Heavy Industries.
15. Dr. K. L. Shrimali	Minister of Education.
16. Humayun Kabir	Minister of Scientific Research & Cultural Affairs.
17. Satya Narayan Sinha	Minister of Parliamentary Affairs.

Alongwith the swearing-in of the 17 Cabinet Ministers, five Ministers of State were also be sworn in. They are:

Minister of State	Portfolio
1. Mehr Chand Khanna	Minister of Works, Housing and Supply.
2. Nityanand Kanungo	Minister of Industry in the Ministry of Commerce & Industry.
3. Raj Bahadur	Minister of Shipping in the Ministry of Transport & Communications.
4. S. K. Dey	Minister of Community Development, Panchayati Raj and Co-operation.
5. Dr. Sushila Nayyar	Minister of Health.

A few more Ministers of State, including one for Labour and Employment, and a number of Deputy Ministers and Parliamentary Secretaries are to be appointed in course of time.

Mr. Manubhai Shah who had been invited to take charge of international trade as a Minister of State in the Ministry of Commerce and Industry, declined the offer on the ground that within the present arrangements he would not be able to do justice to the portfolio. Mr. Shah, however, has since agreed to join the Ministry on understanding having been given to him that he will have a sufficiently free hand in his field of activity.

With the installation of the new Ministry at the Centre, certain amendments have been made in the Government of India (Allocation of Business) Rules, 1961. By virtue of these amendments, the Department of Mines and Fuel under the Ministry of Steel, Mines and Fuel has become a full Ministry of Mines and Fuel. Mr. K. D. Malaviya, who has been put in charge of this Ministry, will now not only deal with oil and development of certain minerals, but with all matter of oil and mineral development, including coal.

The Department of Iron and Steel has been placed under a new Ministry of Steel and Heavy Industries. A new Department of Heavy Industries has also been created under this Ministry. The Ministry of Steel, Mines and Fuel as such has ceased to exist.

The Department of Commerce under the Ministry of Commerce and Industry has been abolished and a new Department of International Trade has been created under the Ministry of Commerce and Industry.

The Ministry of Rehabilitation has been abolished. The work dealt with in that Ministry has been transferred to a new Department of Rehabilitation, which has been created under the Ministry of Works, Housing and Supply.

The following are the subjects which will be dealt with by the Department of International Trade and the Department of Industry in the Ministry of Commerce and Industry, and by the Department of Heavy Industries in the Ministry of Steel and Heavy Industries.

DEPARTMENT OF INTERNATIONAL TRADE

I. **Trade:** Foreign Trade; State Trading; Protection of interests of Indian traders abroad; Trade Missions and Delegations; International Commodity Agreement other than wheat; International Trade Agreements; Import Trade Control; Export Trade Control; Control of Prices of export goods; Trade Promotion (except promotion of exports of exposed cine films), Publicity and Research; ECAFE and its Committee on Industry and Trade; Export Credit Guarantee; Fairs and Exhibitions abroad and in India; Government showrooms and Trade Centres abroad.

II. **Commercial Intelligence, Statistics and Publications:** Commercial Intelligence and Statistics; Commercial publications including periodicals.

III. **Enemy Property:** Reparations (other than German Industrial Equipment; Control of trade with the enemy and enemy firms and custody of enemy property.

IV. **Plantation Industries:** Tea (The Tea Act, 1953); International Tea Regulation Scheme, Export Cess on Tea; Rubber (The Rubber Act, 1947); Coffee (The Coffee Act, 1942).

V. **Textiles:** Cotton Textiles (including); Raw Cotton; All questions connected with supply, prices and

distribution of Textiles; Co-ordination of the development of the Coir Industry; the Coir Industry Act, 1953.

VI. **Tariffs and Customs:** General Agreement on Tariffs and Trade; Tariff Policy (The Indian Tariff Act, 1934); Tariff Commission (The Tariff Commission Act, 1951); Tariff Valuation; Tariff Protection to Industries; International Customs Tariff Bureau; Commonwealth Tariff Preferences; Customs nomenclature and similar matters.

VII. **All matters relating to the following:**

(a) **Attached/Subordinate Offices and Semi-Government Organizations:** Chief Controller of Imports and Exports, New Delhi; Tariff Commission, Bombay; Textile Commissioner, Bombay; Jute Commissioner, Calcutta; Director General of Commercial Intelligence and Statistics, Calcutta; Controller of Enemy Trading and Enemy Firms and Custodian of Enemy Property; Cotton Textiles Fund Committee, Bombay; Rubber Board, Kottayam; Tea Board, Calcutta; Coffee Board, Bangalore; Coir Board, Ernakulam; Indian Trade Representatives Abroad.

(b) **State Undertakings and Government Corporations:** State Trading Corporation Ltd; Export Risks Insurance Corporation.

DEPARTMENT OF INDUSTRY

I. **Industrial Policy:** General Industrial Policy; The Administration of the Industries (Development and Regulation) Act, 1961; Industrial Management; Productivity in Industry.

II. **Industries and Industrial Development:** Planning, development and control of and assistance to all industries (with the exception of the Industries falling under the Ministry of Steel and Heavy Industries and Food and Agriculture); Cables; Light Engineering Industries (e.g. Sewing machines, type-writers, weighing machines, bicycles, etc.); Optical Glass Project; Light Industries (e.g. Plywood, stationery, matches, cigarettes, etc.); Light Electrical Engineering Industries.

III. **Chemicals and Drugs:** Chemical Industries (e.g. Caustic Soda, Soda Ash, Raw Films, Hardboard, Paper and Newsprint, Synthetic Rubber, Tyres and Tubes, Dyestuffs, Drugs and other fine chemicals, Plastics, Soap, etc.); Insecticides; Antibiotics; Salt; Power Alcohol (The Indian Power Alcohol Act, 1948).

IV. **Small Scale Industries:** Co-ordination of the development of small-scale industries — (i) Small Scale Industries Board; (ii) National Small Industries Corporation; (iii) Setting up of new industries in displaced persons townships and colonies and places where there are heavy concentrations of displaced persons for mitigating their unemployment in the Western Region, viz., Punjab, Uttar Pradesh, Maharashtra, Gujarat, Rajasthan, Madhya Pradesh and the Union Territory of Delhi.

V. **All matters relating to the following:**

(a) **Attached/Subordinate Offices:** The Development Wing (other than Directorates under the Department of Heavy Industries); The Development Commissioner, Small Scale Industries, New Delhi; The Salt Commissioner, Jaipur; Government Salt Works:

(b) **State Industrial Undertakings and Government Corporations:** The National Industrial Development Corporation Ltd.; The National Small Industries Corporation Ltd.; Hindustan Insecticides Ltd., Delhi and Alwaye (Kerala State); Hindustan Antibiotics Ltd., Pimpri; National Instruments Ltd., Calcutta; Hindustan Cables Ltd., Roopnarainpur, West Bengal; Hindustan Salt Company Ltd., Jaipur; Rehabilitation Industries Corporation Ltd.; Hindustan Photo Film Manufacturing Co. Ltd., Madras; Hindustan Organic Chemicals Ltd., Bombay; National Newsprint and Paper Mills, Ltd., Nepanagar; Indian Drugs & Pharmaceuticals Ltd., New Delhi

VI. **Trade:** Internal trade; Inter-State trade; the spirituous Preparation (Inter-State Trade and Commerce) Control Act, 1955; Control of Futures Trading; the Forward Contracts (Regulation Act, 1952); Essential Commodities Act (Supply, prices and distribution of essential commodities not dealt with specifically by any other Ministry).

VII. **Trade Marks, Patents and Designs:** The Trade and Merchandise Marks Act, 1958; Standards of Weights and Measures; Standardisation of international products and raw materials, the Indian Standards Institution (Certification Marks) Act, 1952; Patents and Designs (The Indian Patents and Designs Act, 1911).

VIII. **Village Industries:** Development of Handloom Industry (The Khadi and Other Handloom Industries Development — Additional Excise Duty on Cloth Act, 1953); Co-ordination and Development of village industries including Khadi and Handicrafts; Ambar Charkha; Sericulture; Development of Gur and Khandsari Industry.

IX. **All Matters relating to the following:**

Attached or Subordinate Offices and Semi-Government Organisations and Government Corporations: Economic Adviser to the Government of India, New Delhi; Forward Markets Commission, Bombay; Controller-General of Patents, Designs and Trade Marks, Bombay; Indian Standards Institution, New Delhi; Khadi and Village Industries Commission, Bombay; All-India Handloom Board, Bombay; Khadi and Village Industries Board; Central Silk Board, Bombay; Central Sericultural Research Station, Berhampur; All-India Handicrafts Board; Indian Handicrafts Development Corporation Ltd.

DEPARTMENT OF HEAVY INDUSTRIES:

The following matters will be dealt with by this Department:

Manufacture of heavy engineering equipment for all industries including coal mining equipment; Heavy Machinery Project; Foundry Forge Project; Coal Mining Equipment Project; Heavy Electrical Equipment Project; Machinery Industries including Machine Tools and Steel manufacture; Auto industries, including tractors, earth moving equipment and diesel engines; Heavy Electrical Engineering Industries; Cement; Fertilizers; Public Sector projects falling under the above mentioned subjects; The Directorates of the Development Wing dealing with the above subjects.

COAL MOVEMENT BY ROAD AND SEA

The Planning Commission's Working Group on Coal Production and Transport, in its draft report, has made some valuable suggestions for the movement of coal by road and sea and for the linking of industrialisation with coal production and transport. The report says :

"The Working Group has carefully considered the possibility of moving larger quantities of coal by road from the Bengal-Bihar coalfields with a view to relieving pressure on the Railways. The Coal Controller was requested in the first meeting of the Working Group, held on September 20, 1961, to give a list of the consumers located within 25, 50, 100 and 150 miles of coalfields. The Ministry of Transport and Communications (Roads Wing) later examined the possibility of supplying coal requirements of these consumers by road. The present annual requirements of the consumers within

distances up to 150 miles of the coalfields are estimated as below:

1.	0 to 25 miles	3 million tons.
2.	25 to 50 miles	4 million tons.
3.	50 to 100 miles	Negligible.
4.	100 to 150 miles	7 million tons.

"Of the total quantity of about 14 million tons of coal moving upto distances of 150 miles from Bengal-Bihar coalfields, about 3 million tons move by road—consisting of 2 million tons moving within 25 miles distance and 1 million tons moving between 100 to 150 miles, namely, from the coalfields to Calcutta. The remaining 11 million tons move by rail.

"The Working Group considers that, on the whole, after the necessary road capacity has been developed, it should be possible to move an additional about 2 million tons of coal by road from the Bengal-Bihar fields over and above the present road movement of 3 million tons. There may, in addition, be some possibility of road movement from the coalfields in the up direction of Uttar Pradesh but the Working Group has not been able to make any detailed study of it.

"The Working Group examined the relative economics of rail and road haulage of coal within short distances upto 150 miles. The actual freights charged by road and rail at present are reported to be as under:

Distance (Miles)	Rs. per ton Rail	Road
25	5.25	5.00
50	5.63	10.00
75	.07	15.00
100	7.11	20.00
150	9.63	30.00
Raniganj to Calcutta (120)	8.10	24.00

"The rail costs indicated above, however, do not indicate the terminal costs of loading and unloading and of local transport from railway stations to the sites etc. It is, therefore, felt that the factories which do not have railway sidings and the other small consumers may find it to their advantage to get coal by road within distances upto 50 or even 75 miles. Even as regards the movement to users in Calcutta city and suburbs the cost of transport by road could be reduced substantially if the movement took place by 11 ton truck trailer combinations. The cost of hauling coal per ton mile by such combinations is estimated at 8 nP. per ton mile for a 100 per cent load factor or 16 nP. per ton mile for a 50 per cent load factor in the event of no return traffic being available to them. Over a distance of 120 miles between Raniganj coalfield and Calcutta the cost of moving coal by road at 50 per cent load factor will come to Rs. 19.20 per ton. To the extent that return load to these trailors will be available, this figure will be reduced. The difference between the rail freight of Rs. 8 per ton and about Rs. 19 per ton by road will be reduced to the extent that rail movement would have to bear the additional cost of loading and unloading at terminal points and cost of local transport by road.

"While the Working Group has no doubt that with the improvements in the roads suggested above, the quantity of coal moving by road will increase, the Working Group has considered it advisable not to allow for this in assessing the requirements for rail transport of coal for the Third Plan period. This will avoid the risk of any under-planning of railway capacity, and the additional capacity that may be available in this region could, in any case, be used for other traffic.

"No detailed examination has been made so far about the possibility of road movement from the outlying fields. The total short distance movements from these fields for the last year of the Third Plan are estimated at 4.3 million tons. These include movement of coal by rail to the Power houses at Satpura, Obra, Talcher and Khaperkheda. In respect of Korba power house, coal is transported by rail but the rolling stock for the purpose is provided by the Madhya Pradesh Electricity Board. As regards coal requirements of the Satpura, Obra, Talcher and Khaperkheda power houses, the possibility of supplying them by road will need detailed examination.

"There is yet another field in which road transport will have an important part to play and that is in moving coal from the dumps to the ultimate points of destination. The entire scheme of rail movement of coal for State controlled priorities is based on movement of full rakes of BOX wagons from the collieries to the dumps to be located at appropriate places. The movement from these dumps to the ultimate points of destination will have to depend largely upon road transport. The actual quantum of road [redacted] may have thus to be organised will be [redacted] the results of the studies about the [redacted] were available.

"According to the decision of the Cabinet, 2 million tons of coal per year are required to be moved by sea from Calcutta to South India and West India ports. To move this quantity about 30 sailings per month are required of which 19 sailings are required for South India ports and 11 for West India ports. On this basis the minimum number of ships required as calculated by the Coastal Conference of Shipowners comes to 43. The Transport Ministry in fact thinks that the requirements, after allowing for such factors as delays in turn round of ships, detentions at ports etc., will be 50 ships.

"In regard to the purchase of ships, the main difficulty so far has been the non-availability of foreign exchange. The entire requirements of coastal ships are to be met by imports because the capacity of the Hindustan Shipyard is fully booked upto the end of the Third Five-Year Plan period for the vessels intended for overseas operations and the yard cannot easily undertake building of coastal vessels which will have a different design. The early completion of the second Shipyard at Cochin assumes added urgency in this context. Even if all the ships are to be acquired second hand, the requirements of foreign exchange for 22 ships at the rate of Rs. 60 lakhs per ship would be Rs. 13.2 crores. Although a sum of 10 million dollars from the Yugoslav credit has been allotted for the acquisition of ships, so far it has not been possible to utilise this sum except for one new construction. The reason for the non-utilisation of this credit is that suitable second hand ships are not available and as regards new construction the Indian Shipowners are reluctant to go to Yugoslavia because they have had no experience of that country's shipyards and secondly the prices quoted by the Yugoslav Shipyards are not competitive. The Working Group is therefore strongly of the view that the necessary foreign exchange required for the acquisition of additional tonnage of the order mentioned above should be released and if necessary, free foreign exchange should be made available for this purpose. It is very important to achieve the target of 2 million tons of

coastal movement of coal, if the industries in Western India particularly are not to be starved of coal and hence the additional ships should be acquired as early as possible.

"If the private shipping companies cannot be persuaded to purchase all the additional ships required on the coast, the Working Group would recommend that the Government Corporation should acquire coastal ships so as to make the total tonnage adequate for the movement of 2 million tons of coal per annum.

"The Working Group has also considered the possibility of coal movement in the Calcutta direction by the Durgapur Canal in the Third Plan period. At one stage, the Damodar Valley Corporation authorities had estimated that about 2 million tons of coal per annum could be moved by the canal. The arrangements for utilisation of the canal for movement of coal, however, have not so far been considered in detail. The Planning Commission is understood to have recently asked the Ministries of Transport and Communications and Irrigation and Power to consider these arrangements. One of the questions which requires to be considered in detail in this connection is by what arrangement and at what cost could coal be moved from the coalfield to canal head before it was transhipped to the barges in the canal. Until the results of this examination are available it will be difficult to suggest what quantities of coal could be expected to move by this route.

"Before concluding its report the Working Group wishes to draw attention to an important matter of policy, which has a bearing on the future pattern of [illegible] of coal in the country. This pertains to the [illegible]ustries based largely on coal. The Group [illegible]ous consideration should be given in decid- [illegible] industries to the requirements in regard [illegible] of coal involved. In formulating the fourth and the subsequent Plans it would be eminently desirable that industries which consume large quantities of coal grow up near the coalfields, while the industries which do not require much coal should be encouraged in places distant from the coalfields. Planning in this direction is essential so as to avoid undue strain on the transport system in the Fourth Plan period. In this context it will also be desirable to examine the feasibility of conversion of coal into gases which could be easily transported through pipelines and of increased generation of the thermal power in the coalfields and its transmission through inter-State grid. Moreover, a relatively higher priority may have to be given to production of hydro-electric or nuclear energy in the regions distant from the coalfields. It may also be necessary to revise the existing railway freight structure so as to discourage long distance uneconomic haulage of coal. Any such adjustments in railway rate structure could only be made over a period of time, in order to avoid dislocation to the existing industrial cost price structure. It will be an advantage, however, to consider the locations of new industries having regard to the true costs of hauling coal by rail and not merely the existing freight rates which are heavily subsidised. The general objective of these studies should be to minimise the haulage of coal over long distances which requires huge investments and yet to exploit the coal resources to the utmost. The Working Group has not given detailed thought to these issues but has considered it necessary to mention them in the hope that they will receive consideration by the appropriate agencies in due course.

"It would be desirable if the programmes in regard to the development of coal consuming industries and the transport requirements of coal is drawn up in two parts, namely (a) for the first two years of the Fourth Plan period and (b) for the end of the Fourth Plan period. In drawing up this programme the various considerations influencing the location of industries mentioned above and the desirability of avoiding needless transport strains should be borne in mind."

A FIVE-YEAR PLAN FOR DEVELOPMENT OF GOA

A high-level mission, representative of the Planning Commission and the Ministries of Finance, Commerce and Industry, Steel, Mines and Fuel and Transport, will shortly leave for Goa to prepare a Five-Year Plan for this recently acquired Union Territory. The Plan, when finalised, will form part of the country's Third Five-Year Plan.

Goa's so-called prosperity in the recent past was based on the import of consumer goods, which by and large were smuggled into India, and exports of iron and manganese ore to Japan, Germany and Italy. In 1961, for example, the Portuguese rulers of Goa earned 110 million D.M. from trade with Germany; exporting iron ore worth 130 million D.M. and importing largely consumer goods worth 20 million D.M. In 1960, Goa exported 5.5 million tons of iron ore — 2.6 million tons to Japan, 2.1 million tons to Germany and 0.5 million tons to Italy. In 1961, exports of this ore were of the order of 6.5 million tons — 3.5 million tons to Japan, 1.9 million tons to Germany and 0.7 million tons to Italy. The price realised in this year was 35 shillings per ton.

Apart from the planned exploitation of the mineral resources of Goa, the mission will also explore the possibilities of setting up a steel plant there. This steel plant is envisaged to be based on imported coal.

Goa has one of the best natural harbours on the Western Coast. Its development into a major port and its linking up by road transport with the hinterland are the other major problems, which would need attention.

These developments are means to an end, which is to improve the economic condition of the people of Goa. Every effort shall have to be made to make the Goanese feel proud of India.

POWER SCHEMES SANCTIONED

Since the publication of the Third Plan, the Government of India has sanctioned three power schemes in the private sector with a total installed capacity of 180,000 kW.

These are for generation of 125,000 kW. of thermal power by Tatas at Bombay, 50,000 kW. by the Calcutta Electric Supply Corporation, and 5,000 kW. by the Dishergarh Electric Supply Company at Dishergarh in the coal-mining area in Bihar.

Six other power schemes have been added to the Third Plan in the public sector. These will generate 210,000 kW. of power.

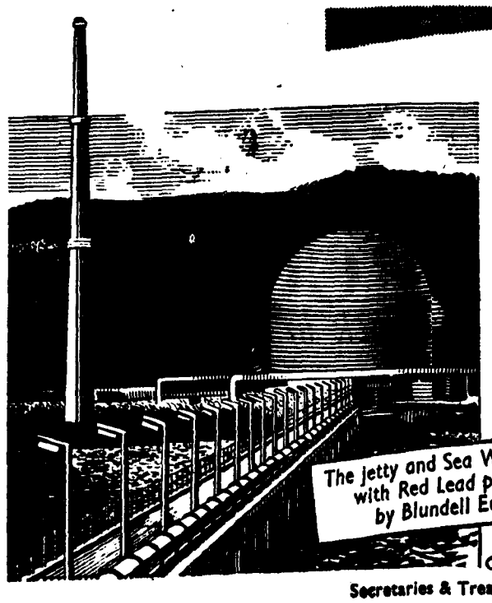
In Bihar, the installed capacity of the two units under Barauni extensions, has been stepped up from 30,000 kW. to 50,000 kW. In Jammu and Kashmir, the Kalakote thermal station's capacity will be increased by 10,000 kW, making a total of 20,000 kW.

In Kanpur (Uttar Pradesh), the capacity of thermal station is to be stepped up by 60,000 kW., because it is felt that only two out of five units at the Singrauli thermal station could be commissioned by the end of Third Plan.

In West Bengal, a third 75,000 kW. unit has been accepted for the Durgapur coke oven power station. In addition, there will be six package power plants of 1,500 kW. each, to be installed at various places in West Bengal region.

A 15,000 kW. thermal plant has been accepted for installation at Delhi.

In Maharashtra, the Koyna Dam power house, with an installed capacity of 40,000 kW., has been included under the second stage of the Koyna Project. Two more schemes — Vaitrana and Sahashkund — with installed capacities of 40,000 kW. and 50,000 kW. respectively — have been included in the Maharashtra Plan.



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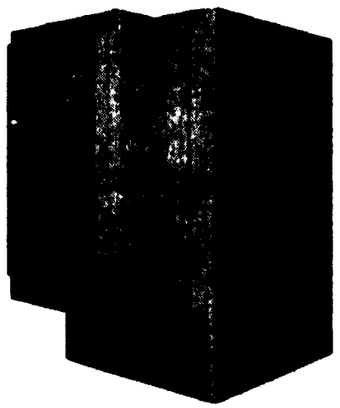
NOTICE

NOTICE is hereby given that the Sixty-Seventh Annual General Meeting of the Standard Mills Company Limited will be held at the Tata Auditorium, Bombay House, Bruce Street, Fort, Bombay 1, on Wednesday, the 25th April, 1962 at 4-00 P.M. (S.T.) to transact the business as specified in the Notice dated 3rd March, 1962 posted to the Members of the Company individually at their registered addresses with the Company along with the Explanatory Statement required under Section 173 of the Companies Act, 1956.

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Benefits from these schemes will, however, accrue during the Fourth Plan.

MANUFACTURE OF TRUCK CHASSIS

The Government of India has approved the expansion schemes of two motor vehicle manufacturers, namely, Hindustan Motors and Premier Automobiles. Hindustan Motors Limited has been permitted to raise its production of truck chassis from 6,000 to 15,000 units per annum. Premier Automobiles Limited has been allowed to increase its output in this line of manufacture from 7,000 to 12,250 units a year.

These expansion schemes have been approved to meet the growing demand for movement of goods by road.

Hindustan Motors, it may be recalled, manufactures Bedford trucks and Premier Automobiles Dodge/Fargo trucks.

MANUFACTURE OF ALUMINIUM

The Union Government has accepted in principle the Industrial Development Corporation's project to set up a plant for the manufacture, in the public sector, of 1,00,000 tons of alumina and 25,000 tons of aluminium ingots. The project is to be located in Madhya Pradesh and will be executed with Hungarian technical and financial collaboration. It will be based on the power to be produced at the thermal station proposed to be set up near Korba.

MANUFACTURE OF MANGANESE METAL AND MANGANESE DIOXIDE

A number of schemes have been approved by the Government for the manufacture of manganese metal and manganese dioxide. This follows the recommendation of the Committee set up recently by the Ministry of Commerce and Industry under the chairmanship of one of its Joint Secretaries, Mr. R. V. Raman. The Raman Commitee has pointed out that India is short of ore reserves for most of the non-ferrous metals. There are several large deposits of aluminium ore which can replace some scarce non-ferrous metals such as nickel. Electrolytic manganese is used for the manufacture of nickel-free stainless steel and headfield manganese steel and coinage.

The details about the schemes approved are not immediately available.

CHEMICAL FERTILIZERS

An additional chemical fertilizers plant is to be built in India by the Power-Gas Corporation, of Stockton-on-Tees, England.

Contracts worth between £1,000,000 and £1,500,000 have been awarded to the Corporation by Fertilizers and Chemicals Travancore Limited for major extensions to its factory at Alwaye, Kerala.

The contracts include the supply of a plant for producing synthesis gas from oil by partial oxidisation, an ammonia synthesis plant — the first in India of British design, with a capacity of 150 tons a day — and an ammonium sulphate plant which will use as its raw material gypsum produced as a by-product of phosphoric acid manufactured at Always.

The sulphate plant extensions will raise the factory's output of ammonium sulphate from 220 tons a day to 660 tons a day.

FRENCH ASSISTANCE FOR INDIAN INDUSTRIAL PROJECTS

M. Antoine Pinay, Chairman of the "Compagnie Francaise pour la Diffusion des Techniques" visited New Delhi last week. He was leading a Mission consisting of M. Krivitzky, Secretary-General, Sofremines (Railways); M. Gruot, Delegate of Sofrelec (Power); M. Amsler, Chief Engineer Sofregaz (Gas and Natural Gas) and Sofre Transport Urbain (Town Transport).

M. Pinay's company is a consortium of consulting firms. His visit to India was aimed at interesting Indian industrialists as also the public sector in securing his company's services for preparation of project reports, advice on the suitability of equipment required for an industrial unit etc. M. Pinay was hopeful of arranging credits if his company were entrusted with the preparation of any project report.

ASSISTANCE FROM DEVELOPMENT WING

A Public Relations Unit has been set up in the Union Ministry of Commerce and Industry in order to help the public seeking assistance from the Development Wing. It will supply all relevant information that may be required by those interested in the development and promotion of industries under the Industries (Development and Regulation) Act, 1951, and will assist them to see the concerned officers in the Development Wing, where further discussion may be necessary. Information on such matters as whether an industry is on the free licensing list or on the banned list, names of indigenous manufacturers and connected data etc. will also be available with this unit.

RECORD JUTE CROP

The Indian jute crop of 1961-62 has been the biggest ever since partition, it is learnt here. The final official estimate puts this year's output at 62.69 lakh bales, as against 39.82 lakh bales in 1960-61. The average annual production during the Second Plan period has been about 43.80 lakh bales.

The total area under jute cultivation, spread over West Bengal, Bihar, Assam, Orissa, Uttar Pradesh and Tripura, is understood to have gone up from 15.12 lakh acres in 1960-61 to 22.59 lakh acres in 1961-62.

Although the 1961-62 crop has been an all-time record, no marked surplus of jute is expected to remain at the end of the current consumption season because the mill consumption of jute has gone up and stocks with the trade and industry, which had touched a very low figure at the end of the 1960-61 season, had to be replenished.

The Government has taken a number of steps in the past few months to ensure that prices of raw jute do not decline to uneconomic levels following the bumper crop. An informal "floor" price of Rs. 30 per maund, basis Assam bottoms, has been fixed.

The Government has also approved licensing of over 250 broad looms for jute mills, provided the foreign exchange expenditure involved in the import of these looms is met from export earnings.

IN BRIEF....

The United States Government has increased by 1,49,000 tons the quantity of non-quota sugar authorised for purchase and importation during the first six months of 1962. Of this, India has been allotted a quantity of 50,000 tons. An additional 25,105 tons still remain to be allocated by U.S. Department of Agriculture. Efforts are being made to ship the total quantity of sugar allocated to India within the stipulated period.

*

India has signed an agreement with the Australian Wheat Board for the purchase of 270,000 tons of Australian wheat. These purchases form part of the commercial purchases of wheat India has to make during the current year.

*

Trans World Airlines flew in February last more revenue passenger miles, both domestically (297,903,000) and internationally (50,405,000) than during any previous February in the Airlines' history. The revenue passenger miles flown domesticcly represent an increase of 2 per cent over the previous record achieved in February, 1960. The revenue passenger miles flown internationally showed an increase of 33 per cent over the previous record also of February, 1960.

*

Mr. S. S. Khera, I.C.S., who is at present Secretary of the Ministry of Mines and Fuel, will take over as Secretary to the Cabinet and Secretary to the Planning Commission on the retirement of Mr. Vishnu Sahai, I.C.S., on the afternoon of April 15, 1962. Mr. Vishnu Sahai, will on that day, take over as Member of the Planning Commission.

BOOK REVIEWS

PLANNING

Democratic Planning: By K. Santhanam: Published by Asia Publishing House, Bombay: Pp. 201: Price Rs. 9.50.

Mr. K Santhanam, a member of the 'Old Guard', and a versatile journalist and scholar, through this book places at our disposal his philosophy of life. In fact, in only 43 of his articles he presents a digest of his considered views on a large variety of subjects, like politics, economics, constitution and education, in a most succinct manner. Each article has something definite to convey, and bespeaks of knack of the subject, clarity, veracity, precision and unusual elegance of the master mind.

The book is divided into three sections; whereas Parts I and II deal with political and economic problems, Part III is devoted to 'Congress Policies'. Not a single article is of ephemeral character, and will by itself give testimony of its readability over time. But one is tempted to feel that most of the articles would be relished more, if dates of their publication were given at the end.

One basic approach visible through the whole book, makes one fully appreciate the author's views — and more often than not, subscribe to them — about the problems that emerge in the transitional stages of a country's development, and agree with him that 'a hyper-critical attitude is likely to lead to pessimism and inaction'. So also, no one would differ with his contention that 'dogmatic faith in fanciful and hypothetical schemes and calculations will result in worse evils of wrong action and bitter disappointment.' Mr. Santhanam very rightly then beacons his readers to 'the middle path in which reason and faith combine.'

ILLUSTRATED GROWTH

"Towards 'Take Off'", an illustrated summary of India's Third Five-Year Plan: Prepared and Distributed by Esso Standard Eastern Inc.: Pp. 40.

The Standard Vacuum Oil Company now known as Esso Standard Eastern Inc. has ventured to produce small pamphlets, very well illustrated and neatly laid out, on some important problems. "A Blueprint for Progress", a pictorial summary of the Second Five-Year Plan was issued five years ago. Before the elections, STANVAC also produced a small pamphlet entitled "You and the Ballot Box" primarily written for school students. The pamphlet under review attempts an illustration of the various economic developments which are likely to take place in the Indian economy so as to take it to the "Take-off" stage. Even though the aim is to present the outline of the Third Five-Year Plan in an easily understandable language, the task has been accomplished in a very competent manner. This little pamphlet should be in the hands of every high school boy and girl so that they may know and understand all about the Third Five-Year Plan especially how it is likely to help the Indian Union in raising the living standards all-round.

PATNA CONGRESS

Special Number of Economic Review: Published by the All India Congress Committee: 7, Jantar Mantar Road, New Delhi: Pages 224: Price Rs. 2.

The Special Number of the A.I.C.C. Economic Review brought out at the 67th Session of the Indian National Congress provides quite a variety of articles. The coverage is so wide that there is hardly any economic problem which has not been touched upon. The outstanding amongst these articles might be mentioned "The Location Problem" by J. B. Condliffe, "Savings and Capital Formation in the Indian Economy", by P. R. Brahmanand, "Problems and Prospects of Economic Growth in Kerala" by P. S. Lokanathan and "Increasing Production in Indian Agriculture" by W. Mellor.

While one may not agree with many of the articles written in this A.I.C.C. Economic Review, still it must be said that they provide a valuable information. Some, of course, are very short and provide only scanty information. It can well be due to lack of space that they have not been dealt with exhaustively. The main reference here is to the article "Role of Education in the Third Plan" where the problem of national integration is just dealt with in a passing manner. Certainly it demands a more comprehensive treatment than that.

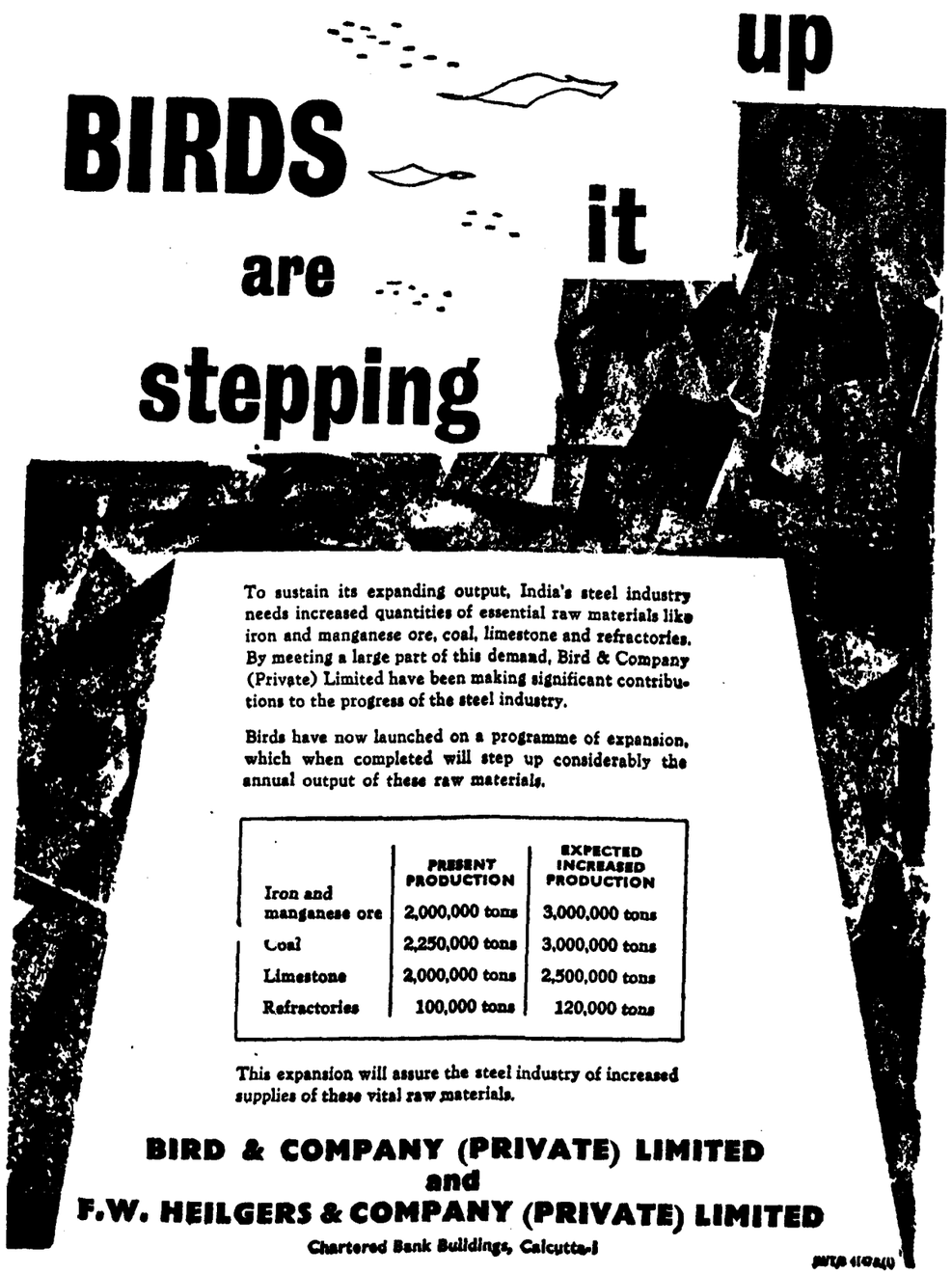
The first leader in the Special Number as usual is a praise for the Congress Government and its policies. There is no doubt that significant achievements stand to the credit of the Congress Party, but there is still a tremendous amount of discontent in the country. A study in economic and political strain made by "The Eastern Economist" in its 'After the Elections' Number would bear ample testimony to that.

ANNUAL REVIEW

Major Industries of India Annual 1961, Editor M. P. Gandhi: Published by M. P. Gandhi & Co., Nanabhay Mansion, Sir P. Mehta Road, Fort, Bombay-1: Pp. 338: Price Rs. 15.

The tenth Annual dealing with the major industries of India published by Mr. M. P. Gandhi lives up to the high standards set by all his publications. It gives a series of authoritative articles on India's Third Plan and on the progress and problems of the leading industries.

Mr. Gandhi has analysed, in the leading article, the implications of the Third Plan and has rightly drawn attention to the need for efficient working of the Plan. Mr. Manubhai Shah, Union Minister for Industries in the last Cabinet, has explained the manner in which new units are being given preference for industrial ventures over established houses and how increased emphasis is being laid on building of machinery in the country. Mr. Shriman Narayan, Member, Planning Commission has discussed the problems of regional growth and employment in the Third Plan, while Dr. P. S. Lokanathan, Director-General National Council of Applied Economic Research has advocated new incentives for purposes of accelerating exports. An illuminating analysis has been presented for increasing India's foreign exchange earnings during the Third Five-Year Plan by Mr. L. K. Jha, Secretary, Union Ministry of Finance. Mr. K. B. Lall has discussed the problem of foreign investments in India. Authoritative reviews on cotton and cotton textiles, iron and steel, sugar, heavy chemicals, plantations, tobacco, oil and gas, railways, transport and foreign trade are also presented.





ANNOUNCEMENT

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COMPANY AFFAIRS

UNITED COMMERCIAL BANK

During the year to December 31, 1961, United commercial Bank recorded a net profit of Rs. 72.61 lakhs which was nearly 8 per cent more than the previous year's profit of Rs. 67.43 lakhs. The directors have transferred Rs. 30 lakhs to reserve fund, Rs. 4 lakhs to the newly constituted gratuity trust fund and have provided Rs. 14 lakhs for bonus to staff. They have recommended the payment of a dividend at the rate of Rs. 6 per share subject to deduction of tax which will absorb Rs. 24 lakhs.

During the year the deposits advanced to a figure of Rs. 98.90 crores and were more than 11 per cent higher than the previous year's figures of Rs. 88.84 crores. Advances also appreciated to a figure of Rs. 64.20 crores from Rs. 61.39 crores. The Bank opened a number of new branches during the year at Dhanbad, Khairthal, Kozhikode, Ghatkopar (Bombay), Dharamtala Street (Calcutta), Kamlanagar (Delhi), Raurkela Bazar and Vikram University (Ujjain).

The Directors have pointed out that on account of the "desirability of increasing the ratio of the paid-up capital and reserve fund to the deposits of the bank they have decided to offer to the shareholders 200,000 shares forming part of the unissued capital of the bank for subscription in cash at a premium of Rs. 25 per share and call up in the first instance half the nominal amount of these shares together with premium." The application to the Controller of Capital Issues for the sanction of these proposals has been submitted and the Bank after this proposition is likely to improve its performance further.

JAY SHREE TEA & INDUSTRIES LIMITED

The working results of Jay Shree Tea and Industries Limited for the year ended December 31, 1961 show a gross profit of Rs. 53.7 lakhs after meeting all the usual expenses. The management has set apart Rs. 10.8 lakhs or depreciation, Rs. 15.5 lakhs for taxation and Rs. 4.5 lakhs for Development Rebate Fund. The Managing Agents' commission and the Directors' commission add up to Rs. 3.8 lakhs. The net profit at Rs. 19.0 lakhs together with the previous year's balance of Rs. 88,479 comes to Rs. 19.9 lakhs. Special attention is invited to the appropriation of the profits. A dividend of Rs. 1.25 per equity share (12.5 per cent per annum) claimed Rs. 10.9 lakhs while the preference shares at 9 per cent per annum received Rs. 31,077. To general reserve a sum of Rs. 8.5 lakhs was transferred. No allocations were made for dividend equalisation fund because the transfer to general reserve was enhanced from Rs. 5 lakhs to Rs. 8.49 lakhs. All these indicators show that the company is steadily rising in stature and is improving upon its working results every year.

TRAVANCORE RAYONS

The working of the Travancore Rayons Ltd. during the year 1961 has resulted in a profit of Rs. 61.93 lakhs. The directors have indicated that the excise duty which was 66-2/3 per cent on rayon yarn in the Central Budget for the year 1961 has meant a heavy burden for the Company. The directors have indicated that the working results could have been even more encouraging if the Company did not have to bear this burden. The Company has maintained its selling prices too at the same previous levels despite the soaring cost of raw materials, cost of manufactures, and labour costs. Due to the slackness in demand for cellulose film, which still continues, the Company has not been able to work to its full increased capacity of 13 tons film per day.

The Company is going ahead with its ambitious expansion plans. It proposes to instal 6 more spinning machines and also put up a new rayon spinning unit, raising the installed capacity for rayon to 13.6 tons a day. The erection of the Cotton Linter Plant is well under way and production is expected to commence in August or September this year. The Travancore Rayons hopes to become the pioneers in this field also—in the manufacture of rayon grade pulp in India.

The liabilities to the Kerala Government have been completely wiped off. The gross block has gone up by Rs. 26 lakhs during 1961, and stands at Rs. 5.68 crores. The general and other reserves total about Rs. 1.13 crores. Against the paid-up capital of Rs. 1.50 crores an initial sum of Rs. 8 lakhs has been transferred to dividend equalisation reserve this year. The Directors have prudently maintained their recommendation of dividends at 20 per cent — the same level as last year.

NEW ISSUES

The Devkaran Nanjee Banking Company Ltd., has been accorded permission to issue one lakh equity shares of Rs. 50 each, to be issued for cash at a premium of Rs. 2 per share. The paid-up capital of the bank is Rs. 50 lakhs.

Capsulation Services Price Ltd., has been authorised by the Controller of Capital Issues to issue bonus shares of the value of Rs. 3,02,400 divided into 30,240 equity shares of Rs. 10 each to be made in the ratio of three bonus shares for every five shares held. The paid-up capital of the Company which is manufacturing one-piece soft gelatine capsules, is Rs. 5,04,000.

Jaipur Metals and Electrical Ltd., Jaipur, is to issue fresh capital of Rs. 25 lakhs, in equity shares of Rs. 100 each for cash at a premium of Rs. 15 per share. The proceeds will be utilised for the manufacture of copper conductors, electrical meters etc. Jaipur Metals has a paid-up capital of Rs. 35 lakhs.

West India Steel Company Private Ltd. Calcutta, is raising a capital of Rs. 10 lakhs, in equity shares of Rs. 1,000 each for cash at par. The proceeds will be utilised for rerolling billets into bars, rods, etc. The Company's present subscribed capital is Rs. 10 lakhs in equity shares of Rs. 1,000.

THE DEPARTMENT OF COMPANY LAW ADMINISTRATION

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Some of the important publications of the Department are the following for which orders might be placed with the Manager of Publications, Civil Lines, Delhi-8:-

1. Trends in Company Finances with particular reference to the First and Second Plan Periods	C.D.667	Rs. 2.25
2. The Corporate Sector in India. A Factual Presentation of Long and Short-term Trends	C.D.1018	Rs. 13.50
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Company Meetings

THE INDIA SUGARS & REFINERIES LTD., HOSPET

Speech of the Chairman, Sri Rajeshwara Patel M.P.

Presiding over the Twentyeighth annual general meeting of the shareholders of the India Sugars and Refineries Ltd., held at the registered office of the Company at Hospet on Saturday the 31st March, 1962, Sri Rajeshwara Patel, M.P., Chairman said :

Gentlemen :

Before commencing the proceedings of the meeting it is my melancholy duty to convey to you the news of the sad demise of our Chairman, Rukn-ul-mulk, S. Abdul Wajid on the 27th November, 1961. He had been ailing for some considerable time and even last year his health did not allow him to participate in the Annual Meeting. As mentioned in the Directors' Report, he had been associated with your Company from its very inception and for the last 20 years had been the Chairman of the Board. *Personally*, I moved with him in close intimacy during the last five years and, with every passing year, our friendship found fresh points of contact and concord. In his death, the Company has lost the services and guidance of a mature intellect and mellowed wisdom. I would now request you all to stand up and observe two minutes' silence as a mark of respect to the deceased.

It gives me pleasure to welcome you to the Twenty-eighth Annual General Meeting of this Company. The Accounts for the year ended 30th September, 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 factory would mount up due to the increase in the all-India sugar production.

You will agree with me that our Company has done well during the year under review. The quantity of cane crushed and sugar produced during the year constitute a record for the factory. While the achievement, by itself, is gratifying, the immediate benefit was largely offset because of the smaller releases of sugar. Now that decontrol has come in the wake of overproduction, with very uncertain prospects as to the size of exports, we are entering a period marked by unstable prices and selling pressure. Already the prices have indicated a steep fall and unless they attain a stability the Sugar Industry would have to face very serious consequences.

Again, with the falling prices of sugar the industry has been asked to implement the recommendations of the Central Wage Board for Sugar Indu.try. Even so, your Company has been the first to adopt and give effect to the recommendations. Added to all these, with the increased cost on labour, stores and spares and also owing to the large carry-over of stocks, interest and insurance charges on the large quantity, the profits for the year under review could not be spectacular. It is feared, continuance of these difficult conditions would not permit any better results the next year either.

As I mentioned in my statement last year, the only solution of the surplus position of sugar in the Country lies in the rapid development of the export market. The little quantity of sugar we are exporting at the moment will not help the Country in clearing all the surplus stocks. An outlet for about six lakh tons of sugar at least in the export market would enable the industry to function satisfactorily with its present installed capacity. Along with this effort to export more, ways and means will have to be devised for a steady increase in internal consumption also.

It is a matter of some satisfaction that the Government, after all, have realised the dangers of overroduction and have decided upon certain measures to ombat it. They have, for the time being, stayed the licencees for new units to instal fresh capacities. They have also put a ceiling to the production of sugar for the season of the existing units. But as we all know, the prosperity of the Sugar Industry would ultimately depend upon the maximum utilisation of its various bye-products, your Directors' attention has been drawn to this aspect of the problem and they have taken concrete steps to increase the manufacture of bye-product like Spirit and explore the possibility of better utilisation of bagasse also.

The Government of India have issued a Licence to a Bangalore firm for putting up a paper mill unit in our area. We have already been approached by this firm for concluding an arrangement to supply bagasse to the proposed paper mills and the paper mills would be responsible for supplying our factory with the necessary oil-fired boilers and the requisite oil fuel. No capital expenditure will be incurred by the Company as a result of this change-over. This matter is still in the stage of negotiation and no final decision has been reached so far.

Although it was not entirely unexpected, the validation of the Sugarcane Cess Act with retrospective effect has deprived the Company of the anticipated reimbursement of a substantial sum of money consequent on the Supreme Court's declaring the imposition of cess Ultra Vires. However, as indicated in the Directors' Report the matter is now being examined by the Company's legal advisers and the Directors would certainly take appropriate steps according to such legal advice.

I am happy to inform you that the progress registered by your subsidiary Company, the Salar Jung Sugar Mills Ltd., is even more substantial than the previous year. The steady way in which this unit is marching, we feel confident of its furture financial stability. And this in turn would become a substantial source of revenue to your Company.

Two of your Directors, Sarvashri Rajeshwara Patel, M.P., and O. V. Alagesan, M.P. retire under rotation as per Article 105 of the Articles of Association of the Company.

I take this opportunity to thank my colleagues on the Board of Directors who have all along given me their guidance, advice and support. Finally, I desire to record our warm appreciation of the efficient and devoted work our Officers, Staff and Workers have given you during the last year.

I now formally move the adoption of the Directors' Report and the Audited Accounts for the year ended 30-9-1961.

The Directors' Report and the Accounts for the year ended 30th September, 1961 were adopted and a dividend on Preference Shares at 7½ per cent (subject to tax) as calculated in accordance with Preference Share (Regulation of Dividends) Act, 1960 and a dividend on the Ordinary Shares at 10 per cent subject to deduction of Income-tax, were declared for the year ended 30th September, 1961, payable on or after 16th April, 1962.

Sri O. V. Alagesan and Sri Rajeshwara Patel were re-elected to the Board and the Auditors Sarvashri R. Narasimhan of Bombay and M. S. Krishnaswami and Jagannathan of Madras were re-appointed.

N.B. : This does not purport to be a report of the proceedings of the General Meeting.

THE UNITED COMMERCIAL BANK LIMITED

Statement of Shri G. D. Birla, Ch airman, circulated to the Members at the Nineteenth Annual General Meeting held on Wednesday, the 11th April, 1962.

GENTLEMEN,

You will notice from the Directors' Report and the accounts of the Bank for the past year now before you that the all-round progress of the Bank has been maintained and our deposits have improved after the slight setback of the previous year.

DEPOSITS

The deposits at the end of 1961 stood at Rs. 98.90 crores and showed a rise of Rs. 9.96 crores on the previous year's figure of Rs. 88.94 crores. This increase of 11.2 per cent compares with 8.5 per cent by which, after making allowance for the transfer of Rs. 72 crores of PL 480 fund from the State Bank of India to the Reserve Bank of India, the deposits of the public with scheduled banks as a whole rose during the same period.

CASH & SECURITIES

Cash on hand and with banks and money at call and short notice were Rs. 8.66 crores and represented 8.8 per cent of the deposit liability. The additional deposit resources which accrued to the Bank during the year were utilised primarily to improve the liquid position of the Bank through a considerable reduction of the borrowings from the Reserve Bank of India and the addition of a little over Rs. 2 crores to our holdings of Government Securities and secondarily to increase our advances by the moderate amount of Rs. 2.82 crores. As a result of this policy our quick assets consisting of cash on hand and with bank, money at call and short notice and free government securities amounting to Rs. 43.31 crores formed 43.78 per cent of our total deposits. The corresponding figures for the previous year were Rs. 35 crores and 39.4 per cent.

PROFIT AND LOSS ACCOUNT

Though the profits for the year have risen from Rs. 67.43 lakhs to Rs. 72.61 lakhs the extent of the increase would have been greater if we had observ.d a lower liquidity ratio. In disposing of the profit the Board have followed the same pattern as last year and transferred Rs. 30 lakhs to the Reserve Fund, raising it to Rs. 2.35 crores, and added Rs. 4 lakhs to the Gratuity Trust Fund which was newly set up with an initial contribution of Rs. 10,000. After allocating Rs. 14 lakhs for bonus to staff the Directors have repeated the dividend of 12 per cent less tax.

CAPITAL DEPOSITS RATIO

The subject of the ratio of paid-up capital and reserves of the banks to their deposits received the attention of the Reserve Bank of India and a proposal was put forward that this ratio should be gradually increased to 7½ per cent and the views of banks were invited. After discussion with the Indian Banks' Association the Reserve Bank of India finally agreed that the matter should be regulated by a convention rather than by legislation and banks were required to transfer substantial amounts out of profits to published reserves and to supplement this action by increase of capital so as to bring the capital deposit ratio upto 6 per cent within a reasonable period of time.

Our Bank has transfered every year substantial amounts to the Reserve Fund and you will notice from the Ten-year record of the Bank's progress annexed to the balance-sheet that the Reserve Fund has grown from Rs. 67.50 lakhs to Rs. 235 lakhs over a period of ten years. But in spite of such substantial transfers to the Reserve Fund the ratio of paid-up capital and Reserve Fund, to deposits has declined from 9.04 per cent to 4.39 per cent by reason of the steep increase in deposits. It was in the year 1945 that the Bank increased its subscribed capital from Rs. 2 crores to Rs. 4 crores and paid-up capital from Rs. 1 crore to Rs. 2 crores and the Directors feel that it is now expedient further to strengthen the capital structure of the Bank. With this object in view the Directors propose to increase the paid-up capital by the issue of 200,000 ordinary shares at a premium of Rs. 25 per share and when the issue is completed the capital funds of the Bank will improve by Rs. 1½ crores. This proposal can be given effect to only after obtaining the consent of the Controller of Capital Issues for which an application has already been made. You will be advised as soon as possible after the sanction of the Controller is received of the steps which the Directors propose to take to implement the scheme.

It is a matter of gratification that deposits of the banking system have risen during the year under review in contrast with the stagnation which characterised the previous year. The rate of growth of 8.5 per cent was, however, not the same as in the first four years of the Second Plan period when deposits recorded a growth of 11.2 per cent. It is important that steps should be taken to attract more deposits to the banking system in order that the overlent position disclosed by the scheduled banks' return may be corrected and the banks may be enabled to meet the additional demands for finance that would inevitably arise with the progressive implementation of the Third Plan. The introduction of the Deposit Insurance Scheme, despite the fact that the amount of individual insured deposit is only Rs. 1500, has already infused confidence in the stability of the banking system in rural and non-metropolitan areas where it had received a setback sometime ago and the confidence will be reflected in due course in the speedy growth of deposits of individuals with the banks.

INTER-BANK AGREEMENT ON RATES OF INTEREST ON DEPOSITS

A stable structure of reasonable interest rates on deposits is worthy of defence against attacks. In my statements for the last two years I had referred to the healthy influence of the inter-bank agreement on deposit rates. It is a matter of regret that some banks gave notice last year to resile from the agreement. While there may be room for a modest revision, it would be undesirable to permit a material departure from the structure of interest rates and permit more and more banks to quote higher rates of interest. Almost all banks have a large network of branches operating all over India and they have attained more or less equal status because of the Deposit Insurance Scheme, the supervision of Reserve Bank of India and the proposed capital deposit ratio. It is not understandable how a few banks can be given a preferential treatment for the purpose of quoting higher rates of interest on deposits simply because their deposits are, for the time being, less than those of some other banks. It must be remembered that the history of Indian Banking is full of instances of small and medium sized banks which have grown into large banks without any weightage in preferential rates of interest inter-se. The proposed differentiation in rates of interest on deposits for three types of banks goes against the spirit and foundation of inter-bank agreement. A scramble for deposits through the offer of higher rates of interest would create stresses which might lead to the abandonment of the agreement and reduction in the profit margin to the point of imperilling the building up of capital funds of banks to anything like the extent to which the banks are committed by the convention agreed to with the Reserve Bank of India. It is only through competitive development and extension of banking services and in the environment of stable interest rates and not in the atmosphere of a rate war that new deposits can be attracted. The non-nationalised banking sector should conduct its affairs in such a manner as to leave no room for further official control and regulation over its basic function of inculcating and spreading the banking habit and gathering the surplus funds of the public.

MOBILISATION OF INTERNAL RESOURCES

The Third Five-Year Plan is a challenge to the banks to meet the demands for finance which its implementation would generate. The Plan envisages a bigger programme of industrial development than its predecessor. At the end of the Third Plan industrial production is expected to increase by about 70 per cent over the level at the end of the Second Plan. The general index of industrial production is expected to reach 329 (1950-51=100) in 1965-66 against 194 estimated for 1960-61. Estimates of the additional bank credit which industrial enterprises might require vary from Rs. 650 crores to Rs. 750 crores and the mean of the two figures may be taken as the probable requirement of industries in the private sector. Currency in circulation is also bound to expand during the Third Plan period and we may estimate the rise in circulation to be of the order of Rs. 1000 crores. As the level of bank deposits at present is on a par with currency in circulation it could be reasonably assumed that during the Third Plan period bank deposits would also increase by Rs. 1000 crores. In the United Kingdom the ratio of deposits to currency in circulation is 3.1.

To divert bank credit and currency in circulation into banking channels to an extent which would increase the proportion of bank deposits in relation to circulation should be the objective of banks so that the banks would not only be in a position to meet the demands of industry but also to play their traditional role of subscribing to Government borrowings in substantial manner. There must, therefore, be a drive to increase deposits by increasing banking service and branches of banks both in big cities and in rural areas. The recent trend in banking is to employ accretions to deposits in financing industry and trade partly because of the increasing demand from industry and trade and partly because of absence of ready market for Government securities. The banks have to build up the portfolio of Government securities so as to improve the liquidity of the banking system. In addition they are also nowadays called upon frequently to subscribe to capital and debenture issues of various financial institutions and providing long-term finance to industry.

The Third Five-Year Plan envisages more and more borrowing by Government and public bodies and to make these borrowings successful, attempts should be directed towards making Government securities freely marketable and the position of Reserve Bank and Life Insurance Corporation should be used more towards making securities market really active.

THIRD FIVE-YEAR PLAN

Turning to the prospective development in the Indian Economy, the Third Plan, which nominally at least has been launched, visualises an increase in the national income from Rs. 14,500 crores at the end of the Second Plan to Rs. 19,000 crores at the end of the Third Plan. For achieving this, the Plan visualises a total investment of Rs. 10,400 crores of which Rs. 6,300 crores is in the public sector and Rs. 4,100 crores in the private sector. The ratio of net investment to national income which is 11 per cent at present is proposed to be raised to 14 to 15 per cent at the end of the Third Plan. Though the Plan is a modest one I must confess to a feeling of diffidence about its successful fulfilment. The Plan itself appears from every test to be more like a list of programmes and projects than a properly laid out and cohesive chart for progress. What really matter, however, are the targets of agricultural and industrial production. It is not easy to make a correct estimate or, for that matter, any kind of estimate of total production, especially in the private sector. But it is possible to estimate production in some important fields and treat it as a yardstick to measure in a reasonable manner the economic credit of the nation as a whole. If, for instance, the targets for important items like food, agricultural raw materials, fertilisers, cloth, steel, petroleum, power, road and rail transport, coal and capital goods could be achieved at the end of the Plan and measured they would give a clear idea of the measure of the increased prosperity of the people.

PREPONDERANT RELIANCE ON FOREIGN AID

The circumstances in which the first year of the Third Plan has elapsed have been favourable enough, in that record agricultural production (buttressed by import of foodgrains from America under Public Law 480) and sustained increase in industrial production (though the rate of growth was somewhat lower than in the previous year) both ensured that the price situation was under control. But the Plan's reliance on foreign assistance is preponderant, and the experience in the first year has clearly been that the inflow has fallen short of both requirements and earlier assurances that we had obtained. We should be realistic enough to assume that we are unlikely to receive a blank foreign exchange cheque, and also that there will always be a gap between promises and performance in the matter of foreign aid. In the final analysis it is increased export earnings which will assure the country of continued progress achieved through planning. We cannot surely, for long, sustain increase in production, if our reserves do not even permit the import of industrial raw materials for feeding already existing and involuntarily idle units of production. Every incentive should be provided to the Indian entrepreneur to be a producer of industrial raw materials. Appropriate concessions will undoubtedly pay off in the form of enlarged exports.

NEED TO STEP UP EXPORTS

Foreign exchange plays an important role in the development plan because we have to import the "know-how" and equipment for many industries. A careful assessment of the prospects of securing foreign exchange is preliminary to a correct assessment of the success of the Plan targets. Laudable efforts are being made to earn foreign exchange by exports and although there has been some improvement in this regard the

expansion of our exports is not proceeding at such vigorous rate as to justify full reliance on them. Moreover, there is even a limit to what India can afford to export. To permit exports at the cost of the home market, i.e., by starving the Indian consumer, cannot improve the prosperity of the country or the standard of the people. Increase in the exports is, however, inescapable at present. More attention should, therefore, be directed towards finding out ways and means of reducing cost of production of exportable commodities to a competitive level and the factors that account for increase in the cost of such commodities should be investigated and remedied at an early date.

FOREIGN AID AND INVESTMENTS

The second source of foreign exchange is loans and aids which we were receiving from friendly countries during the Second Plan period and which we can hope to receive in an increasing measure for the Third Plan. The third source, and the most important and durable one, is foreign investments which are coming only in dribblets.

The total requirement of foreign exchange is likely to exceed the Plan figure and in my view might go up to Rs. 3700 crores in place of Rs. 3200 crores assumed in the Plan. This is a problem of the utmost gravity and should be solved. The answer is not to cut this or that item of the plan projects; that would cause the collapse of the Plan. In my view it is not impossible to earn foreign exchange to the extent I estimate provided we create an atmosphere to earn it. Aids and loans will be major contributory factors for a long time to come but we must make a special effort to attract private foreign investment and we should also try to raise loans not merely on Government to Government level but also in the financial markets of the World. At present the conditions are not favourable but an atmosphere must be created in which it would be possible to raise loans in the course of time.

PROBLEMS OF FUEL, POWER AND TRANSPORT

Apart from foreign exchange, there are other hurdles to the achievement of the targets. The chief of these are, coal, power and transport, all of which are in short supply thereby hindering the growth of the economy. I feel that there should be no ceiling for power production but that more power should be produced than is adequate to meet the existing demand completely so as to leave a great surplus of supply awaiting the growth of demands from potential consumers. Every concern that needs power for its own consumption should be freely allowed to set up its own plant without any restraint and if any party can arrange for foreign finance on suitable terms for production of power he should be allowed to do so. Transport bottlenecks are in a way responsible for fall in production and increased inventory resulting in lock up of funds, which we can ill-afford today. Railways are not able to cope with the increased demands for transport and as such the development of road transport should be encouraged to further supplement the transport needs of the industry at reasonable rates. This alone would give impetus to progress, production and prosperity.

Administrative delays should also be eliminated and lengthy procedures in granting industrial licences should be very much simplified.

My diffidence also slightly increases in the matter of internal resources for the Third Plan. It is no secret that the tax effort for the Second Plan, as originally estimated, was, in the end, far exceeded; but not all the projects could be put through, and one of the reasons was inadequacy of internal resources. The fact is that non-plan expenditure has been allowed steadily to rise. For obvious reasons, and in this case inevitably too, the cost of Defence Services rose to Rs. 302 crores in the Revised Estimates for 1961-62 as against the Budget expectation of Rs. 283 crores; and the figure for 1961-62, in the Budget, was itself some Rs. 35 crores more than the actuals for 1960-61. It is all very well to term such non-developmental expenditure as essential to the security of this country. We have, however, to recognise the possibility of further drafts on our Budgetary resources for "contingencies" and administration charges. What, then, is the solution?

Always, the easiest way for Government is to raise fresh taxes. But there is a limit to the forms of taxation that can be introduced and to the rates that can be fixed. As it is, there is an estimate that new taxes introduced in the first year of the Third Plan constitute fully one-third of the target for the quinquennium. The caretaker Budget for 1962-63 has made clear the prospect of additional imposts. No doubt, the tax targets for the Third Plan will be fulfilled. But there is considerable doubt whether additional resources raised by taxes will be available for developmental projects. I strongly suggest that tax enforcement laws are made stricter so that collections can be tightened up; and the addition to revenues should, I fancy, be surprisingly large. Secondly, greater care than ever before needs to be taken to ensure that there is strict control over non-developmental expenditure, whether it be costs of civil administration or even, if I may be permitted to suggest, defence.

Lest I be thought unduly pessimistic, let me add that the holding of the third general elections in this country is of portentious significance. The return of Congress to power will have assured our foreign friends that India has a political stability and maturity that is comparable to conditions in countries in which democratic practices have been prevalent much longer. It is, I may remark, stability, both political and economic, which is one of the pre-requisites for luring foreign participation in the industrialisation of this or any other country. At the same time the emergence of the Swatantra Party as the largest body of opposition in the country will have brought home the truth to our foreign friends that democracy is effectively at work in India, in that there is perceptible evidence of the growth of an Opposition. Thus, proof of Indian democracy as attested to by the third general elections may conceivably result in greater inflow of foreign assistance, not only on a governmental level, but I hope on the private sector level as well. The Plan must be fulfilled at all costs.

NOTE: This does not purport to be a record of the proceedings at the annual general meeting.

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The United Commercial Bank Limited

Report of the Directors

The Directors have pleasure in submitting their Nineteenth Annual Report together with the Accounts of the Bank for the year ended 31st December, 1961.

The net profit for the year, after providing for taxes and for all known and anticipated charges, and including Rs. 1,46,870.98 brought forward from the previous account, amounts to .. .. Rs. 74,07,428.02

The Directors have transferred Rs. 30,00,000 to the Reserve Fund, Rs. 4,00,000 to the newly constituted Gratuity Trust Fund and provided Rs. 14,00,000 for bonus to staff. They now recommend the payment of a dividend at Rs. 6.00 per share, subject to deduction of tax, which will absorb Rs. 24,00,000, leaving an unappropriated balance of Rs. 2,07,428.02 to be carried forward.

The working of the Bank during the year was satisfactory with the deposits standing at a higher level than a year ago.

During the year branches of the Bank were opened at Dhanbad, Khairthal, Kozhikode, Ghatkopar (Bombay), Dharamtalla Street (Calcutta), Kamlanagar (Delhi), Rourkela Bazar and Vikram University (Ujjain).

Having regard to the desirability of increasing the ratio of the paid-up capital and reserve fund to the deposits of the bank the Directors have decided to offer to the shareholders 200,000 shares forming part of the unissued capital of the bank for subscription in cash at a premium of Rs. 25 per share and call up in the first instance half the nominal amount of these shares together with premium. An application has been made to the Controller of Capital Issues for sanction of these proposals and necessary resolutions for giving effect to them will be submitted for your approval after receipt of his consent.

The Directors are thankful to the Shareholders and the clients of the Bank for their continued support. They also express their gratitude to the Bank's Advisers and Advisory Committees for their able help and guidance.

The Directors place on record their appreciation of the services of the General Manager and the Officers and Staff of the Bank during the year.

The Directors retiring by rotation under Article 92 of the Bank's Articles of Association are Mr. M. L. Dahanukar, Mr. P. D. Himatsingka, Mr. A. C. Law and Mr. T. S Rajam, who offer themselves for re-appointment. Mr. M. L. Dahanukar and Mr. P. D. Himatsingka have both attained the age of 72 years and special notices of resolutions for their re-appointment have been given in terms of Section 190 and 281 of the Companies Act, 1956.

The Shareholders are requested to appoint auditors for the current year and to fix their remuneration.

On behalf of the Board,
G. D. BIRLA
Chairman.

BOMBAY,
17th March, 1962.

Report of the Auditors

TO THE MEMBERS OF THE UNITED COMMERCIAL BANK, LIMITED.

We have audited the attached Balance-sheet of The United Commercial Bank, Limited, as at 31st December, 1961, and the Profit and Loss Account of the Bank for the year ended upon that date, annexed thereto, in which are incorporated the Branch returns audited by the Statutory or other Auditors. The reports on the accounts of the Branches audited by other Auditors have been forwarded to us and dealt with in preparing our report in the manner considered necessary by us.

We report that:

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion, proper books of account, as required by law, have been kept by the Bank so far as appears from our examination of those books, and proper returns adequate for the purpose of our audit have been received from the Branches of the Bank;

(d) the Bank's Balance-sheet and Profit and Loss Account, dealt with by this report, are in agreement with the books of account and the returns;

(e) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and, on such basis, the said Balance-sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1961, and the Profit and Loss Account gives a true and fair view of the profit for the year ended upon that date.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
Chartered Accountants

BOMBAY,
9th March, 1962.

The United Commercial Bank Limited

Balance Sheet as at 31st December 1961

CAPITAL AND LIABILITIES	Dec. 31, 1961		Dec. 31, 1960	
	Rs. nP.	Rs. nP.	Rs.	Rs.
1. CAPITAL :				
Authorised Capital: 8,00,000 shares of Rs. 100 each	8,00,00,000.00		8,00,00,000	
Issued and Subscribed Capital: 4,00,000 shares of Rs. 100 each	4,00,00,000.00		4,00,00,000	
Amount Called up: 4,00,000 shares at Rs. 50 per share		2,00,00,000.00		2,00,00,000
2. RESERVE FUND AND OTHER RESERVES:				
Reserve Fund		2,35,00,000.00		2,05,00,000
3. DEPOSITS AND OTHER ACCOUNTS :				
Fixed Deposits	54,94,61,714.76		49,23,76,842	
Savings Bank Deposits	10,89,25,205.26		9,25,54,088	
Current Accounts, Contingency Accounts, etc.	33,06,52,778.50	98,90,39,698.52	30,44,56,523	88,93,87,453
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC. :				
(i) In India	2,20,50,000.00		9,12,75,000	
[Includes an amount of Rs. 83,50,000 (Previous Year—Rs. 70,00,000) borrowed from Refinance Corporation for Industry Ltd. and an amount of Rs. 1,25,00,000 (Previous Year — Rs. 72,00,000) borrowed from Reserve Bank of India under Section 17(4)(c) of The Reserve Bank of India Act.]				
(ii) Outside India	48,78,050.65	2,69,28,050.65	19,53,111	9,32,28,111
PARTICULARS :				
(i) Secured by part of Investments and Advances per contra	2,65,79,864.21		9,20,14,423	
(ii) Unsecured	3,48,186.44		12,13,688	
	2,69,28,050.65		9,32,28,111	
Carried over ..		105,94,67,749.17		102,31,15,564

PROPERTY AND ASSETS	Dec. 31, 1961		Dec. 31, 1960	
	Rs. nP.	Rs. nP.	Rs.	Rs.
1. CASH :				
In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		6,09,12,494.92		6,25,63,148
2. BALANCES WITH OTHER BANKS : (including Foreign Government Treasuries)				
On current account :				
(i) In India .. .. Rs. 20,34,910.05			18,58,326	
(ii) Outside India .. .. Rs. 1,57,32,736.08			2,08,69,896	
	1,77,67,646.13		2,27,28,222	
On deposit account :				
In India (Staff Security)	..	1,77,67,646.13	6,80,000	2,34,08,222
3. MONEY AT CALL AND SHORT NOTICE ..		79,30,000.00		97,00,000
		8,66,10,141.05		9,56,71,370
4. INVESTMENTS : (at below market value)				
(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	32,97,71,404.04		30,92,64,551	
(ii) Shares :				
(a) Fully Paid Preference Shares	35,67,962.50		16,85,910	
(b) Partly Paid Preference Shares	..		6,74,000	
(c) Fully Paid Ordinary Shares	25,57,825.00		25,57,825	
(d) Partly Paid Ordinary Shares	11,36,560.00		13,08,472	
(iii) Debentures or Bonds	2,76,187.50		11,96,900	
(iv) Securities of the U.S.A., Burma, Malaya, Singapore and Pakistan Governments and Foreign Trustee Securities	2,24,12,106.62		2,21,40,873	
(v) Gold	..	35,97,22,045.66	..	33,88,28,531
5. ADVANCES : (other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)				
(I) Loans, Cash Credits, Overdrafts, etc. :				
(i) In India .. .. Rs. 35,65,39,440.66 [Includes an amount of Rs. 83,50,000 (Previous Year—Rs. 70,00,000) relating to medium-term advances in respect of which finance has been obtained from Refinance Corporation for Industry Ltd.]			33,62,73,756	
(ii) Outside India .. Rs. 6,79,40,126.13			8,84,59,382	
	42,44,79,566.79		42,47,33,138	
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)				
(i) Payable in India Rs. 14,98,90,813.78 [Includes an amount of Rs. 5,64,00,000 (Previous Year — Rs. 72,00,000) of Usance Promissory Notes lodged with Reserve Bank of India for advances under Section 17(4) (c) of The Reserve Bank of India Act.]			8,55,57,553	
(ii) Payable outside India .. .. Rs. 6,77,01,092.81			10,35,59,332	
	21,75,91,906.59	64,20,71,473.38	18,91,16,885	61,38,50,023
Carried over ..		108,84,03,660.09		104,88,40,924

The United Commercial Bank Limited

Profit and Loss Account

EXPENDITURE	Year ended Dec. 31,1961	Year ended Dec. 31, 1960
	Rs. nP.	Rs.
1. Interest paid on deposits, borrowings, etc.	2,60,69,716 43	2,52,33,901
2. Salaries and allowances and Provident Fund (salary and allowances of General Manager Rs. 84,000)	1,56,34,859 52	1,40,85,125
3. Directors' (Rs. 45,200) and Local Committee members' fees and allowances	57,484.00	87,638
4. Rent, Taxes, Insurance, Lighting, etc.	18,80,204 63	17,44,329
5. Law charges	1,44,182 59	1,31,714
6. Postage, Telegrams and Stamps	9,88,968 93	7,94,640
7. Auditors' fees for statutory and periodical audits	1,62,302.00	1,41,794
8. Depreciation on, and repairs to, the Banking Company's property	15,36,174.39	15,12,866
9. Stationery, Printing, Advertisement, etc.	12,15,312.55	12,56,477
10. Loss from sale of, or dealing with, non-banking assets	..	..
11. Other Expenditure	11,96,215.97	11,67,011
12. Balance of Profit	72,60,557 40	67,42,775
Item 2 includes Rs. 10,000 of contribution to Gratuity Trust Fund.		
TOTAL Rs...	5,61,45,978 05	5,28,98,270

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Companies Act, 1949.

G. D. BIRLA
Chairman

I. P. GOENKA
A. C. LAW
G. L. BANGUR
P. D. HIMATSINGKA
Directors

R. L. NOPANY
M. L. SHAH
M. L. DAHANUKAR
Directors

M. L. TAPURIAH
Y. N. MAFATLAL
G. D. KOTHARI
T. S. RAJAM
Directors

The United Commercial Bank Limited

Profit and Loss Account

INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year ended Dec. 31, 1961	Year ended Dec. 31, 1960
	Rs. nP.	Rs.
1. Interest and Discount	4,10,24,396.51	3,79,00,092
2. Commission, Exchange and Brokerage	1,42,37,899.80	1,41,72,722
3. Rents	8,56,407.38	8,08,390
4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—	—
5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserve or any particular Fund or Account)	—	—
6. Income from non-banking assets and profit from sale of, or dealing with such assets	25,535.36	15,480
7. Other receipts	1,739.00	1,586
8. Loss	—	—
Total Rs. ..	5,61,45,978.05	5,28,98,270

V. M. DESAI
Chief Accountant

S. T. SADASIVAN
General Manager.

per our report annexed.

BOMBAY,
9th March, 1962.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
Chartered Accountants

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Manufactures: Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	112.0
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	124.9
December 1960 ..	117.0	112.1	120.3	149.5	132.3	125.0	126.0	124.6
January 1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
February „ ..	116.3	111.2	121.7	159.4	134.2	128.6	129.3	126.8
December 1961 ..	117.8	95.3	122.0	136.7	138.4	124.3	126.3	122.8
January 1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
February „ ..	120.0	99.0	122.4	138.7	137.9	124.3	126.2	124.3
17-2-1962 ..	119.0	99.5	122.4	138.8	137.5	124.6	126.4	123.9
24-2-1962 ..	120.3	98.8	122.8	138.5	136.7	124.5	126.2	124.5
3-3-1962 ..	119.6	100.0	122.8	138.2	135.9	125.1	126.6	124.2
10-3-1962 ..	120.9	100.0	122.7	137.2	135.7	125.0	126.5	124.7
17-3-1962 ..	119.1	101.0	122.6	136.7	135.3	125.1	126.5	123.7

• Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jabalpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
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•	412	431	300	167	400	486	495	—	478	173	170	173
1961 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	304	171	406	482	498	166	480	172	168	173
August	419	438	302	171	410	491	501	167	481	171	171	175
September	417	436	302	169	410	491	499	169	479	171	171	175
October	415	434	302	168	417	499	501	172	480	176	177	176
November	415	434	302	170	417	508	497	174	481	180	178	175
December	416	435	302	171	410	499	493	—	481	178	178	175
1962 January	417	436	—	170	400	513	495	—	482	—	—	—
February	419	438	—	170	—	513	492	—	480	—	—	—

† Base 1944 = 100. • Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	30-3-1962			23-3-1962			16-3-1962			9-3-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (Per 10 gram)	122.10	119.70	120.92	123.00	122.05	122.35	122.20	121.40	121.86	122.40	121.65	121.80
Silver (per kilogram)	219.65	217.25	218.49	219.35	217.15	218.24	218.05	215.50	216.82	216.50	215.10	215.82

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: 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	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										
Dec. 1960 ..	1,855,90	16,59	1,872,48	177,76	127,01	244,76	13.07	127,66	1,500,06	1.872,48
Jan. 1961 ..	1,911,58	16,83	1,928,41	117,76	128,01	245,17	12.75	124,35	1,558,29	1,928,41
Feb. „ ..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12,58	121,75	1,587,28	1,954,79
Dec. 1961 ..	1,937,46	14,76	1,952,22	117,76	116,86	234,62	12.02	122,78	1,594,82	1,952.22
Jan. 1962 ..	1,981.87	17,71	1,999,58	117,76	126,86	244,62	12.23	121,17	1,633,80	1,999,58
Feb. „ ..	2,022,55	18,29	2,040,83	117,76	126,11	243,87	11.95	119,51	1,677,45	2,040,83
Week-Ending										
23-2-1962 ..	2,027,42	25,82	2,053,24	117,76	123,86	241,62	11.77	11,942	1,692,20	2,053,24
2-3-1962 ..	2,040,33	11,49	2,051,82	117,76	123,86	241,62	11.78	118,01	1,692,20	2,051,82
9-3-1962 ..	2,078,52	15,85	2,078,52	117,76	123,86	241,62	11.62	115,56	1,737,19	2,078,52
16-3-1962 ..	2 073.07	21,49	2,073,07	117.76	123,86	241,62	11.66	115,77	1,737,17	2,073,07
23-3-1962 ..	2,068,89	26,12	2,095,01	117,76	123,86	241,62	11.54	116,22	1,737,17	2,095,01

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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														
Dec. 1960 ..	60.20	15,71	95,20	91,78	26,295	104.08	452,03	16,69	19,53	26,35	37,78	135,04	198,94	16,70
Jan. 1961 ..	53,48	19,71	79,57	93,82	246,58	110,37	441,93	16,91	57,41	19,54	41,17	145,25	144,11	17,55
Feb. „ ..	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,07
Dec. 1961 ..	56,83	20,23	82,90	147,22	307,18	120,02	512,20	14,81	28,61	31,95	66,61	136,85	207,67	21,70
Jan. 1962 ..	58,92	20,79	79,27	149,78	304,76	133,74	522,90	17,76	37,10	13,23	59,90	146,60	221,91	26,41
Feb. „ ..	57,52	16,38	77,10	147,85	298,75	137,30	521,05	18,34	31,16	10,68	61,15	162,63	207,44	29,64
Week-Ending														
23-2-1962 ..	52,70	11,20	81,10	147,97	292,97	141,97	519,93	25,86	29,50	11,96	66,65	160,75	193,93	31,28
2-3-1962 ..	53,78	10,28	76,73	148,85	289,64	139,40	514,03	11,55	30,64	10,86	67,91	167,72	193,23	32,11
9-3-1962 ..	53,21	3,43	82,73	151,57	290,94	134,32	510,26	15,89	50,67	7,65	75,63	174,40	153,35	32,68
16-3-1962 ..	86,04	5,47	77,49	149,64	318,65	144.09	547,73	21,53	51,48	10,19	84,44	193,77	153,17	33,15
23-3-1961 ..	51,79	31,21	77,19	156,40	316,59	141,25	545,84	26,16	44,97	9,88	68,89	184,71	177,81	33,40

• 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 Demand	Time	Total (2+3)	Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Government Securities in India
(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										
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
Dec. 1961	847,91	1,156,07	2,003,98	48,00	78,75	6.32	1,073,18	183,83	62.72	604,47
Jan. 1962	860,39	1,163,12	2,023,51	46,98	77,15	6.39	1,114,63	197,12	64.82	590,41
Feb. 1962	860,03	1,178,14	2,038,18	47,01	74,44	5.96	1,150,03	205,77	66.51	588,57
Week Ending										
23-2-1962	868,06	1,184,66	2,052,72	48,42	75,11	6.02	1,153,54	209,86	66.42	587,40
2-3-1962	868,34	1,180,59	2,048,93	47,50	75,66	6.01	1,165,01	211,84	67.19	599,51
9-3-1962	868,10	1,178,66	2,046,76	51,21	77,02	6.27	1,169,11	217,69	67.75	589.70
16-3-1962	86,719	1,168,53	2,035,72	50,42	75,63	6.19	1,175,69	224,31	68.77	595,62

† Including foreign bills purchased and discounted.

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	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
June 1961 ..	2,872,22	1,969,63	902,60	877,78	24,82	— 38
July „ ..	2,808,73	1,937,50	871,22	850,07	21,15	— 63.49
August „ ..	2,798,56	1,921,03	877,53	857,04*	20.49	— 10,17
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*
November „ ..	2,829,21*	1,944,51*	884,70*	864,08*	20,62	+ 21,53*
December „ ..	2,877,75*	1,983,52*	894,23*	875,32*	18,92	+ 46,92*
January 1962 ..	2,926,38*	2,028,58*	897,79*	877,70*	20,10	+ 49,85*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank

AGRICULTURAL STATISTICS

IMPORTS OF FOODGRAINS: 1947-60

Year	Quantity ('000 tons) Rice	Wheat and Wheat Flour	Coarse Grains	Total	Value (Million Rupees) Rice	Wheat and Wheat Flour	Coarse Grains	Total
1947* ..	485	857	992	2,334	236.5	384.4	319.0	939.9
1948 ..	867	1,311	663	2,841	507.4	548.0	241.8	1,297.2
1949 ..	767	2,200	739	3,706	419.1	826.8	200.1	1,446.0
1950 ..	353	1,407	365	2,125	199.3	517.6	89.1	806.0
1951 ..	749	3,015	961	4,725	422.0	1,436.4	309.5	2,167.9
1952 ..	722	2,511	631	3,864	498.7	1,310.8	281.2	2,090.7
1953 ..	175	1,684	144	2,003	142.4	661.2	56.3	859.9
1954 ..	625	197	8	830	419.6	62.8	2.8	485.2
1955 ..	265	435	—	700	178.5	152.6	..	331.1
1956 ..	326	1,095	..	1,420	166.7	396.6	..	563.3
1957 ..	736	2,852	..	3,588	425.9	1,198.0	..	1,623.9
1958 ..	391	2,673	109	3,173	185.6	988.8	30.7	1,205.1
1959 ..	290	3,497	20	3,807	140.2	1,267.1	6.8	1,414.1
1960 ..	688	4,317	51	5,056	368.8	1,545.4	14.7	1,928.9

*For undivided India up to 15-8-47 and Indian Union thereafter.

TRENDS IN AGRICULTURAL PRODUCTIVITY: 1950-51 — 1960-61

(Lbs. per acre).

Crop	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60 (P)	1960-61 (F)
I. Cereals											
Rice ..	596	637	682	805	731	780	803	702	835	837	906
Jowar ..	315	340	374	406	470	346	403	438	458	425	483
Bajra ..	257	220	264	333	276	270	228	290	303	295	250
Maize ..	488	560	710	701	708	628	731	693	724	838	815
Ragi ..	579	535	532	717	642	714	702	651	679	719	638
Wheat ..	592	582	681	670	717	632	620	592	703	694	751
Barley ..	681	669	805	746	779	735	726	664	726	717	774
Small Millets ..	339	359	341	389	395	346	346	316	374	366	357
Total Cereals ...	484	497	543	605	593	570	592	557	636	638	674
II. Pulses											
Gram ..	430	443	517	541	542	494	575	488	620	486	592
Tur ..	703	667	633	691	638	726	774	556	631	634	785
Other Pulses ..	291	301	287	308	314	301	262	259	338	338	333
Total Pulses ..	393	400	413	436	446	424	442	384	486	430	484
Total Foodgrains ..	466	478	517	571	563	539	561	521	664	594	635

(P): Partially Revised Estimates. (F): Final Estimates.

PROGRESS IN AGRICULTURAL PROGRAMMES

Programme/Unit	First Five-Year Plan		Second Five-Year Plan	
	Target	Estimated achievement	Target	Estimated achievement (P)
Major and Medium Irrigation (Gross) (Million acres)	8.5	3.1	10.4*	6.9
Minor Irrigation (Gross) (Million acres)	11.2	9.5	9.0	9.0
Land Reclamation (Million acres)	3.7	2.7	1.5	1.2
Consumption of nitrogenous fertilisers (N) (Lakh tons)	1.2	1.06	5.0*	2.3
Consumption of phosphatic fertilisers (P_2O_5) (Lakh tons)	0.29	0.13	1.5	0.7
Area under improved seeds (Million acres)	N.S.	4.7	N.S.	55
Soil Conservation on Agricultural Lands (Million acres)	N.S.	0.7	2.0	2.5**

N.S.: Not specified in the Plan. Source: Ministry of Food and Agriculture.
* Revised Target. ** Revised estimate.
(P) Figures are provisional and subject to revision.

Fertiliser Statistics

SECOND FIVE-YEAR PLAN — TARGETS AND ACHIEVEMENTS

(Tons)

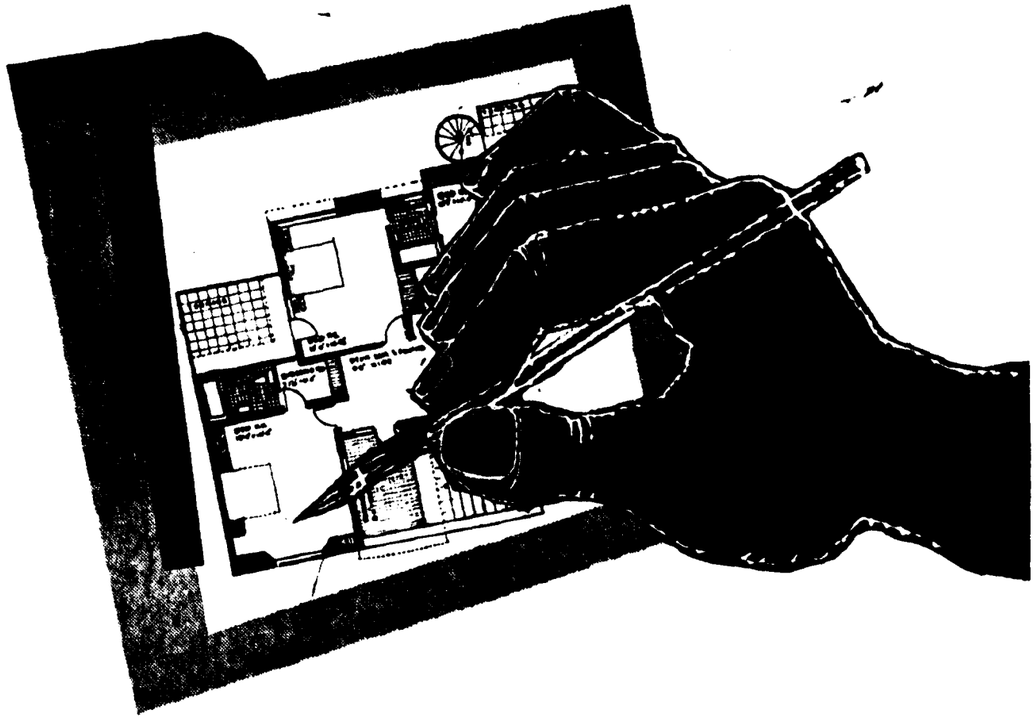
State	Target 1960-61		Achievement 1960-61		Percentage achieved	
	N	P_2O_5	N	P_2O_5	N	P_2O_5
Andhra Pradesh ..	43,000	11,000	25,275	11,853	58.8	107.8
Assam	10,000	2,000	—	164	—	8.2
Bihar	34,000	22,000	11,135	2,535	32.8	11.5
Bombay ..	34,400	11,500	31,848	10,217	92.5	88.9
Kerala	12,000	9,500	5,928	1,107	49.4	11.7
Madhya Pradesh	25,000	6,000	5,505	1,048	22.0	17.4
Madras	40,000	15,000	23,660	7,130	59.2	47.5
Mysore	24,500	7,500	14,637	3,849	59.7	51.3
Orissa	15,000	5,000	4,338	201	28.9	4.0
Punjab	62,000	8,500	6,557	449	10.6	5.3
Rajasthan	3,200	800	2,427	390	75.8	48.8
Uttar Pradesh	44,000	10,000	35,818	971	81.4	9.7
West Bengal	20,000	9,500	7,486	3,012	37.4	31.7
Jammu & Kashmir ..	3,000	600	851	—	28.3	—
Delhi	500	100	269	29	53.8	29.0
Himachal Pradesh ..	2,000	700	123	46	6.2	6.6
Manipur	200	150	18	8	9.0	5.3
Tripura	200	150	—	—	—	—
Used in mixtures	—	—	—	4,423	—	—
Plantations and Others ..	—	—	37,517	—	—	—
	373,000	120,000	213,392	47,430	57.3	39.5

Note: 1. Achievements actually refer to allotments of N by Fertiliser Pool and distribution of P_2O_5 by the manufacturers.
2. The Plan targets was for the States before reorganisation. The data for reorganised States have been calculated on the basis of the cultivated area that has gone from the original State into the reorganised State.
3. The figures of N used include quantity used in mixtures.
4. The Statewise targets and achievements of potash are not available. The All-India target for potash is 30,000 tons K_2O and the achievement is 28,000 tons K_2O. There was no allotment from the Pool, but some nitrogen may have been consumed from the carry-over stocks.

Source: "Fertiliser News"



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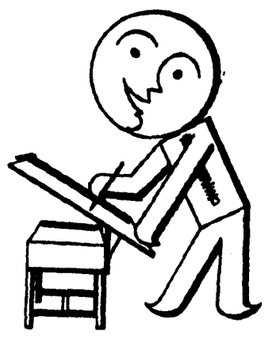
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THE EASTERN ECONOMIST

APRIL 27, 1962

The Price of the Plan

SLOWLY, all too slowly, the Indian people are beginning to discover the price of the Plan. The Third Plan documents have exhibited for the public view for well over a year the pattern of new taxation considered essential for the fulfilment of the spacious development programme of the next five years. Notwithstanding the fact that we have lived with this document for over a year we are still visited by extreme surprise, and even a curious sense of outrage, every time the Finance Minister imposes taxes of precisely the order written into the Plan. This is in some small measure of the extent to which the psychological obligations of the Plan have not been accepted by the Indian people. The figures are largely paper figures. Each time they are translated into the hard realities, with the burden placed squarely upon our unwilling shoulders, we utter cries of dismay. So it has been for almost every year in the last five; so, unfortunately, it continues today. And yet in our heart of hearts, we must know that the Finance Minister of India has no major choice in regard to the level of taxation which he is authorised to impose upon the country. The National Development Council, the country as a whole, and almost every important sector in it is supposed to be solidly behind the Plan. It is time that the Indian people realised that, growing to manhood in the planning age, they are partners of the Finance Minister to the enterprises to which we have jointly set out hands. It is their glory, as well as their duty, to accept with good grace what cannot now be evaded.

It is possible to differ only slightly in terms of the overall burden which has been imposed and to differ more markedly on the division between direct and indirect taxes. *The Eastern Economist* has already argued that the rise in the rate of corporate taxation by 5 per cent is justified. It has argued against the rise in the taxation of urban income groups at a time when the erosion of incomes continues to grow apace. A magnificent stability in the last year has surrounded the General Index of Wholesale Prices, but retail prices, for whatever reason, are by no means in the same happy position and, as the demands of middle class living widen in terms of 'nominal' luxuries, the cost of living continues to rise more rapidly than money income for the great majority of the urban population. Theoretically, the figure for urban taxes which is as high as 80 per cent of the total new taxes might be justified on the basis of the distribution of money incomes between town and country. In practice, however, with the different patterns of expenditure for town and country, an undue burden has been placed upon the urban middle classes. This is an issue more fully discussed in the Special Article in this issue. The Finance Minister errs in dealing with theoretical money incomes rather than with real margins of capacity. The real margin of capacity of the lowest urban middle class income groups is only a little higher than the average in the country. The reasons for this apparently paradoxical situation must be sought in the rigid character of expenditure demands in the towns, notably high rents in all the great cities, electricity, fuel and transport.

There is also an error in that portion of the Finance Minister's speech which deals more specifically with the incidence of indirect taxes. The Finance Minister has argued that the "view that the indirect taxes are regressive is not correct in our conditions. Whether indirect taxes hit the poor more than the rich or vice versa depends upon the kind of commodities that are subjected to indirect taxes and the rates at which they are taxed." The three instances given—automobiles, refrigerators and air conditioners—are surely far from representative. But if, as the Finance Minister contends, this whole question has been studied and his study proves that all the indirect taxes in India as a whole have been progressive in their incidence, it is doubtful if all the figures used in the Finance Ministry's study are acceptable.

It can still be argued that on this particular occasion, much more care than usual seems to have been taken to keep down the direct impact on prices of new excises on consumer goods. Whether or not the high hopes entertained will be fulfilled, it will certainly be agreed that the index of cost of living this year is substantially below what it was in the last. Since the total amount raised is even greater on both direct and indirect heads, one might leave the matter with the remark that this is the best of all possible worlds.

So far as the business community is concerned, it cannot be denied that incentives for production have been reduced. But on the other hand, it is arguable that the Plan gives to industry large assured markets and almost full order books even though profitability after tax per unit has been reduced. Again, the vital point that taxation at the moment is earmarked for expenditure which

in turn is translated into demand needs to be fully taken into account. Capital formation which ten years ago had to take place largely in the private sector is now translated into investment in the public sector before it works its way down as a stimulant for private sector production. The cart, in a sense, is thus placed before the horse; investment, proceeding on the base of capital formation with the Government, calling the pace. This is a basic change which has been accomplished in the late fifties and will probably gather strength in the sixties. Because of the fixed investment targets in the Plans which flow over into the private sector the disincentive of increased taxation is probably, on balance, far less than might otherwise be assumed.

Whether or not the Budget is the best that could have been attained will forever be a matter for debate. But it is not in doubt that the order of magnitude for taxation could not have been very significantly changed. It is far more important that the Indian people should concentrate on a total effort in mobilising resources required for the Plan than they should engage on controversies —largely political—on exactly where the burden of the new taxes lies. India still remains, by and large, a 'have not' society. The political complexion of this society would require some elements of socialist medicine, even if the country were not committed by the Congress Government to the socialist pattern of society. The political forces have, therefore, necessarily had—and will continue to have—much larger sway than a pure economic rendering might deem advisable. All in all, the Finance Minister has presented to the country a workmanlike document, some indications of the complexities of which will be found in the extremely able presentation of the results of his proposals in the Finance Bill which he introduced on Monday. The Finance Minister, as well as the officers who assisted him in this complicated exercise in fiscal legislation, ought to be congratulated on the remarkable response they have made to the challenge facing the country as a whole.

The Attack on Speculation

ONE of the most interesting, and perhaps drastic, features of the Budget is concealed innocently under the head "Capital Gains". The Finance Minister in his speech said, "I have proposed that gains which result from disposal of capital assets within a period of one year from the date of acquisition shall be made subject to income-tax and super-tax like other ordinary incomes. Capital gains for assessees other than companies from assets held over a period longer than one year will be subject to income-tax at the rate of 25 per cent or at the rate applicable as if they were short-term gains, whichever is less". In the Finance Bill there is a more complicated presentation of the changes in the income-tax consequences on Capital Gains. No doubt, this is a most skilful translation of the Finance Minister's intentions, but here for once the drafting of the Finance Bill might, perhaps, have been slightly improved upon. The net effect, however, seems to be that there is a steep rise in taxation of capital gains in the hands of large speculators, even if there appears to be, from the relevant clause (ii) in the Finance Bill, some assistance to those with an income of less than Rs. 10,000.

If short-term capital gains are to be taxed at the rate of income-tax and super-tax of the assessee "like their ordinary incomes" there would be a penal deterrent against increasing capital gains and obviously the inducement for the large speculator to trade on his own has been almost completely removed. He can, of course, continue to operate under the name of a company where the penal rate would appear not to apply, since, as far as can be determined at the moment, company short-term gains would enter into company income only. But it is doubtful if a great deal of speculation is advanced by benefits to a company rather than to an individual. The view is probably correct that a "bull" has been struck at, at least if the results of that speculation are honestly declared in income-tax returns. There is, however, one possibility and that is that 'bears' by receiving 'badla' on an open transaction for a whole year can escape profitably into the long-term rate. There is no escape possible for 'bulls' since the heavy 'badla' operating for a year would, in any case, convert in practically every conceivable case, their profits into losses. All in all, therefore, if speculation were conducted on honest lines, meaning that full declarations were made to the Income Tax authorities, a deep discouragement for 'bulls' is implicit in the Finance Minister's proposals. It is not equally clear that there is a deep discouragement for 'bears'.

The new provisions certainly help the small man who wishes to have a flutter on the Stock Exchanges. If he has an annual income of Rs. 10,000 he is saved one portion of the capital gains hurdle at once and, in any case, the income-tax rate at his level is not prohibitive to obtaining more income. But on the other hand, the dangers of losses make speculative buying and selling of the lower middle classes a dangerous pastime. It is a fact widely reported from Bombay, Calcutta and Delhi that the lower income groups are also interesting themselves in speculative transactions. It is not possible to determine exactly how much of this is true and whether the Finance Minister's proposals will keep speculative enquiries going on the basis of small investors. It is probable on balance that investment companies will be the only substantial beneficieries of the proposed pattern of capital gains taxation.

Only a postscript needs to be added to this comment. The figure given in the Finance Minister's speech of the yield of revenue from new capital gains taxation is only Rs. 50 lakhs, half of which is to be realised from companies. If the volume of speculation remains intact and it comes under the normal income tax and super tax rates payable by the assesses individually, surely the figure of Rs. 25 lakhs proposed for individuals must be a gross underestimate. It is extremely likely that the figure would be nearly ten times as large if speculative activity were anything like what it is at the present time. It can, however, be guessed that the penal rates of taxation now levied on short-term capital gains will greatly discourage large-scale individual speculation. This is not entirely to be regretted, but it is likely to affect the income of a very large number of people including the brokers concerned, and thus indirectly to bring about a reduction in income-tax and super-tax not presumably currently anticipated. There would appear to be some need for looking over the whole of the capital gains policy of the Government of India to leave some inducements for the rising entrepreneur to obtain "quick" resources to enter into industry on his own. There is no crime in playing on the Stock Exchanges sensibly. There is reason to believe that some of the younger men who have come into industry have made a considerable fraction of their money from capital gains; this is true of Europe and America. Is this source of revenue to be barred now for all individuals? It is not necessarily an advantage to the country that such avenues of gain of capital formation should be summarily abolished. It is difficult to see how injury is done to shareholders by the marginal transactions from which substantial capital gains are deemed to arise. The attack on speculation contained in the Finance Minister's proposals has probably been considerably overdone.

The Budget and Exports

ONE of the least satisfactory elements in the Budget for 1962-63 is the hesitant line taken on relief in tax on exports. The rebate on the rise in Corporation Taxes can only be called an inducement for exports in a Pickwickian sense. The removal of an additional hardship is not the same thing as an improvement in the current position. There is not much to be found in the Budget, except in the form of declaration of intentions which is enough to support the view that the Ramaswami Mudaliar Committee has made a major impact on the Finance Ministry's thinking. It is possible, however, if the Ramaswami Mudaliar Committee had not reported in terms of further income-tax relief, even the current rebate in terms of new corporation taxes on exports might not have been conceded. The Ministry of Finance is all too slow to take a major decision in regard to the need for powerful incentives to break the barrier in export promotion.

The relief on the export duty on tea and the decision to grant in one full sweep rebate on all the items of excise which enter into finished products as well as into intermediates might, however, be construed as the beginning of a turn of the tide which, under the dynamic influence of Mr. Manubhai Shah, Minister for International Trade, might conceivably swell to large proportions within the year. Even the decision to grant in one place all the rebates to which an exporter is entitled would be a great mercy. At the present time, for months together exporters are driven from door to door to obtain entitlements and rebates which, according to the rules, are due to them without a possible doubt of title. This is perhaps as much an administrative as well as a policy-making issue. If the Finance Minister and Mr. Manubhai Shah can quickly agree on the administrative handling of these matters, one might hope that a new outlook might be created in a very short time.

The Finance Bill has not been very specific on the changes in calculation proposed in regard to the reduction of corporation tax due on exports. Rules are to be framed in this behalf, and everyone who is acquainted with the rule-making difficulties will know that this cannot be too easy a matter. If the Finance Minister could arrange that, before the Finance Bill is passed into an Act, the necessary rules are duly framed and appended, he will have rendered a major service to the country at a time of great foreign exchange need. It will also be a major beginning from which Mr. Manubhai Shah, who, rumour has it, has already a major scheme in mind, can delve into these unknown waters which, for all too long, have surrounded export promotion. All that can be said now is that the climate looks like changing, and the Budget has given some little indication that rethinking is going on in the Ministry of Finance. It is still too hesitant; it needs to be swept into a tide of all-consuming power.

The Railway Budget

AS expected, Mr. Swaran Singh's budget speech was mainly devoted to the proposals for new taxation to cover the gap which was disclosed in the Interim Railway Budget presented by his predecessor before the General Elections. To outward appearances the estimates in the Interim Budget revealed a net surplus of Rs. 13.16 crores, but in the technical context of railway finances this was in fact a deficit because the appropriation of this amount to the Development Fund left a gap of about Rs. 10 crores in the resources available in this Fund to finance the development projects allocated to it. To borrow the amount of the deficit from the general revenues may be justifiable in terms of the prevailing Railway Convention, but such chronic reliance on this source would only go to perpetuate the instability and imbalance in railway finances. Subsequent to the presentation of the Interim Budget, the estimates made in it had to be varied substantially, the one solid item of increase in expenditure being the payment of a higher dearness allowance, adding up to Rs. 12.20 crores on account of the retrospective effect given to it from November 1, 1961. It will thus be seen that even the ostensible surplus which the Interim Budget showed was wiped out and a contingency was created in which the Development Fund would be constrained to borrow not Rs. 10 crores but something like Rs. 22 crores from the Central Exchequer in one year.

Mr. Swaran Singh's proposals aim at increasing the freight rates by a system of judicious discrimination according to the length of the haul over which freight traffic is carried. For the first 40 kilometres the increase works at 50 nP per tonne and for distances above 80 kilometres the increase is Re. 1 per tonne, with certain minor adjustments for haulage between 41 and 80 kilometres. The overall increase in freight rates, considered from the angle of high-rated and low-rated traffic, works out at a flat rate of 4 per cent. The purpose behind this scheme of revision is to reduce the impact of the increase on high-rated commodities. This is a sensible proceeding. Passenger fares have been increased

by 15 per cent for first class travel and by 10 per cent for travel by other classes. Suburban railway travel comes in for a much lighter levy of taxation. All in all, the scheme of revision of rates and fares is equitably conceived. It is made effective from July 1 and during the budget year it is expected to yield an additional revenue of Rs. 21.26 crores. In a full year the increase (at the assumed level of freight and passenger traffic in the budget year) would amount to over Rs. 28 crores. After meeting the obligations of higher expenditure on staff over which the Railway Ministry has no control due to the acceptance of the recommendations of the Second Pay Commission, the railway finances should now be in a position to earn a surplus enough, and perhaps more, for credit to the Development Fund to enable it to bear its obligation of financing development.

It is possible to argue that railway operational efficiency and financial management are not upto the expected standard now that so much ou lay has been made in the all-sided development of the railways, particularly since the beginning of the Second Plan. Parliament would be committing a lapse in its vigilance if it is not outspokenly critical of the shortcomings in railway efficiency and financial management. Such constructive criticism is necessary as a constant reminder to the Railway Board of the need for better operational and financial results. But the net effect of such better performance will be to improve the position of railway finances marginally in the overall context. There is no escape from an increase in rates and fares. The general debate on the Railway Budget in both the Houses was, curiously enough, extremely critical of the very justification of the increase in the price of railway transport services. This is absolutely un-understandable in the face of the admittedly precarious state in which railway finances find themselves placed. The least that was expected of Parliament was to endorse the tax proposals of the Railway Minister as reasonably justified. It is another thing to treat the railway authorities to criticism for their failures of which the recurring bottlenecks specifically in coal transport and in other industrial requirements are glaring illustrations.

But the main trend of the debate on the Railway Budget was to oppose the very proposals for rate and fare increase. There was the routine ventilation of the grievance against the neglect of provision of amenities to third class passengers. With congestion in the passenger sector, the hardship of third class travel cannot be denied. But it would be less than fair to the railways not to give them credit for a number of amenities provided to the majority class of travellers. During the course of the debate a demand was made for the appointment of a high powered committee for enquiry into the working of the railways. It is true that the Railway Board has shown some complacency. But the railways have certainly not sunk to a level of deterioration in efficiency which would urgently call for a high powered enquiry. The demand was rightly refused. In retrospect, it would appear that Mr. Swaran Singh was not wrong in anticipating likely opposition to the proposals for higher taxation of the railway transport user. This explains why he took all the trouble to clarify the historical background of the trends in the changes in the structure of railway rates and fares and devoted an unusually high proportion of his speech to this issue.

Barely one-seventh portion of the speech of the Minister deals with the performance of the railways in the freight sector. Most of it shows a pre-occupation with the difficulties of coal transport. If this issue would appear to have been excessively discussed in the recent past, the handicaps which the shortage of coal transport inflicted on industry are at the root of it. Time was when Mr. Swaran Singh blamed railway transport for shortages in the movements of iron and steel and ores. With the reshuffle in the portfolios he finds himself awkwardly confronted with a reshuffle in the brief which he has now to argue. The old debate may be forgotten. There is the assurance from the Railway Minister that the railways will not fail the coal industry now and this confidence seems to have been based on performance during the brief weeks in the recent past. The railways anticipate an additional load of 15 million originating tons worth of traffic during the budget year. The Railway Minister has been categorical in his promise that coal and the steel plants will find all their rail transport requirements fully met. There are apprehensions here for other users.

These apprehensions need not be treated as imaginary. An informative document on the performance of the railways, included among the budget papers in March last, sets out the various aspects of railway operations and the degree of efficiency disclosed by statistical evidence. Credit must be given to the railways for better performance in respect of engine usage, speed of railway trains, functioning of workshops, and so for h. But in two crucial tests the railways betray shortcomings which should cause real concern. In respect of commodities which lean very heavily on the railways, the rail transport co-efficient shows deterioration in 1960-61 as compared to the earlier part of the Second Plan period. As illustrative cases may be mentioned coal, cement, tea, raw cotton, cotton manufactures and oilseeds. But more important than that is the problem of wagon supply and the wagon turn-round. Mr. Swaran Singh has admitted that the production of wagons was handicapped during the last year owing to shortages of materials, but he has not mentioned the order of the shortfall in manufacture below the target. His hope about stepping up the rate of production in the current year may not inspire confidence or dispel likely doubts. The percentage of overaged rolling stock has increased in the recent past, but it is not clear to what extent overaged wagons have been retained in use. There is a substantial difference between retention of overaged locomotives and retention of overaged wagons in active service.

The official statistics furnished in the document referred to above show a deterioration in the wagon turn-round as computed in terms of days. Between 1955-56 and 1957-58 the turn-round varied between 10.4 days and 10.8 days, but during the next three years it deteriorated in a marked degree, exceeding the level of 1950-51 when the wagon supply position was most unsatisfactory. For 1960-61 the wagon turn round stands at 11.2 days which is in excess of that in 1950-51. This decline in efficiency seriously affects the current traffic demand. The transport user who will now bear a higher cost for the use of railway services is entitled to demand an explanation from time to time from the Railway Board how it is regaining the ground lost in operational efficiency.

THE WEEK'S NOTES

Algeria

AFTER SALAN'S ARREST

THE NEWS of the capture of ex-General Salan will be hailed as a major victory for the French Government in its arduous task against the OAS and as a crushing blow to the morale of this Organisation. Available reports give a clear indication that Salan's arrest was by no means a chance success. The movements and 'modus operandi' of Salan in directing the violent activities of the OAS were under very secret but close study for several days past. Nothing was left to chance when the ex-General was caught unawares. This fact, coupled with the earlier arrest of Salan's righthand man ex-General Jouhaud, gives an idea of the thoroughness and imagination with which the strategy to stamp out the activities of the OAS is being planned.

Salan is reported to have admitted after his arrest that his organisation was beginning to crumble rapidly. Nevertheless, it is plain that the French Government will allow no relaxation in its operations against the OAS. The French referendum should serve to open the eyes of the colons who still cherish the dream of their own rule in Algeria. Whatever little indirect sympathy might have been left for their cause among the microscopic section of the army and security forces is fast fading out since the wisdom of the Avian settlement is being solidly vindicated. However, the OAS, like any other armed extremist organisation fired with fanatic zeal, will continue to fight for what is apparently a lost cause. The referendum in Algeria is due to be held in July and it will not be a surprise if the OAS intensifies its murderous activities to thwart it. These exhibitions of its resistance, it is to be reasonably hoped, will be no more than attempts to fight with its back to the wall.

Ex-General Salan is already sentenced (though in absentia) to death. In the normal course what remains to be done is to execute that sentence. A fresh trial is redundant when the sentence of death stands unrevoked. But a fresh trial has been ordered apparently because the earlier trial was held in absentia. This is a time when President de Gaulle should act with unflinching firmness. Already the new Commander-in-Chief of the forces in Algeria has issued a stern warning to the rebels in Oran (the OAS stronghold) about the relentless action that is going to be launched by land and by air. The FLN, acting under the restraining influence of its leaders, has shown remarkable patience in refraining from any acts of revenge and retaliation against the OAS. But patience under these circlumstances may be stretched to the breaking point and it is precisely for this reason that the action to wipe out the resistance of the OAS ought to be not only firm but swift.

Transport

AD HOC POLICY IS URGENT

IF THERE were any doubts about the possibility of deriving any direct and immediate benefit from the valuable labours of the Committee on Transport Co-ordination and Policy for application during the Third Five-Year Plan period, they have been dispelled by the admission of the Chairman, Mr. K. C. Neogy, in his recent Press conference. Mr. Neogy has very frankly stated that there was little chance of the final report of the Committee being ready before the end of current plan. The Interim Report which the Committee has published, contrary to its character, has not proved to be of practical use in formulating an interim policy before the structure of the final policy is hammered out.

Transport co-ordination is a continuous process and even in the short run of a decade or two, it is very difficult to bring about a definite measure of stability in the policy for co-ordination. This has been the experience of other countries and India need not feel depressed if co-ordination proves an elusive goal. It would be an error to suppose that any high degree of finality can be given to co-ordination. Co-ordination must be adapted from time to time to the needs of the demand for transport capacity. It is a dictum of development planning that social overheads like transport have to be planned and provided ahead of the requirements for them, if deadlocks in the expansion of programmes in the other sectors of the economy are to be avoided. While this dictum is indisputable, in practice compliance with it is severely circumscribed in backward countries like India which have to use all ingenuity to get the maximum of development with inadequate resources. This handicap makes flexibility in co-ordination policy all the more important.

What is now needed is not waiting for the Neogy Report which may be useful for the Fourth Plan, if it is published sufficiently in advance. An ad hoc policy is very urgently required for transport during the Third Plan. There are no two opinions that transport is proving to be the Achilles heel and every effort must be made to repair this serious shortcoming. Precaution must be taken in selecting, by a pragmatic process, safeguards for the revenues of the railways in the freight sector. Allocation of traffic which bear high revenue between railways and roads and shipping (but roads in particular) must proceed on some rough estimates. What is definitely required is to follow a liberal policy of granting permits for the operations of truck transport services after ensuring the viability of the units. Conditions about maintaining large fleets of prescribed sizes and certain standards of operations will need to be imposed on the road services. Co-ordination will be relatively easy if road operations are placed on the basis of large-scale operations.

Parliamentary Privileges

CODIFICATION

IT IS not for the first time that the question of the codification of the privileges of Parliament and of the State Legislatures has been raised in public discussions on appropriate occasions. Each time refuge has been sought in the plea that the status quo could be maintained for some time without any serious encroachment on the right of expression of the Press and the like. The plea about no serious encroachment may be sustained by experience hitherto. But this observation could be modified, at least in some degree, in regard to the State legislatures some of which have tended to show a degree of super-sensitiveness to even unobjectionable exercise of freedom of critical expression of views. Mr. Hukam Singh recently expressed the view that the balance of convenience would lie in not codifying the privileges of Parliament for the present. The entire question is somewhat complex and to oversimplify it would be to take an extreme view.

The powers, privileges and immunities of Parliament and its members are dealt with in Article 105 of the Constitution and Article 194 makes identical provisions in respect of the State legislatures and their members. In both the Articles it is specifically stated that the privileges of the legislatures should be defined by law from time to time. Until so defined, the privileges obtaining in the House of Commons "at the commencement of this Constitution" should be adopted. In the absence of codification the privileges of the House of Commons prevail. This is only a tentative arrangement. Even so, it is subject to the qualification "at the commencement of this Constitution". Hypothetically, it

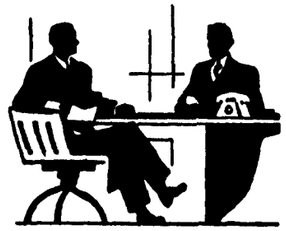
is arguable (although such a contingency is extremely improbable) that an earlier convention of the House of Commons relating to a privilege may be subsequently modified and what the Indian legislatures will follow is the superseded convention. The point of emphasis is that codification and not convention is unequivocally contemplated in the Constitution. The only question is of the time opportune for codification. Over thirteen years have elapsed since the Constitution was brought into force. It is high time at least to start preliminary work on making an intensive study of the privileges of the House of Commons and of the question of the privileges of Indian legislatures raised and settled since the introduction of Constitution in order to help expedite the process of the codification of parliamentary privileges. The code can be modified in the light of experience. This point is virtually ignored whenever the question is discussed.

Malaysia

SINGAPORE PREMIER'S VISIT

IF THE three-day visit of the Premier of Singapore, Mr. Lee Kuan Yew, to the capital city early this week has attracted much less attention than the visit of the King of Nepal, which could not be otherwise, its significance should not be missed. Malaysia is still a bold political plan of the integration of five small territories, which command geographically a strategic position in South-East Asia. Its significance arises also from another important factor, namely, that the population of these five states or territories has a strong proportion of people of Chinese origin. If the integration of Malaya, Singapore and the three non-self-governing territories, now under the colonial rule of Britain, finally matures into a sovereign State, an important nation will have emerged in this part of the world.

It is common knowledge that Tunku Abdul Rahman, Prime Minister of Malaya, is the sponsor and the source of inspiration behind the formation of the united state of Malaysia. His anti-Communist attitudes have never been concealed. It is for this important reason, among others, that Communist propaganda is trying to alienate the sympathies of the rest of South-East Asia from the ardent supporters of Malaysia by creating a strong impression that Malaysia will be a pseudo-sovereign state, functioning, in reality, as a non-self-governing bloc for all practical purposes. It is significant that the Singapore Premier is now on a tour of the non-aligned countries of South-East Asia. This choice is not without a definite purpose. It is to acquaint the governments of the non-aligned countries with the real forces behind the formation of the integrated state and to explain its determination to maintain an independent attitude, which, nevertheless, cannot be pro-communist. Mr. Lee Kuan Yew's People's Action Party suffered a serious defection last year of a solid pro-communist bloc on the very issue of Singapore's entry in the projected state of Malaysia. The party, thus purged of the communist element, cannot be considered as rightist, avowedly committed to an uncritical pro-Western attitude. It claims to be socialist. What is important, however, is that the five component units of the proposed State of Malaysia, with a strong complexion of Chinese population, seek to maintain their independence from Communist influence, which in the geographical context, means Chinese influence. It will be interesting to watch the progress of the people of Chinese origin asserting their nationality of Malaysia and the courage and determination they show in resisting the pressure from the land of their origin. These factors, and not the routine publicity given to the visit of the Singapore Premier, are what really matter in the context of China's aggressive ambition to dominate South-East Asia.



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The World Abroad

WHITE HOUSE VERSUS BIG BUSINESS

By PAUL BAREAU

LONDON, April 19.

ECHOES of Teddy Roosevelt's trust-busting campaign of sixty years ago and of Franklin D. Roosevelt's New Deal crusade against the "barons of Wall Street," are awakened by President Kennedy's vehement and successful attack on the American steel companies and their attempts to hoist the price of their products. If the mentle of the two Roosevelts is to fall on the young man now installed at the White House, a new and extremely interesting period in American economic and political history opens.

All kinds of related and important issues are involved in this incident. It is not only the relations between the Administration and the business community in the United States that is at stake; far more fundamental questions such as the balance of payments, the position of the dollar, the relative level of costs in the United States and competing countries, and last but not least, the more liberal trade policy to which the present Administration has set its hand, are also involved.

The facts are fairly self-evident and can be summarised without prejudice. The U.S. Steel Corporation, in common with other American steel companies, and with a large part of American industry, has in the last few years seen its profit margins seriously narrowed. These large corporations have had to withstand increased labour costs, they have found competition increasing in their own domestic market due partly to the healthy anti-monopoly climate that prevails in it, but also to the increasing inflow of imported manufactured products. The steel industry had recently negotiated a new wage agreement with its workers in which considerable concessions were made. Admittedly, the agreement when it was signed was said to be non-inflationary, but that was an apologetic rather than a truthfully factual description. Be that as it may, the U.S. Steel Corporation soon after announced a general increase of about $6 per ton in the price of steel and, though there is no price fixing arrangement between the steel producers in the United States, the lead of the biggest producer was automatically followed by most of the other companies.

The response from the White House was angry and explosive. President Kennedy openly condemned the decision as "irresponsible" and immediately proceeded to suit his actions to his words. First, he announced the setting up of a Federal Grand Jury to investigate monopolistic practices in the industry revealed by the evident unanimity with which the companies increased their prices. Secondly, he instructed all Government buying agencies to place their contracts for steel with those companies which had not raised their prices. In the face of this vigorous riposte the steel companies collapsed and countermanded the price increases.

No tears have been shed for the steel barons; on the contrary, a vast shout of approval has gone up for President Kennedy who by this one action seems to have regained with the American man in the street such popularity as he may have lost as a result of the Cuban fiasco. And yet, there is a good deal of justification on the steel industry's side. It is not generally realised that during the past five years, a period during which the national income in the United States has risen by 24 per cent, industrial production by 21 per cent and wages by 27 per cent., the profits of private corporations after payment of tax have remained virtually unchanged — and this despite the fact that over this period an average of $30 million of new capital a year has been invested in new plant and equipment for American industry. Wages and salaries have taken more than the lion's share of the growth in the American economy. The share of profits has fallen.

That share may fall further if in future the U.S. Administration is to extend to other industries the efforts it has just made so successfully to control prices in the steel industry. Those efforts will be justified provided the non-inflationary policy is maintained. But if budget deficits and further generous wage increases succeed in achieving a combined demand-pull and cost-push inflation, the policy of controlling prices will merely be an attempt to cure the fever by plugging the thermometer and could do the American economy a great deal of harm.

The vehemence with which President Kennedy reacted to the steel price decision is an indication of the concern with which he and his economic advisers view the U.S. balance of payments and the position of the dollar. A recent projection of the U.S. balance of payments for 1962 made by the National Foreign Trade Council suggests that there will be an overall deficit of some $3½ billion this year, after providing for foreign aid and capital exports amounting all told to $7½ billion. This indicates that the position of the dollar is likely to remain under strain and emphasises the need for expanding exports, meeting foreign competition in the domestic market, and therefore keeping down costs.

Labour costs look to be the Achilles heel of the American economy. American wages are still between 2½ and 3 times the figures that obtain in the industrialised countries of Europe. This difference could be justified as long as labour productivity in the United States had equal superiority. The superiority is diminishing — and it is diminishing partly because American capital has been exported to Europe and with it American knowhow and industrial techniques. The disparity between wage rates on each side of the Atlantic is becoming less justified than it was. Here lies the main long-term threat to the U.S. dollar, however well entrenched and securely buttressed by reserves and international co-operative arrangements it may be for the short run.

This situation also threatens the foreign trade policy of President Kennedy's Administration. He wants to liberalise trade and to negotiate further tariff reduction agreements with the European Common Market and through this with the other main industrial commercial countries of the world. He has asked Congress for bigger tariff cutting powers and the battle on this issue is likely to occupy a great deal of Congress's time this year. If, however, U.S. costs get out of line, as they have recently done in such industries as glass making and carpet manufacture, the President finds himself faced with almost irresistible pressure to invoke the escape clauses under the Trade Agreements Act, and to increase import duties on the goods in question. This is destroying with one hand the greater work that the other is trying to do.

For those who place their faith in freer, more multilateral trade, President Kennedy's attempt to control prices will be welcomed — but with the basic reservation that they will achieve nothing unless the fundamental economic policy of the United States is such as to justify the present exchange value of the dollar. On this some doubts must persist.

The European Scene

THE ROLE OF FOREIGN CAPITAL

From Our Special West European Correspondent

MADRID, April 21.

WHAT we call too loosely "foreign assistance" can have very different results depending on the form it takes and the channel by which it reaches a developing economy. The case of Spain illustrates this admirably. The general outlines of Spain's recent economic development are known: after suffering severely from the world-wide recession between 1929 and 1937, and then from the civil war, the world war and the period of boycott by the victors in the latter, between 1937 and 1952, Spain once again began to receive Western capital aid from 1952. Between 1952 and 1958 this aid was lavish; it came from the U.S. Government in return for the lease of Spanish strategic bases and took the form of direct military aid, paramilitary "support" assistance (designed to strengthen the economy of a strategic ally) and of PL 480 aid. In that period, the Spanish economy suffered violent inflation, and the more aid Madrid managed to extort from Washington, the worse her situation seemed to become — until bankruptcy. Incidentally, the Americans had not made themselves loved, and the Francoist regime emerged, if anything, weakened from this disastrous experience.

From 1959, Western aid took very different forms. Instead of pouring dollars into the country without caring what the recipient did with them (when aid is passed from government to government any enquiry about its use constitutes blatant interference), Western lenders asked Spain to join the international financial and economic institutions and abide by their rules. This entailed accepting the principles of an economic reform such as had been practised previously in West Germany and France, and then, if the reform worked, bringing Spanish economic management into line with that of her neighbours and backers. As for aid, the lenders offered merely stand-by credits, which were substantial but put up in the hope that they would not be used. Foreign aid at that point was designed merely to guarantee the success of the reform, to inspire confidence that the new value of the peseta would be defended, and to be available if the economy went into a "skid" such as is always possible in these operations. As hoped, the operation succeeded and Spain came through a difficult passage (rather more slowly than happened elsewhere, because of rigidities and distrust peculiar to a dictatorship) to find that her currency was firm, her exports increased, domestic inflation tamed and the stage set for a soundly based period of development. Note that during this crucial phase, foreign aid played a largely symbolic role; it was massed up behind the new peseta to ward off attack.

As for long-term aid, Spain's rescuers told Madrid that it would not begin to flow until the stabilisation operation was seen to have succeeded, and when it came it would come from private sources or through agencies like the Export-Import Bank which assist private enterprise. In other words, no cornocopia of shiney silver dollars was poured into Franco's lap. He was asked to face the truth about the economy he had ruined with inflation, to let the impartial experts of the OECD, the World Bank and so on study that economy, publish their results for all to reach and then make recommendations that Madrid was free to adopt or ignore. In the event that he chose to follow their advice, he was asked to use his authority (his dilapidated prestige would no longer suffice) to counsel patience to a people that would be sorely tried by the first painful phases of a deflationary reform. The shiney silver dollars would not come until Spain had won her own battle, and then they would not be provided on the strategic advice of the Pentagon but on the judgment of thousands of independent lenders and investors throughout the West who would be less concerned with Spain's dubious military might than with the honesty of her economic administration and her free markets.

The volume of this second sort of foreign assistance would no doubt be far inferior to the pipeline of credits that ran from the Pentagon, but it would be infinitely more efficacious. Madrid hesitated for over 18 months after initiating the economic reform before steeling itself to qualify for foreign private aid by adopting the policies that had worked elsewhere. The decision was taken when it was seen that, after a period of doubt in Franco's determination, foreign private aid was already beginning to flow into Spain, and the trickle seemed to swell every time Madrid liberalised its treatment of foreign and domestic capital. Finally, this month, the regime found the courage to go the whole hog, and after reforming the banking system on the lines recommended by the Americans and West Europeans and adopting a development plan approved by the World Bank, it threw the doors wide open to foreign enterprise.

Before the economic reform Spain was quite inhospitable to foreign aid (other than the dollars extracted directly from Washington), and the regulations were framed on the apparent assumption that predatory foreign bankers and cartels were anxious to dominate the country, exploit its people, ruin native enterprise and reduce Spanish independence. In fact, no one sought to invest in the country. With the reform, this exaggerated nationalism (a relic of the autarchic policy of fascism) was abated. Foreign enterprise was permitted to acquire a larger stake in Spanish firms (up to 50 per cent), which gave it confidence that it was worth while making technical co operation agreements with these latter, since the outsider would have a serious say in management. Then last year the peseta was made convertible for non-residents, which means that they could move funds into and out of Spain while getting the legal rate of exchange both times. These, and a number of minor adjustments were enough to attract the bigger foreign corporations, and Spanish industry has benefitted in the last year from a host of agreements and participations which are powerfully modernising its methods.

Numerous impediments remained, however. Dividends and interest could be repatriated up to 6 per cent only but, more serious, no capital gains or profits from the sale of shares, rights etc would be sent out of Spain. A special register had to be kept by each company showing, by name, its foreign shareholders, so as to be sure that foreigners never gained a controlling interest. Private foreign aid was being accepted, and in increasing amounts, but the official attitude was still distrust and anxiety. As from April 15, most of these remaining impediments have been swept away. Reassured by its $1,000 million reserves and encouraged by the excellent results so far obtained from foreign private capital imports, Madrid has decreed this month that there is henceforth no limitation on the acquisition and sale of Spanish shares and securities by foreigners. Dividends can be exported in any amount and capital gains can be transferred just as easily. Foreigners no longer have to be named on a special share register; it suffices for an intermediary to make a declaration that some anonymous foreigner holds so much stock — for the Government still wants to be assured that its approval is demanded before more than 50 per cent of shares pass into foreign hands. My information is that up to one-third of all the business currently being transacted in Spanish stock markets represents buying orders from foreigners. Foreign private capital is at last coming to the support of the Spanish economy on a scale comparable with that received (more quickly, because they were less distrustful) by West Germany and France after their stabilisation operations.

The benefits of this open-door policy to foreign capital will soon be evident, to judge from the stimulus the economy has received from the capital imports of the past two years. Making up for the slow rate of local capital formation and replacing the investments of the Spanish banking system (whose stranglehold over the nation's industry has at last been broken by the recent banking reform), foreign capital is bringing with it, not just money, but men and ideas — unlike the more massive governmental aid of the period 1952-58, which brought the inflationary impact of unearned dollars but left Spanish in a state of deplorable technological backwardness. Workers thrown out of employment by the deflationary reform of 1959 are already back at work, and an attack has begun on the chronic unemployment and under-employment typical of a country half of whose people are still peasants. Almost all the best known international corporations (except so far the oil cartels, regarded by the Spanish with an invincible suspicion) are co-operating with local enterprise in bringing new industries to Spain and in modernising and extending those that have subsisted since the last growth-period of Spanish capitalism at the beginning of the century.

The contrast between the benefits of governmental, cold-war aid and those of private capital are striking, but lest this be taken for a brief in favour of free enterprise alone, two facts must be noted. First, one of the conditions set by foreign private lenders before they invested in Spain was a nationalisation, an extension of governmental control: specifically, Madrid was asked to nationalise the Bank of Spain, which it did this month. Foreigners, that is, wanted the government to exercise some effective control over the supply of credit and to break the monopoly of private financial interests that were content for decades to restrain industry and make money out of inflation. Another condition, now in course of being met, was a "socialist" welfare measure: provision of State unemployment benefits, equal to three-quarters of a living wage, for men thrown out of work. The point of this was to restore some mobility of labour, in place of the fascist absurdity of prohibiting firms from dismissing labour at all. Secondly, the rush of private capital has brought with it new inter-governmental aid, of a more rational sort: West Germany, for example, has agreed to finance a multi-purpose project plus community development in the god-forsaken region behind Malaga, and France is putting up the money to pierce tunnels through the Pyrenees. Thus it is not that private and public foreign aid are exclusive, and one does not have to concur in the curious dogma of some U.S. Republicans, that governmental aid is always bad. But it is very little use in an economy that is not judged fit to invest in by private lenders.



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Economic Report from the U.S.

AID TO LATIN AMERICA

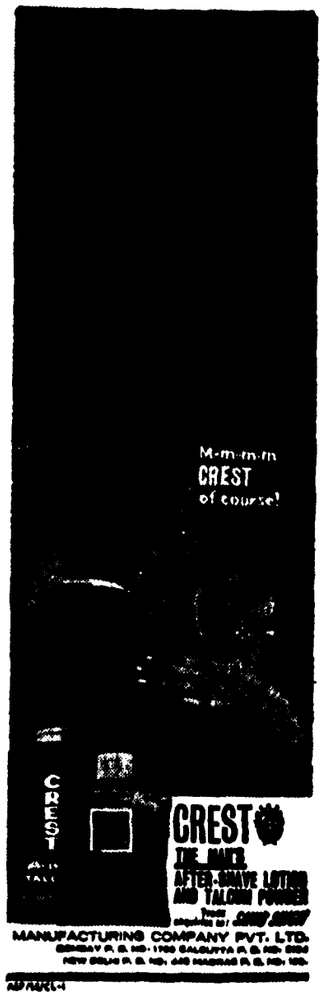
By GUY SIMS FITCH

WASHINGTON, April 17.

IMPATIENCE with existing conditions is an understandable human trait. It also can be a rewarding one, to the extent that it generates constructive efforts to accelerate social and economic progress. This thought comes to mind right now with particular reference to the Alliance for Progress, that co-operative Western Hemisphere venture to promote the development of Latin American nations. For hard on the heels of the annual U.S. observance of Pan-American Week has come an appearance before the U.S. Senate Foreign Relations Committee by Teodoro Moscoso, U.S. co-ordinator for the Alliance programme.

Admittedly, it has been difficult to get the Alliance moving as rapidly as the United States and its Latin American partners would like. But even the programme's severest critics concede that it is much too soon to expect definitive results from an undertaking as massive, as complex and as revolutionary as the Alliance. The programme was first proposed by President Kennedy little more than a year ago. Its charter was signed at Punta Del Este only eight months ago. And the job of organizing the U.S. assistance effort was begun by Mr. Moscoso only five months ago. Yet $1,000 million in U.S. aid has been committed to Latin America in the past year, of which more than one-fourth has been disbursed. And now President Kennedy has asked the U.S. Congress for another $600 million for the Alliance in the fiscal year beginning July 1, plus an authorization to commit an additional $3,000 million in loans and grants in the next four years. It was in support of this Presidential request that Mr. Moscoso made his Senate appearance. Even these large sums would cover only part of the Alliance's operation, which is envisaged in its entirety as a 10-year, $100,000 million programme of combined self-help and outside aid. Latin American countries would provide some $80,000 million of their own resources, while the United States has committed itself to supply about 60 per cent of the additional $20,000 million in external assistance. Emphasis is on government aid, although private U.S. capital, with its accompanying managerial and technical skills, also will contribute to the programme's effectiveness. But the significance of the Alliance is not to be measured by its size alone. The fact is that it represents a departure in economic policy. It seeks not only to build up Latin American economies, but also to modernize Latin American social and political structures. Alongside this effort, the highly successful Marshall Plan emerges as a comparatively simple operation, concerned as it was with rehabilitating an industrialised Europe within a framework of well-developed institutions. The Alliance represents another policy advance in its emphasis on large-scale government assistance for Latin America. This approach can be traced back to the creation in 1958 of the Inter-American Development Bank (IDB), to which the United States is the largest contributor.

Another important innovation is the Alliance's stress on internal fiscal and social reforms and other self-help efforts by the Latin American nations. These, including realistic and carefully formulated national development plans, are viewed as essential to the Alliance's effectiveness. If there are those in Latin America who are impatient with the apparent slowness of United States aid disbursements, there are those in the United States who are impatient with the apparent slowness of Latin American self-help and internal reform efforts. Nevertheless, there are encouraging signs of progress. In his Senate testimony, Mr. Moscoso conceded that self-help reforms can and should be accelerated in Latin America. But he also pointed to a number of important steps that have been taken, such as tax reform in Colombia, land reform in Venezuela, agrarian reform in Bolivia, development plans in Brazil, and a stabilization programme in Peru. Thus, while impatience may have its virtue, it should be tempered with a little patience and understanding in judging the Alliance's performance to date and its promise for the future. If all interested nations play their parts properly, as Mr. Moscoso told the Senate Committee, the year ahead should show "solid progress in building the Alliance."



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Special Article

THE PATTERN OF RISING PERSONAL TAXATION 1952-53—1962-63

THE latest Central Budget has revised upwards the schedule of rate of income-tax and super tax on individuals, Hindu undivided families and unregistered firms. The income-tax rates on incomes below Rs. 5,000 will remain unchanged, while those between Rs. 5,000 and Rs. 20,000 have been rated up. Again, incomes above Rs. 20,000 per annum have been left unchanged. The new tax rates on wholly earned incomes for salaries as well as "incomes other than salaries" are set out along with rates prevalent in 1957-58, 1955-56 and 1953-54 in Table I below. It illustrates the fact that individuals having an income of Rs. 20,000 per annum will pay according to the new schedule, the highest income-tax so far imposed in this country. According to 1953-54 rates, the income-tax on an income of Rs. 20,000 was around 10 per cent at Rs. 1,993. In the 1955-56 budget it was rated up to Rs. 2,132, while a slight relief followed in the 1957-58 budget reducing the tax to Rs. 2,058. According to the latest budget, the tax on "incomes other than salaries" will be Rs. 2,347, while for "salaries" only it would be Rs. 2,291.

When slight relaxation was provided in the 1957-58 budget, the then Finance Minister, Mr. T. T. Krishnamachari used the following argument for lowering the rates. He said: "Our present level of taxes are about the highest in the world and they no. only create a disincentive for earning but also encourage evasion". Mr. Morarji Desai has twisted the same argument to increase the income-tax rates. He said in his budget speech: "Rates of income-taxes on corresponding incomes in different countries are often compared. This is, however, not meaningful as conditions differ widely. In any case proper comparison can only be of the incidence of total tax burden on different groups with the same relative position in each society."

Table II (vide next page) gives figures in regard to taxes on incomes other than corporation tax for the last decade. It shows that the latest revision in the tax rates is likely to take the total tax realised to almost the peak levels registered earlier in 1958-59 and 1960-61. Even though these figures relate to collection of income-tax and in certain years include taxes on income of earlier years as well, yet these figures are a fair indicator of the rising burden on the individuals. The obvious conclusion which emerges from a study of these figures is that direct taxes in this country are becoming extremely oppressive and are likely to affect the potential for

TABLE I
TAX PAYABLE ON WHOLLY EARNED INCOME

Income (Rs.)	Married Persons									
	At 1953-54 rates		At 1955-56 rates		At 1957-58 rates		At 1962-63 rates			
							Income other than salaries		Income only from salaries	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
3,000 ..	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3,200 ..	Nil	Nil	Nil	Nil	6	0.2	6	0.2	6	0.2
3,600 ..	Nil	Nil	Nil	Nil	18	0.5	18	0.5	18	0.5
4,200 ..	Nil	Nil	Nil	Nil	36	0.9	36	0.9	36	0.9
4,800 ..	110	2.3	86	1.8	54	1.1	54	1.1	54	1.1
5,000 ..	117	2.3	94	1.9	60	1.2	60	1.2	60	1.2
6,000 ..	155	2.6	131	2.2	120	2.0	130	2.2	130	2.2
7,200 ..	247	3.4	224	3.1	192	2.7	214	3.0	214	3.0
8,400 ..	370	4.4	345	4.1	305	3.6	341	4.1	333	3.9
9,600 ..	480	5.0	461	4.8	419	4.4	467	4.9	456	4.7
10,000 ..	517	5.2	508	5.1	457	4.6	509	5.1	497	4.9
15,000 ..	1,140	7.6	1,230	8.2	1,113	7.4	1,218	8.1	1,189	7.9
20,000 ..	1,993	10.0	2,132	10.7	2,058	10.3	2,347	11.7	2,291	11.5

savings. An analysis made last year by the Reserve Bank of India showed that 80 per cent of the savings came from urban households. It is this class of urban households which will be hit hard by the increased direct taxes. The additional sum of Rs. 15 crores realised by way of higher direct taxes will mean a lowering by the same amount of urban savings which have normally been channelled into the banking and other financial institutions.

The fresh dose of taxation has been applied at a time when considerable erosion in income has already taken place due to a steep rise in prices. The Finance Minister and the Planning Minister have both derived considerable satisfaction from the fact that the index of wholesale prices has remained steady in recent months. An analysis of the various components of the index shows that this relative steadiness in the general index has been brought about by the steep fall in jute prices; in the other groups of essential consumer goods, the prices continue to keep their upward march. An interesting exercise has been attempted in Table III in order to measure the combined impact of increased taxation and rise in prices. Incomes between Rs. 3,000 and Rs. 20,000 per annum have been considered. After deducting the annual income-tax for each income, the balance has been deflated so as to arrive at the real income at the pre-war and the 1952-53 level of prices. It will be seen that an income of Rs. 20,000 per annum of today reduces to Rs. 3,719 at pre-war prices. Similarly the same income of Rs. 20,000 reduces to Rs. 14,156 at 1952-53 prices. In other words, while the Finance Minister claimed an income-tax of Rs. 2,291 out of an income of Rs. 20,000, the erosion caused by inflation since 1952-53 was Rs. 3,553. The double edged sword of rising prices and rising taxation is reducing the standard of living of the middle classes which lie predominantly in income groups below Rs. 20,000 per annum. All the technicians and managers of industry belong to these income groups. It is these classes which will find increasingly difficult to honour all their obligations within the real incomes left in their hands. Education, housing, transport etc. are all becoming expensive in urban areas and are steadily reducing the level of living of these classes. Increase in taxation of these income groups is indeed tantamount to punishing the builders of society.

TABLE II

TAXES ON INCOME OTHER THAN CORPORATION TAX

(Rs. lakhs)

Year	Ordinary Collection	Surcharge (Central and Special)	Excess Profits Tax	Business Profits Tax	Total
1952-53	1,34,63	6,09	48	23	1,41,43
1953-54	1,16,61	4,94	86	43	1,22,84
1954-55	1,16,03	5,02	90	31	1,22,26
1955-56	1,25,36	4,98	80	22	1,31,36
1956-57	1,45,52	5,49	55	18	1,51,74
1957-58	1,55,54	7,18	86	12	1,63,70
1958-59	1,62,32	9,27	39	3	1,72,01
1959-60	1,35,40	10,01	3,40	4	1,48,85
1960-61	1,55,86	8,07	2,31	1,14	1,67,38
1961-62 (Revised)	1,32,10	9,75	10	5	1,42,00
1962-63 (Budget)	1,37,95	9,75	25	5	1,48,00 +15,40*

* Effect of Budget proposals.

TABLE III

REAL INCOME OF THE SALARIED CLASS

(Married Persons)

Annual Income (Rs.)	Annual Income Tax (Rs.)	Annual Income After Tax (Rs.)	Annual Income After Tax	
			At 1952-53 Prices	At Pre-War Prices
3,000 ..	—	3,000	2,398	630
3,200 ..	6	3,194	2,553	671
3,600 ..	18	3,582	2,863	752
4,200 ..	36	4,164	3,329	875
4,800 ..	54	4,746	3,794	997
5,000 ..	60	4,940	3,949	1,038
6,000 ..	130	5,870	4,692	1,233
8,400 ..	333	8,067	6,448	1,694
10,000 ..	497	9,503	7,596	1,996
15,000 ..	1,189	13,811	11,040	2,901
20,000 ..	2,291	17,709	14,156	3,719

THE BUSINESS WORLD

The Central Budget: Bombay Reaction

By CROESUS

BUSINESS circles in Bombay have accepted Mr. Morarji Desai's Budget proposals for 1962-63 with considerable mental reservations, although the impression from the initial reactions of the stock market that one gathered seemed to suggest that they were generally welcomed. Of course, they concede that the proposals are practical and free from ideological predilection. But stock market reactions must have stemmed from the understandable feeling of relief that the actual extent of new taxation and of deficit financing in 1962-63 has not exceeded anticipations. Thus, as against market apprehensions of Rs. 80 crores additional taxation and Rs. 100 crores of deficit financing, the new tax proposals even for a full year amount to only Rs. 71.7 crores, while the deficit financing for the year has been limited to covering the net overall deficit of just Rs. 89 crores. In the words of the President of the Bombay Stock Exchange "the Finance Minister has struck the golden mean between too much taxation and too much deficit finance, both of which could be inflationary in the present circumstances." Similarly, Mr. K. R. P. Shroff has complimented the Finance Minister on having held the scales even as between direct and indirect taxes and as between the rich and the poor. Prima facie this may be so, and the fact that especially the highest income groups and the upper middle classes have been penalised most may even give the Budget a genuinely socialistic tinge. But political or ideological considerations apart, what the business world looks for are the implications on saving and investment after the new Budget proposals. It should be obvious to any one that the raising of the Corporation Tax by 5 per cent, the abolition of the exemption on shares held in new companies for the first 5 years as at present under the Wealth Tax Act, the revision of the structure of the rates of tax on registered firms and the increase in the Wealth Tax on the two highest slabs are all bound to reduce the quantum of funds that would otherwise have been available for investment.

Whatever justification the Finance Minister may have put forward in support of these additional burdens, it cannot be denied that the implementation of the proposals would amount to a going back on his solemn assurances, assurances actually inscribed earlier on the Statute Books. It will be recalled, for instance, that, when the new scheme of company taxation was introduced by Mr. Morarji Desai, he had stated that the change would not result in an increase in the overall income from corporate taxation. This statement has been grossly belied by actual receipts which have registered a sizeable rise in the incomes from this source. After having made this sacrifice, the shareholders in joint stock companies naturally feel that there can be no justification for the proposed increase in the Corporation Tax, however straight forward the proposal happens to be this time. The question also arises as to whether this additional tax burden will not adversely affect investment by companies. If it was the desire of the authorities that there should be no undue dissipation of distributable profits in the form of unduly inflated dividends to shareholders, they could very well have achieved the purpose by encouraging the ploughing back of profits with suitable incentives.

Investors are also keenly disappointed with the proposed abolition of the exemption from Wealth Tax on investments in new companies. They feel that this is going back on a solemn legislative assurance that the exemption would last for a five-year period. If only to be fair to those investors who put in their money on the strength of such an assurance, it is felt, the least that the authorities could and should do is to let the exemption run for the full term promised, viz., to let it continue to apply to investments made in all companies incorporated up to April 1, 1962. At any rate, there is a very strong feeling that investment in preference shares at least should be allowed to continue to enjoy the exemption. For, as is well known, investment in preference shares is not made with a view to deriving any benefit from capital appreciation. Actually, an investment in preference shares is not at all remunerative for the first four or five years. Investors in these shares, therefore, certainly deserve to be treated with greater consideration that has been shown to them.

Although the Finance Minister has paid lip sympathy to "the widespread desire, in this house and outside, that the imposition and enhancement of excise duties should not lead to a general increase in consumer prices", the cumulative effect of his tax proposals would surely be to raise the prices of quite a few items of consumer goods, including textiles. The proposed increase in the excise duty on cloth and yarn is admittedly very steep. May be, the marked victimisation of the fine and superfine varieties is partly pompted by the desire to discourage cotton imports and save foreign exchange. But one cannot help feeling that the Finance Minister could not resist the temptation to draw on this milch cow; otherwise one fails to appreciate the deliberate underestimate of the yield from this levy. As against Rs. 12.1 crores estimated by the authorities, the lowest estimate in textile circles is Rs. 25 crores and certain sections place it even as high as Rs. 40 crores! In view of this, there is a lurking suspicion in mill circles that some inaccuracy must have crept in somewhere. For instance, it would be interesting to know the basis of the Government's calculation of the yield from the duty on mercerised cloth. No seperate data would appear to be available anywhere for this category of cloth. Surely, this is not the way of achieving what Mr. Desai describes as "an equitable position" in justification of his proposals. It is even feared that the inordinately high levy on operations like mercerising might lead to a drastic reduction of this form of processing in order to save the prohibitive duty.

Another tax proposal which is likely to affect saving and investment is the proposed increase in the rates of Income Tax in respect of income slabs above Rs. 5,000. For, lately, it is this income group which has begun to take an interest in investing in stocks and shares and thereby contributing to the industrial progress of the country. While it is conceded that the rates of tax in the highest slabs of income are pretty stiff to allow of any further increase thereon and the income groups below Rs. 5,000 per year must be spared, and everyone is also aware that Income Tax cannot be a mass tax, it does not necessarily follow that the people in the intermediate income groups should be penalised to the extent that they have been penalised. Here, again, had it not been for the customary trait of Finance Ministers to underestimate revenue, the probability is that the extent of the increase in incidence might have been more moderate.

It may seem all right to accept the heavy doses of taxation and deficit financing every year as having been written into the (Third Five-Year) Plan, but may not one ask whether the emphasis all the time should be on indefinitely augmenting tax revenues thus, and not on preventing avoidable wastage, especially in the Government Sector? The usual excuse that tends to be trotted out by the authorities that, in the context of very heavy outlays on ambitious schemes of development, a degree of wastage is inevitable does not constitute a convincing answer. Moreover, it behoves the authorities to impress upon the public that they too are prepared to make sacrifices no less arduous than what they are asking the people to make.

There is one feature of the Budget Speech of Mr. Desai that deserves to be particularly highlighted. It is the feeling of concern expressed by him that progress in regard to additional taxation by the States has been woefully slow, as evidenced by the fact that the State Budgets in 1961-62 provided for additional taxation estimated to yield no more than Rs. 100 crores in five years, as against the Third Plan target of Rs. 610 crores in this behalf. The defence put forward by the Finance Minister in support of his Budget proposals, namely that, without the requisite tax effort, we cannot avoid stagnation must, therefore, be made to go home to the State Governments more than to the people at large, if they are really keen not to slow down the tempo of development and thereby prolong the poverty of the people, as they so vociferously profess.

Two Brilliant Expositions

By CROESUS

TWO lectures which I heard during the past few days have impressed me very much. I cannot say whether I wholly endorse the points made by the two brilliant speakers, or, perhaps, I should say the two outstanding economists, namely the U.S. Ambassador Mr. J. K. Galbraith and the Director of the Institute of Economic Growth, Delhi, Dr. V. K. R. V. Rao, but I would not be true to myself if I did not admit that both the lectures were full of sincerity and conviction. Indeed, Mr. Galbraith's theme was the growing need for conviction, the conviction of accomplishment in particular.

No one who heard either Dr. Rao or Mr. Galbraith could have gone without being impressed about India's achievements. Addressing the Bombay branch of the Indian Council of World Affairs, Mr. Galbraith said that he was convinced that every problem would yield to a sufficient application of faith, energy and enthusiasm, but wondered whether there has not been some loss of momentum lately, either because the problems being tackled have been proving more intractable than was imagined a decade or two ago or because the people have become impatient. Dr. Rao, whose lecture was confined to India, opined that, while there has been some achievement, the achievement has not been according to our plans and expectations, and that there is need for a re-orientation if the results desired are to be realised. Although, as yet, the number of those who have begun to wonder if anything can really be done, or believe that nothing is possible, is not many, the very fact that there are even a few of them should be regarded as a danger signal, and something must be done before the number of such gloomy persons increases to compel us to give up the search for a solution in the belief that no solutions are possible. In so far as the U.S. is concerned, Mr. Galbraith assured his listners that America was determined to retain the conviction that things could be done, but he was not satisfied with quite that much. What we need, he went on to say, is "a new international organisation composed of the people who retain the conviction that progress is still possible, that problems can be solved". More, the U.S. Ambassador suggested that this conviction could even be a new unifying influence in the world.

In his illuminating lecture on "Some Reflections On the Industrial Revolution Now in Progress in India", under the Walchand Memorial Lecture Series arranged by the Maharashtra Chamber of Commerce, Bombay, Dr. Rao was not guilty of any lack of conviction of achievement, but he was certainly not content to leave it at that. While conceding that India has started on her industrial revolution, he was rightly of the view that "we have still a long way to go before we can call ourselves an industrialised country". It is to substantiate this that he posed a formidable list of questions covering the extent of our industrial growth, its salient features, the way it has been brought about, the extent to which it is linked up with the social and economic objectives of our planning, the mistakes that have been made, the lessons that can be learnt from past experience and the prospects for the future.

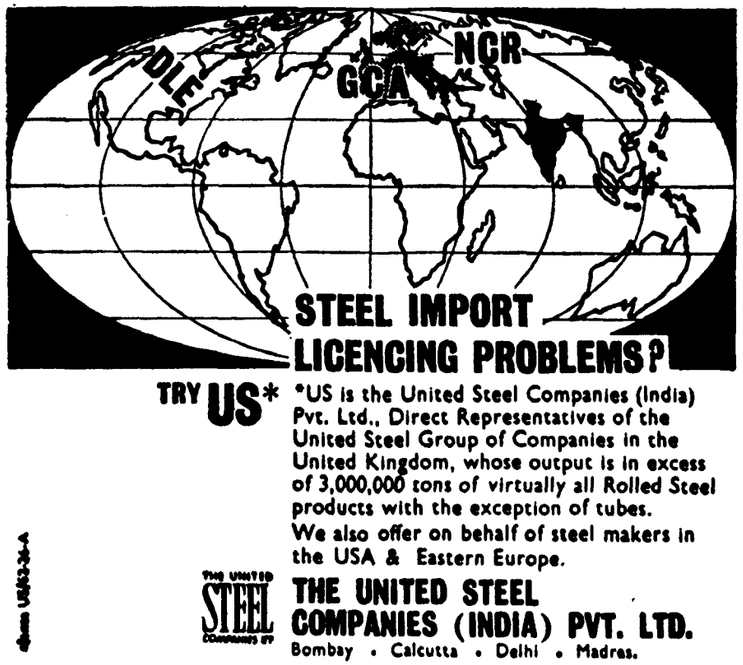
Examining the question of how far the industrial development during the two Plan periods has resulted in the implementation of the social and economic objectives set out by the Planning Commission and the various statements of Government policy, Dr. Rao stated inter alia:

(1) the employment objectives set out in the Plans have not been fulfilled and, to the extent that industrial development has formed the sheet-anchor of this policy, the industrial revolution has not succeeded in its objective;

(2) there has not been a sufficient increase in the volume of basic consumption goods to enable a rise in the common man's level of living;

(3) there has been some increase in the concentration of economic power alongside India's industrial growth. As regards inequality of incomes, India's industrial growth during the last ten years is being accompanied by the emergence of a mangerial and 'entrepreneurial' class that is comparatively well off.

Because of these features of our economic development Dr. Rao seemed to feel that it is not easy to go



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in for industrial revolution and, at the same time, seek fulfilment of the social and economic objectives set out by the planners, at any rate within the short period. After pointing out the mistakes made and the lessons they hold out for the country in future, he remarked: "There is no doubt that advance is taking place in the industrial field, but it cannot be described as a planned advance either in the public or in the private sector, and the problems that this creates do no credit to the philosophy of planned development". He was, in fact, indignant that we have not yet learnt the lesson that our industrial experience of the last ten years contains in such rich abundance. He was sorry that we have not yet learnt either to assess the heavy price to be paid for industrialisation or to find remedies for reconciling it with our established social and value objectives. Hence his interesting speculation on what we can do to make our industrialisation more rapid and, at the same time, more suited to our social, economic and demographic circumstances. It was this process that prompted him to pose 'the haunting question': 'Can we find a way of reconciling material development with retention of human values and the creation of a classless and non-violent society"? In this context, he lamented the fact that "we do not yet have adequate public consciousness of the existence of these questions, let alone the heart-searching debate and public discussion that they require in a society that claims to be consciously setting out to plan its economic industrial development."

To pass on next to Dr. Rao's own contribution to a solution of these problems. Briefly, he made the following points: (1) the objective of industrial development needs formulation in terms of composition and volume of output more clearly and consistently with the broad social and value objectives of planning.

(2) There is need for improving the technique of planning; the planning must have a stronger technical base, a wider and more scientific and regional bias, and a more effective machinery of evaluation and implementation. There must also be public consciousness of the implications of frowning on individual and social behaviour, as well as the criteria of efficient performance. The country must go in for more well-informed and sustained debate on various technical aspects of development planning at all levels.

(3) The importance of investment in the human factor must be underlined; besides training in technical skills, this should induce work for the creation of a more scientific temper, a more rational approach, a sense of identification with the masses, a positive spirit of social justice and of human values, and an ultimate human motivation and action.

(4) There must be an employment orientation to our industrial development without either abandoning the criteria of efficiency or imparting the Gandhian views on technology.

Dr. Rao was not prepared to admit that all these would pre-suppose a volume of resources, which we do not just have, our resources being limited as they are and our capacity for mobilisation being even more so. According to him, what is necessary is a new outlook — a forward course without forsaking the original path, the path of spiritual tradition — in other words, material improvement combined with spiritual values. "The goal should be not just economic development but the creation of a good society." Stemming from this line of reasoning, Dr. Rao naturally wondered whether we have done the right thing in adopting for our ideal a phraseology that is foreign to the soil and has historical associations that link it with struggle, class war and material betterment". Would it not be better, he asked, if we gave a different name to our social ideology, so that, while it could retain its socialist context, it could also be conspicuously imbued with the spiritual values that constitute such a rich heritage from our Indian past? I do not know whether the learned lecturer was harking back to our "Sanathana Dharma", or thinking of the Swatantra Party's ideology, or merely was content to import the Gandhian values into the functioning and developing of our economic process. But, in any case, I wonder whether it has occurred to him that the inevitable corollary would have to be a minimum of interference by the State.

Business Notes

Coal

RELIEVING SHORTAGES

RELIEVING COAL shortages, particularly in western, northern and southern India, is undoubtedly going to prove a great headache for Mr. K. D. Malaviya, the new Union Minister for Mines and Fuel. It is proper, therefore, that immediately after taking up his new assignment, he should have turned his attention to this crucial task on the fulfilment of which depends not only the accelerated development of the industrial sector of the Indian economy, but also, to a fairly large extent, containment of the expanding spiral of prices. Indications are that Mr. Malaviya is feverishly thinking of measures to alleviate the distress caused by coal shortages and may come out very shortly with a well-thought out plan to solve the present industrial fuel crisis in the country.

The two-pronged attack which he intends to launch on this front consists of giving incentives in the form of small price increases for raising more coal, especially in what are called the outlying areas, and improving of the movement of coal from the collieries to the consuming centres. With Sardar Swaran Singh assuming the role of carrier of coal in place of producer of coal, after the recent Cabinet reshuffle, there may be some better co-ordination between the Ministries of Mines and Fuel and Railways. But how far Mr. Malaviya will be able to impress upon the Railway Board the pet thesis of his Ministry that it is not the production of coal that has caused the present crisis, but the bottlenecks on the railway system is yet to be seen. The Railway Board Chairman has been taking immense pains to bring home to all concerned that he has fulfilled the targets set for him for movement of coal and if he is called upon to exceed these targets, additional funds will have to be made available to him for augmenting the railways' capacity to move coal.

Whatever upward revision in the Plan target for coal movement capacity of railways takes place, it is clear without any doubt that it will help in relieving coal shortages only in the long run, say towards the end of the Third Plan period. In the short-term period, apparently, the solution to the acute bottlenecks in the way of coal movement lies in prevailing upon the coastal shippers and the road transport operators to undertake an additional burden of this traffic. Perhaps, this is the aspect of the coal transport problem that Mr. Malaviya is paying his attention to. It will be nothing short of a miracle if in the face of heavy odds, he is able to devise measures to improve coal move-

ment. One sure method of breaking the coal transport bottleneck, of course, is allowing, for a year or two, the export industries in western and southern India to import high-grade coal from the rupee payment countries. But this measure does not appear to have found favour with Mr. Malaviya, as with his predecessor Sardar Swaran Singh. No cogent reasons are put forth for the summary dismissal of this suggestion. Import of high-grade coal by export industries in western and southern India should not only help in allowing a breathing time for the railways to develop their capacity, but can also assist to no small extent in helping the cause of export promotion. The proposal requires to be given a serious thought, especially when a reorientation is evident in the policy of import of furnace oil as an alternative industrial fuel.

The contemplated increase in the Third Plan coal production target from 97 million tons to 104 million tons and allowing the private sector to have a greater share in this additional production (5.5 million tons, as against 1.5 million tons share of the public sector) is a welcome step. The private sector, with its long experience in the field, can be trusted to lend even a greater helping hand in the fulfilment of the task. It is appropriate that the National Coal Development Corporation's share in the Third Plan coal output target is being re-assessed to find out if any re-allocation of the targets between the private and the public sector is warranted. Mr. Malaviya should do well if he expedites the setting up of coal washeries as well. That will obviate the necessity of moving larger-than-warranted quantities of coal over long distances.

Engineering

INDUSTRY'S PROBLEMS AND REMEDIES

THE ENGINEERING industry in India has undoubtedly made remarkable progress during the last few years, considering, of course, the manifold problems it has had to contend with. It is to these problems and to their solutions that Mr. Deshpande, the Chairman of the Indian Engineering Association (Western Region), directed his address to the 13th Annual General Meeting of the I.E.A.

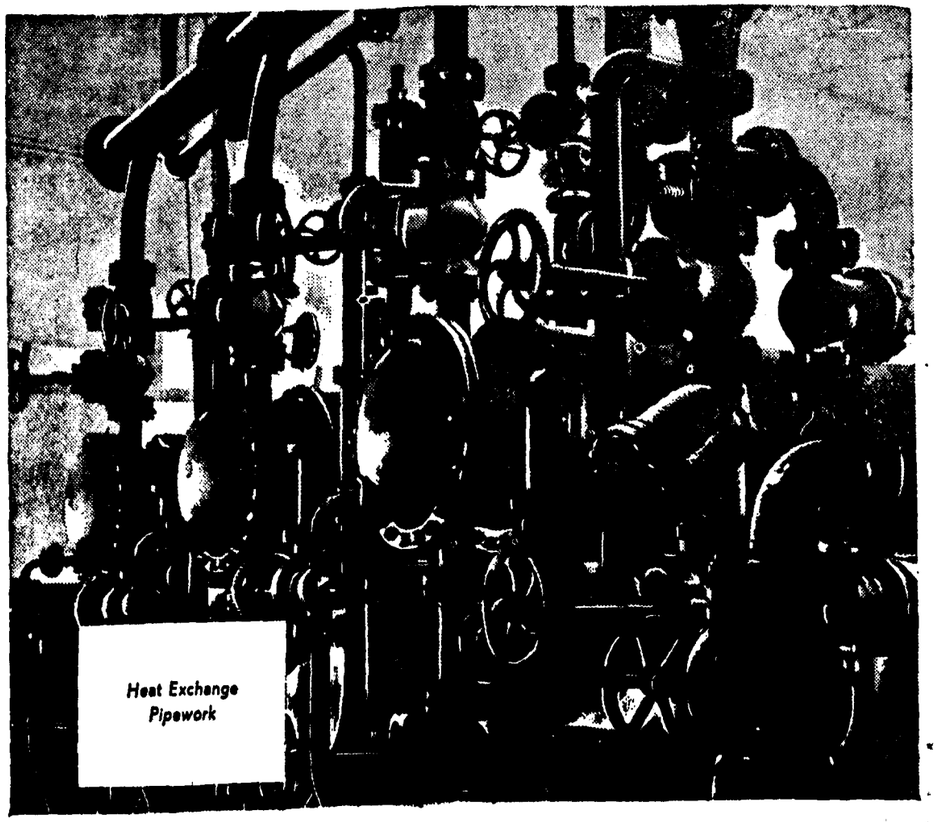
Mr. Deshpande first referred to the unfavourable balance of payments position which has been one of the basic problems of the country today. In this context, he pointed out how the high costs of engineering goods had been responsible for fewer exports. According to the I.E.A. Chairman, the second problem was the sacrifice of quality in order to have an increased production, to cope with the needs of an eager market. The industries were forced to relax their quality standards, he said, partly also because they had to depend on materials and components from the growing indigenous industry which was still passing through its teething troubles. He noted that it was not only the small-scale units in the private sector, but even the Government-owned steel plants had been relaxing their quality standards, with the result that there was an acute shortage of stocks of steel of particular qualities or types and specifications essential for the increasingly specialised work being undertaken by the engineering industry. Mr. Deshpande further referred to the uncertainties and shortages of supplies of foundry-grade pig iron and coke which aggravated the problems of the engineering industry throughout 1961. This had been a major cause for the loss in production, he observed. Transport shortage was another bugbear of the industry; this shortage had contributed to the disruption of operations in the industry by holding up for long and unpredictable periods supplies of raw materials and finished products at the point of production. To this long list, he had also to add the lack of adequate skilled and technical personnel which compelled the industry to make the maximum use of the limited technical manpower.

It is needless to say that all these factors had their impact on industrial costs, both direct and indirect. Direct costs increased due to high inventories, forcible use of expensive substitutes, both of materials and transport, high incidence of inspection and rejection of incoming supplies and frequently the compulsion to accept rework and upgrade inferior supplies or materials and components; indirect costs increased as a consequence of the wastage of production and distribution resources resulting from interrupted or inadequate material supplies, transport and power. The Chairman of I.E.A. was frank enough to admit that the problems besetting the industry arose out of the relatively poorly developed techniques of planning and administration, both in the private and in the public sector, vis-a-vis the conditions in the industrially advanced countries.

In order to combat these difficulties, the I.E.A. Committees of Calcutta and the Western Region advocated the greatest possible co-operation among all members of the Association throughout the country in particular and among all members of the engineering industry generally, as also the expansion and specialisation of services now available to members from the Association so as to make them avail themselves of expert advice and guidance in tackling the complex problems that they have been faced with. Mr. Deshpande claimed that these had already been tried out during the year in the Western Region and hoped that they would be developed further. Also he disclosed that the Association was considering the establishment of a Personnel Advisory Service for members on the lines of the Labour Advisory Service of the Association in Calcutta. Through this service and with the assistance of the Training Sub-Committee, the Association hopes to be able to achieve a measure of co-ordination of the extensive efforts of members as well as the Government and other public agencies.

PROBLEMS OF BOLT AND NUT MANUFACTURERS

AT THE second annual general meeting of the Indian Bolt and Nut Manufacturers' Association, Mr. K. L. Chowdhary, in his presidential address, dwelt at length on the various problems facing the bolt and nut industry. The grievance of the manufacturers is that the industry has not been taken proper care of in either of the two earlier Five-Year Plans and even in the Third Plan no schedule of regulated development has been drawn up. At present production of nuts and bolts in the country is approximately 60,000 tons from a capacity of over 1,50,000 tons. The Government estimates that the requirements of bolts and nuts in the country would be about 2,00,000 tons by the end of the Third Five-Year Plan and it is probably with this consideration in view that it has not restricted addition of further capacity in this highly congested industry which is at present having more than 60 per cent of its capacity lying idle. On the face of it, the Government's estimate of 2,00,000 tons of bolts and nuts by 1965-66 seems to be based on the requirements of the railway expansion and renovation programmes and other development activities that would be taken up in the Third Plan. Particularly when the demand in the Second Five-Year Plan did not rise beyond 70,000 tons although it was estimated to be 1,85,000, it seems difficult to understand on what basis the estimate of requirements of 2,00,000 tons of bolts and nuts has been arrived at. The plea of Mr. Chowdhary is that a permanent machinery be created to keep



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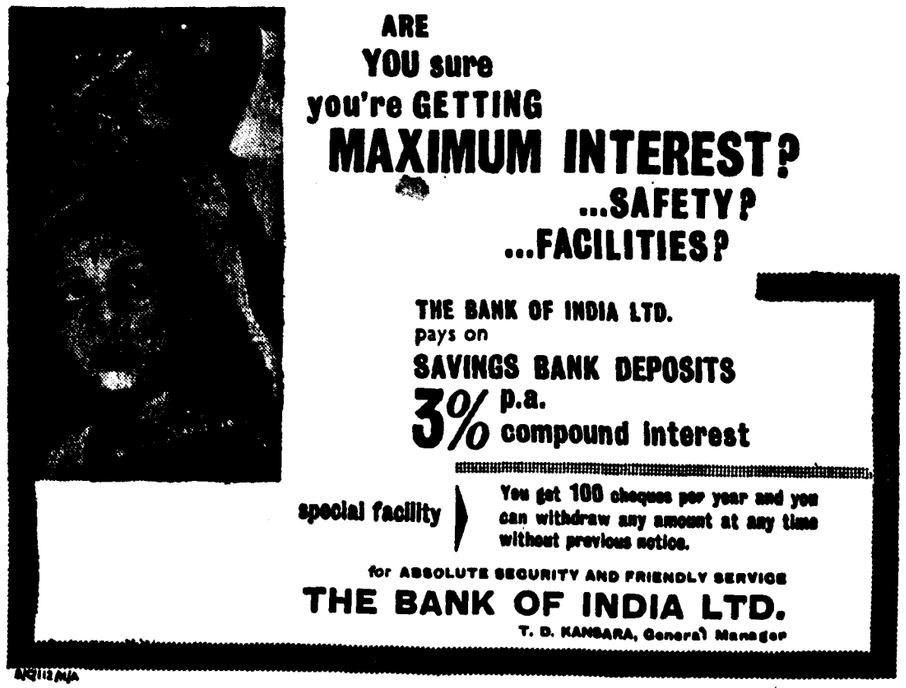
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watch over the development of industries like bolts and nuts whose growth in the previous years has been unfettered in the absence of some regulated policy. He also urged that there was an urgent need for a detailed survey of the industry from all angles.

In regard to production, the President was of the view that there are some sizes which are not being manufactured in sufficient qualities. Since there has been a changeover to metric system, Mr. Chowdhary underlined that bolts and nuts manufacturers should be supplied with inch sized limit bars so that the difficulties that come in the way to make inch sized bolts and nuts could be put an end to. The main difficulty in promoting modernisation/expansion has been the scarcity of foreign exchange. Keeping these things in view, the President has appealed that the Government should kindly give their favourable consideration to applications of some firms for import of new plants and machinery required for modernisation.

HIGHER OUTPUT OF MEDICAL APPLIANCES

THE MANUFACTURE of medical appliances and surgical instruments in the organised sector is likely to rise rapidly during the Third Five-Year Plan. It is envisaged that against an output of medical appliances and surgical instruments worth Rs. 14.7 lakhs during 1960-61, the output is likely to be worth Rs. 300 lakhs by 1965-66. Similarly, X-ray equipment output is also likely to expand from the production of Rs 10 lakhs in 1960-61 to nearly Rs. 200 lakhs by the end of the Third Plan. This increase in output has mostly been initiated for the reason that the country had so far been dependent on the imports of these items. Their requirements are now gradually to be met fully from indigenous sources and therefore their production capacity is being expanded in the public and private sectors during the Third Five-Year Plan.

At present there are six units in the organised sector for the manufacture of medical appliances and six additional units have been licensed. In addition to this, there are certain units operating in the small-scale sector too. It may, however, be added that the major contribution in this field is expected to be made by the Surgical Instrument Plant in the public sector proposed to be set up at Guindy near Madras. This plant will have a capacity of nearly 2.5 million pieces of various types of surgical instruments used for general surgery, ophthalmology, gynaecology and other branches of medicine. This project is being set up with assistance from the USSR Government and is expected to go into production during the period of the Plan. The cost is estimated to be around Rs. 2.7 crores.

As far as X-ray equipment is concerned, at present the requirements are met almost entirely by imports. The manufacture on organised scale is yet to be undertaken although some firms have been producing some types of X-ray equipment on small scale in smaller units. In view of the rising needs of electro-medical equipments, the manufacture of X-ray equipment is being planned and six units have been licensed which will have a capacity of nearly Rs. 30 lakhs worth of equipment every year. The range of equipment that will be produced is expected to cover almost all types of equipment required by hospitals and medical practitioners, though there still will remain certain specialised items which will have to be developed later. With the implementation of the new schemes, it is hoped that almost all the estimated requirements for X-ray and electro-medical equipment would be met. These schemes are likely to bring about a saving in terms of foreign exchange which will be quite substantial and gradually these items would be produced at competitive rates.

Tea

THE PLANTERS' VIEW

MR. P. B. SINHA, Chairman of the Indian Tea Planters' Association, at the annual general meeting held recently, outlined the strains borne by the industry in the foreign market. Undoubtedly, tea as the biggest earner of foreign exchange, has very important role to play in the country's economy. It is all the more necessary that sufficient attention is paid to the problems the industry faces in the foreign market. Mr. Guha indicated that the expanding output of tea was creating certain problems for the planters because they found it hard to dispose it of at competitive rates. Production of tea in India in 1961 rose to a record figure of 350 million kilograms against 320 million kilograms in 1960. This increased output, when seen in the context of world supply and absorption, gives the idea of the extent of over-production. The table below gives the figures for world supply and absorption and naturally the surplus of tea. It seems that in 1960 the surplus was nearly 37 million kilograms. The world output in 1961 was nearly 668 million kilograms — about 43 million kilograms more than in 1960. Mr. Guha pointed out that, considering the trend of absorption indicated in the previous years, it may be assumed that, after allowing for an increased absorption of 12 million kilograms of tea in 1961, the accumulated balance would be in the neighbourhood of 68 million kilograms which is rather too high. Perhaps, this has resulted in the downtrend in prices at Calcutta tea sales. It may, however, be added that in the world production in 1961, which was 43 million kilograms more than 1960, India's contribution was to the extent of 30 million kilograms. Naturally the Indian tea had to bear the brunt that acompanies over-production.

Mr. P. B. Guha indicated that Indian tea has to pay an export duty of 44 nP. per kilogram which yielded in 1959-60 an amount of Rs. 12.29 crores. This, he indicated, was more than 75 per cent of the total export duty earned by the exported goods. It is apparent that this export duty definitely is a handicap for a commodity which has to meet competition in the external market. It seems this burden on the tea industry was considered by the Finance Minister who has proposed a cut in the export duty from 44 nP. per kilogram to 25 nP. per kilogram. It is hoped the industry will be able to face the market from a competitive position of strength.

WORLD TEA STATISTICS

(Quantities in Million Kilograms)

Year	World Supply (Production and Export)	World Absorption	Excess Supply over Absorption	Cumulative Balance from 1946
1958	.. 692	694	—2	+30
1959	.. 700	694	+6	+36
1960	.. 720*	701	+1	+37

* Production 624.5 million Kgs. only.

Dunlop Rubber

CONTINUED PROGRESS AND STABLE CONDITIONS

IT SPEAKS well of the Dunlop Rubber Co. (India) Limited, that on account of its sound management, right plans and efficient working, net profit available for disposal this year was higher than last year by approximately Rs. 41 lakhs. Since compulsory transfer to Development Rebate Reserve has decreased by Rs. 9,50,000 this gives an overll increase of approximately Rs. 5,50,000 of profits for disposal. With all this additional amount, it is proposed that Rs. 25,50,000 be allocated to the shareholders, and the balance be retained as profits with the company. The dividend for 1961 is 20 per cent subject to tax on the ordinary share capital as increased by the recent Bonus Issue.

The demand for the Dunlop Rubber Company's goods has been at a high level and in the case of certain products it has continued to exceed company's manufacturing capacity. This has been particularly so in the case of Dunlopillo. Sale of cycles tyres and tubes has increased in the domestic market during the period under review. In the industrial rubber products field, company's conveyor belting expansion has been completed. The demand for industrial and other types of hoses has also been very satisfactory. All this was vividly revealed in the speech made at the 36th annual general meeting by Mr. M. L. Bexon, Managing Director of the company, who dwelt on various aspects of the company's activities.

So far as exports are concerned, it is heartening to note that company's cycle tyre exports in 1961 were 17 per cent higher than in 1960 and in the first quarter of this year overall exports were running at a level over 50 per cent higher than the same period in 1961. Expansion plans of course, are well under way. A licence to manufacture PVC belting has been obtained and small expansions at the factories are being carried out. This progress is visible all-round and further march has been made towards producing indigenously various raw materials used by the company as well. On the employer-employee relations front, things have been equally satisfactory and it is this sound base which has led the company to go ahead with its plans.

Keeping in view the previous progress, it can be safely concluded that the future prospects for the company are immensely bright. Rapid industrialisation and increasing demand is likely to give a further impetus to the company's production potentialities. No doubt the Dunlop Rubber Co. (India) Ltd. has contributed a good deal in the manufacturing processes of rubber products and is likely to play still an effective role in the years ahead.

Travancore Rayons

EXPANSION SCHEMES PROGRESSING WELL

THE PLEA made by Mr. A. R. Ramanathan at the sixteenth annual general meeting of the Travancore Rayons Limited for some relief on excise duty on rayon yarn seems to have had no hearing with the Ministry of Finance as in the Budget levy on unprocessed rayon has been raised. While Mr. Morarji Desai has his own reasons to advance for this rise in the levy, the Travancore Rayons certainly would not feel happy about it. Mr. Ramanathan had revealed in his speech that this rise in excise duty on rayon yarn in the 1961 budget was mainly responsible for not bringing about further increase in profits. If this would have been reduced, probably the profits of the Travancore Rayons Limited would have been much greater. The hope of obtaining now an increase in profits can certainly be laid to rest.

It, of course, is to be recognized that the rayon industry has achieved a notable success in the short span of a decade. Its annual output has increased from 5 million lbs. in 1950 to 45 million lbs. now and profit has been to the tune of Rs. 61.93 lakhs in 1961. As a result of this production, saving in foreign exchange has been to the tune of about Rs. 28 crores so far and this certainly is by no means a mean achievement. In regard to expansion schemes, Mr. Ramanathan pointed out that the company holds an industrial development licence for expansion of its rayon production capacity by another 5 tons per day which will raise the total rayon production to 13.6 tons per day. This expansion is expected to cost the company about Rs. 3.5 crores which will be met partly by issue of right shares and partly from long-term borrowings. The erection of cotton linter plant is going on according to schedule and it is heartening to note that the Travancore Rayons will be the first rayon plant to manufacture rayon graded pulp in India. The capacity will be 10 tons per day initially. The production is expected to start by October-November this year.

On the whole it can be said that the Travancore Rayons has so far had a fair career. Its management is trying its best to improve the factory efficiency, processes and technology and the quality of its products. Given a reasonable luck, it may make a good advance on the export front in the Far Eastern and the Middle Eastern markets.

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AB-21

FROM THE CAPITAL'S CORRIDORS

NEW CENTRAL TAXES

PRESENTING the Union Government's Budget for 1962-63 in the Lok Sabha on April 23, the Finance Minister, Mr. Morarji Desai, estimated the revenue receipts at the existing level of taxation at Rs. 1,320.87 crores and expenditure at Rs. 1,381.65 crores. This shows a revenue deficit of Rs. 60.78 crores, as against a deficit of Rs. 63.46 crores estimated at the time of presenting of Interim Budget in February last. The deficit on revenue account would have gone up from the Rs. 63.46 crores estimate of last month to Rs. 75.78 crores owing to some new provisions made for expanditure (of Rs. 7.38 crores for meeting the increased burden of dearness allowance payable to the Union Government employees under the recent decision of the Government, of Rs. 1 crore for export promotion, of Rs. 25 lakhs for subsidy to the railways for transporting imported furnace oil from various ports to the consuming centres in South and West India, of Rs. 99 lakhs additional for the revised estimates for the purchase of stores and equipment required by the Survey of India and of Rs. 2.7 crores on account of the decision to revise the pay scales of the Services Officers with retrospective effect from April 1, 1960), but a transfer of Rs. 15 crores from the suspense head to revenue receipts counterbalances all this and brings down the revenue deficit estimated in February by Rs. 2.68 crores. The overall deficit (including the deficit on capital account) is now estimated at Rs. 150 crores, as against Rs. 147 crores anticipated on the basis of the last month's estimates.

To cover the deficit on revenue account fully, the Finance Minister proposed various new taxes, which after counterbalancing the loss to the Central Exchequer through some concessions in customs duties given for export promotion, will bring in a net sum of Rs. 68.88 crores during the remaining days of the current financial year and Rs. 71.7 crores in a full year. The revenue of the Central Government during the current year will go up by Rs. 60.80 crores, the remaining amount of Rs. 8.08 crores will go to the State Governments under the scheme of devolution of Central financial receipts.

The following are the taxation proposals put forth by Mr. Morarji Desai:

DIRECT TAXES

(1) The rate of tax on Indian Companies is proposed to be increased from 45 per cent to 50 per cent. The rate of tax on foreign companies will, however, continue at 63 per cent generally. For this purpose, the rate of income-tax applicable to all companies is to be raised from 20 to 25 per cent, the rates of super-tax being suitably adjusted. Earnings from exports will be excluded from this increase.

(2) With a view to avoid double taxation of profits of some companies which pay dividends to others, some reduction is to be made in inter-corporate taxation. In the case of Indian Companies, the rate, including super-tax, applicable to dividends received from Indian subsidiaries registered before April, 1961, will continue at 30 per cent, while that on dividends received from all other companies will be reduced to 35 per cent. Indian companies in which the public is substantially interested and whose income does not exceed Rs. 25,000, will continue to get a further concession of 5 per cent. In the case of foreign companies which have not made the prescribed arrangements for the declaration and payment of dividends within India, the rate applicable to dividends received from Indian subsidiaries will continue at 30 per cent. On dividends received from a non-subsidiary Indian company registered before April, 1959, it will be reduced from 63 per cent to 50 per cent, while on dividends received from other Indian companies, it will be reduced from 40 per cent to 35 per cent.

(3) The schedule of admissible entertainment expenses is to be tightened mainly as a measure of restraint.

(4) The schedule of rates of income-tax and super-tax on individuals, Hindu undivided families and registered firms is to be revised. The rate at the highest slab will be 72.5 per cent (exclusive of the surcharges), while rate on incomes below Rs. 5,000 per month will remain unchanged. The intermediate slabs are to be suitably adjusted to secure an even increase in rates.

(5) A reduction is proposed in the surcharge on income-tax on salaries including pensions. This will be from 5 per cent to 2.5 per cent. The other surcharges will remain unchanged. The rate at the highest slab inclusive of surcharges will be 87 per cent.

(6) The exemption limit for Provident Fund contributions and insurance premia is to be raised to Rs. 10,000.

(7) It is proposed to liberalise and widen the Cumulative Time Deposit Scheme with the benefit of income-tax exemption which can be taken advantage of by self-employed and uninsurable persons.

(8) It is also proposed to revise the structure of rates of tax on registered firms by reducing the limit for exemption, revising the number of slabs and the rates of tax and having higher rates for firms with five or more partners.

(9) With a view to secure broad equity in the treatment of different categories of Capital Gains Tax payers, it is proposed that gains which result from disposal of capital assets within a period of one year from the date of acquisition should be made subject to income-tax and super-tax like other ordinary incomes. Capital gains for assessees other than Companies from assets held over a period longer than one year will be subject to income-tax at the rate of 25 per cent or at the rate applicable as if they were short-term gains, whichever is less. Long-term capital gains of companies will continue to be taxed at 30 per cent.

(10) The five-year old Expenditure Tax is proposed to be suspended with effect from the current year.

(11) Wealth Tax rates are proposed to be raised by 0.25 per cent and 0.5 per cent on the two highest slabs. The slab structure is to be revised a little. Also, it is proposed to discontinue the exemption on shares held in new companies during the first five years allowed at present under the Act.

INDIRECT TAXES

(1) The rates of excise duty on unmanufactured tobacco and cigarettes are to be revised, yielding a revenue of Rs. 5.28 crores in a full year.

(2) It is also proposed to revise the general structure of duty on cotton cloth and yarn. The yarn rates will be so revised that there is a slight progression in the incidence of tax according to the quality of cloth, maintaining the present duty on coarse yarn. It is also proposed to step up the duty on processing of cloth, keeping in view the improvement in quality and price of cloth as a result of processing. To ensure that the common man has not to make anything more than a marginal adjustment in his cloth bill on coarse and medium varieties which he uses, it is proposed to reduce the duty on grey unbleached cotton fabrics. It is also proposed to place units with 50 or more powerlooms on the same footing as composite mills. Rates of compounded levy on powerloom units with looms from 5 to 49 will also be increased so as to graduate the increase in benefit with the reduction in size and to

reduce the incentive for splitting of units. Units employing 4 looms or less will be exempt.

(3) The duty on match boxes each containing 50 sticks has been revised in order to wipe out an unintended margin made by a retail dealer by selling a box at 6 nP.

(4) It is proposed to convert the duty on unprocessed woollen, rayon and art silk fabrics to a duty on yarn and processing so as to release the powerlooms from excise control. The loss in revenue will be made good partly by an increase in duty on yarn and partly by a duty on processed fabrics.

(5) With a widening of the definition of patent and proprietary medicines, it is proposed to reduce the incidence of tax on them from 10 to 7.5 per cent and also exempt totally certain highly essential drugs.

(6) Coal-tar burnt in furnaces of plants producing it will be exempt. It is proposed to revise some of the exemptions which have either outlived their utility or have been found to be open to abuse. The procedure for duty on copper and other alloys is to be simplified for the convenience of smaller manufacturers.

(7) The duty on aluminium foils is to be increased by Rs. 100 per tonne in order to discourage its internal consumption.

(8) In order to encourage the export of tea, the duty on loose tea is to be increased by 5 to 10 nP. per kilogram. A rebate of 15 nP. per kilogram will be given for its export.

(9) Excise duty is proposed to be levied on nine new items. These are jute manufactures (Rs. 250 per tonne duty on hessian and Rs. 125 per ton on all others), certain iron and steel products (ad valorem duty of 5 to 7.5 per cent), electric cables and wires (a duty of 5 to 15 per cent ad valorem), certain specific acids and gases (10 to 50 per cent ad valorem levy), plywood (10 to 15 per cent duty), asbestos cement products (10 per cent ad valorem duty), tread rubber and latex foam sponge (20 per cent ad valorem duty), gramophones, gramophone parts and accessories and gramophone records (15 to 30 per cent ad valorem duty) and mineral oils and mineral oil products not otherwise specified (5 per cent ad valorem levy).

(10) In the field of Customs, duty is proposed to be increased on six items. Import duties on certain iron and steel items and on art silk yarn will be increased by 5 per cent. A 25 per cent duty is to be levied on stainless steel plates and sheets and rods and bars. The notified rates on copra are to be increased to 25 and 15 per cent. (These will still be well within the ceilings). The duty on certain types of tools excluding machine tools and agricultural implements will be increased from 35 per cent to 50 per cent. Duties on a few other items will be rationalised.

(11) The rate of import duty on cars is to be raised from 100 to 150 per cent. The specific duty of Rs. 6,000 is, however, being done away with so as not to discourage the import of small or used cars in genuine cases.

EXPORT INCENTIVES

Export duty on tea is to be reduced from 44 nP. to 25 nP. per kilogram. Along with this a refund of 15 nP. per kilogram is to be given in the excise duty on tea (referred to above).

Direct tax proposed will yield a net additional revenue of Rs. 27.2 crores in a full year. The indirect taxes will yield a net amount of Rs. 44.5 crores in a full year. The effect of the new proposals during the current year will be to the extent of 93.7 per cent.

Union excise duties will not impinge on export costs since it is proposed to give a consolidated refund of excise duties paid on the material and intermediates used in the process of manufacture.

RAILWAY FARES AND FREIGHTS TO BE RAISED

Some increases in railway freights and fares have also been indicated in the Railway Budget for 1962-63 presented to Parliament by the Railway Minister, Sardar Swaran Singh, on April 19.

The proposal is to enhance the basic freight rate for all goods traffic, excepting railway materials, postal, military and export manganese ore traffic, by 50 nP. per tonne carried up to 40 kilometres and by rupee one per tonne beyond 80 kilometres, with suitable adjustments for intervening distances. For foodgrains, however, the increase of rupee one per tonne will apply only beyond 160 kilometres. The existing supplementary charge of 5 per cent would continue to be levied, in addition, as hitherto.

Passenger fares in the First Class are proposed to be increased approximately by 15 per cent and in Second and Third classes by a little below 10 per cent. For season ticket fares, the increase will be only five per cent. This lower rate of increase in designed to afford relief to a large section of office and industrial workers as much as possible.

The new rates and fares are proposed to be introduced from July 1, 1962.

LICENSING UNDER INDUSTRIES ACT: LISTS REVISED

The Union Ministry of Commerce and Industry has announced a revised list of 178 industries in respect of which applications for licences under the Industries (Development and Regulation) Act, 1951, will ordinarily be rejected without reference to the Licensing Committee.

Simultaneously, another list of 19 industries in respect of which licences under the Industries Act will ordinarily be granted without reference to the Licensing Committee has also been published.

Both the lists will be in force till September 30, 1962.

The list of industries where applications may be ordinarily rejected consists of 74 engineering and 104 non-engineering items. The engineering industries are: Agricultural Implements; Agricultural Tractors; Aluminium sheets, circles, extruded rods, sections, foils; Antimony; Automobile leaf-springs; Barbed wire; Bare copper conductors; Bare copper strips; Bicycles and bicycle parts except steel balls; Bifurcated rivets; Bolts, nuts and rivets; Brass and copper, extruded pipes, tubes, rods, sections, sheets and circles; Calculating machines; Car lifts; C.I. spun pipes; Chaff cutter blades; Circles, sheets, rods and utensils of stainless steel; Collapsible tubes and rigid containers; Commercial vehicles; Conduit pipes; Virgin copper and wire for non-electrical purposes; Cotton and hair belting; Crawler tractors; Domestic refrigerators; Domestic utensils; Drums and barrels and tin containers excepting those for manufacturers' own requirements; Dry batteries; Electric fans; Electric lamps—Photoflash bulbs; Expanded metal; Ferro-manganese; Flash light and Torch containers; Fluorescent tubes; Hurricane lanterns; Jeeps and station wagons; Kerbside petrol pumps; Virgin Lead; Mercury vapour and other gaseous discharge lamps; Meters—Single and Polyphase; Miniature lamps (excluding auto head lamps and sealed beam lamps); Motor cycles, scooters; Non-ferrous alloys; Paper capacitors—(a) for fans, fractional horse-power motors and lighting fittings and (b) for power factor correction; Paper insulated power cables; Paper making plants—large and small scale, including wirecloth for paper machinery; Passenger cars; Power driven pumps; Radio receivers and P.A. equipments (except components); Razor blades; Refrigeration plants for industrial use; Railway mechanical signalling equipment; Rolling shutters; Room air-conditioners; Rubber ply transmission belting;





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Solvent extraction plant; Spark plugs; Saws of all types; Steel pipes and tubes; Steel doors and windows; Storage batteries; Stranded wire; Sugar machinery (except milling plant and centrifugals); Tea processing machinery; Tungsten carbide tips and intermediatories thereof; Valves—Tyre and tube; V.I.R. and P.V.C. Cables; Washing machines; Water coolers; Welded wire mesh; Wire nails; Wire ropes; Wood screws; Zinc; Zinc sheets and strips.

The non-engineering industries are: Abrasive grains; Acetic acid; Activated bleaching earth; Alcohol —Power and Industrial; Asbestos cement sheets and pipes; Azo dyes; Basic dyes; Beer; Beta-Naphthylamine; B.H.C.; Bichromates; Bottles and vials; Camphor; Calcium carbide except for captive use; Calcium Carbonate (Precipitated and activated); Carbon black; Caustic soda except for captive use; Carboxy Mithyle Cellulose; Cashew kernels; Cellulose film (Cellophane); Cholorine; Chip board; Citric acid; Copper sulphate; Cotton mesh fabrics; D.D.T.; Detonators; Dextrose powder; Drugs and pharmaceuticals, viz.: Antibiotics — Penicillin, streptomycin and tetracycline, Bismuth salts, Chloral hydrate, Cough Syrup, Derivatives of 8-Hydroxy Quinoline, Emptry hard celatine capsules, P.A.S. acid and salts, Salicylic acid—Sodium salicyclate, Acetyle, Salicylic acid, Sulpha drugs, Surgical adhesive Tapes, Synthetic hormones, Vitamin A and Vitamin C; East Indian Tanned (semi-tanned), Kips and Skins; Fast colour bases; Fibre board/hard board; Fire-works and paper caps; Formaldehyde; Gelatine; Glass, Mineral wool and allied products; Glass tubes (hand-made), sheet-glass, wire/figured other than rolled glass; Glazed tiles; Graphite electrodes; Hollow ware (semi-automatic) (Glass); Hydrogen Peroxide; Liquid glucose; Liquefied fractions by processing gas; Match; Menthol; Methanol; Myrobolan extract; Napthols; Newsprint; Nitric acid; Nitro compounds; Organic pigments; Paper and paper board (applications from small units will be considered on merits); Pesticidal formulations; P.F. Moulding powder; Phenol; Photographic raw film and paper; Phthalic Anhydride; Polystyrene; Polythelene; Polyvinyl acetate; Potassium chlorate; P.V.C. resins/composition; Pulp including rayon grade pulp; Rayon staple fibre; Rayon tyre cord; Reclaimed rubber; Rolled figured wired glass; Safety fuse; Sanitary-ware; Security paper; Shoddy yarn (woollen); Silicon carbide; Soap; Sulphuric acid; Sulphur black; Sulphur dioxide; Sulphur dyes—others; Super phosphate; Synthetic resins; Synthetic rubber (SBR Type); Table and Pressed ware (Glass); Titanium dioxide; Tyres and tubes—Automobile; U.F. Moulding powder; U.F. Resin adhesives; Vat dyes; Vegetable oil other than Cotton Seed Oil; Vanaspati; Vacuum flask; Zinc oxide; Woollen yarn; Worsted yarn; Woollen worsted cloth; Wool tops; Soda ash; Sodium Hydrosulphite derivatives; Sodium sulphite, bi-sulphite and sulphide; Sodium thiosulphate; Sodium aluminate; Textiles made of art silk; Vacuum brake hoses; Water proof hoses and Wide hessian gunny bags and webbing.

INDUSTRIES TO BE LICENSED

The second list, in respect of which licences may ordinarily be granted, includes 14 engineering and 5 non-engineering industries. Only letters of intent, and not actual licences, would be issued in those cases requiring foreign exchange in excess of Rs. 10 lakhs.

The engineering industries listed are: Boilers; Boats and crafts (fishing); Brazing tips; Conveyors; E.O.T. and Wharf Cranes; Fabricated Structures — Heavy; Gear Industry; Hand tools and small tools excluding twist drills, steel files and forged tools but including precision tools like plug-gauges, angle plates, etc.; Machine tools—all types; Structural ropeways; Sluice gates and gearings; Water meters; Winches; and Industrial machinery (not otherwise specified).

The non-engineering industries are: Cotton Seed Oil; Crockery (not requiring foreign exchange); Finished Leather; Stoneware Pipes (not requiring foreign exchange) and Solvent extraction of oil cakes and rice bran.

COCHIN SHIPYARD

A third British firm of consulting engineers, Sir Bruce White, Wolfe Barry and Partners (India) Limited, is tendering for the Second Shipyard, to be located at Cochin, it is learnt.

The economics of the second Ship-building Yard are being worked out to the extent possible with the available data from the existing shipyard. The economics will, however, have to be gone into more thoroughly when the technical consultants, who are expected to be appointed shortly, have submitted the detailed project report.

The technical consultants will also be asked to design the shipyard so as to incorporate the latest techniques and facilities for hull construction.

The technical consultants will in addition prepare an estimate of the requirements of the yard in regard to the training of supervisory personnel and will also advise on the steps to be taken for their training.

Steps are also being taken to train a certain number of skilled workers at the Training School at the Hindustan Shipyard, Visakhapatnam. A scheme to train some more persons coming out of the Industrial Technical Institutes in Kerala, in some industries similar to shipbuilding, is also receiving attention.

TARAPOREWALA ATOMIC POWER STATION

As already reported in this column, the American and the French interests are running neck to neck in their bid to secure the contract for setting up the atomic power station at Taraporewala to cater to the power requirements of industries on the west coast of India. The U.S. interests, it is learnt, have offered to supply the plant at the same price at which they would make available one to any authority in the United States. The U.S. price, thus, will include freight, insurance, landing charges etc.

While considering the proposal of the U.S. interests, the Government of India, however, has to take into consideration the recurring cost of the essential raw material required for such power stations, namely, uranium. Unlike the power station which can be set up with French collaboration, the American plant would require enriched uranium which is not produced in India and which will have to be imported for a considerably long time to come. Thus, as against the cheaper quotation for the U.S. equipment, the atomic power station if agreed to be set up with U.S. collaboration would entail a yearly drain on the foreign exchange resources of the country. The Government's decision, it is understood, will be taken only after examining all the relevant factors, including the above two, in detail.

MARINE DIESEL ENGINES

The Government of India proposes to import 250 to 300 marine diesel engines from Japan to meet the urgent requirements of various States for implementing their programmes of mechanisation of fishing craft. A sum of Rs. 30 lakhs has been allocated for this purpose out of the yen credit being made available by Japan as a member of the Aid-India Club. The imports will take place through the State Trading Corporation.

Meanwhile, the Union Ministry of Steel and Heavy Industries is processing a proposal to set up a marine diesel engine manufacturing factory in the country. A Committee has already examined what items are most suitable for indigenous production, having regard to the potential demand. The Government, it is stated, will encourage production of such items in the country.

NATIONALISATION OF PRIVATE-OWNED RAILWAYS

The Government of India does not propose to nationalise the Shahdara-Saharanpur Light Railway in the immediate future, it is learnt. The Government

policy regarding nationalisation of branch line railways still run by private firms is stated to be that in order to create additional rail transport capacity in the country, all available resources are to be concentrated on creating new assets under the Plan rather than on utilizing them for acquisition of the already existing assets; no light railway at present run by private firms is, thus, to be purchased unless it becomes absolutely necessary. Every individual case of nationalisation of a privately-owned branch line railway is considered carefully by the Government as and when the option in respect of its taking over by the State comes up.

The following are the nine branch line railways in the country still being operated by the private sector: (1) Bankura - Damodar River Railway; (2) Ahmedpur - Katwa Railway; (3) Burdwan - Katwa Railway; (4) Futwa - Islampur Light Railway; (5) Shahdara-Saharanpur Light Railway; (6) Arrah - Sasaram Light Railway; (7) Dehri - Rohtas Light Railway; (8) Howrah-Amta Light Railway and (9) Howrah - Sheakhala Light Railway.

MANUFACTURE OF TRACTORS

The collaboration arrangements between the French firm Renault and an Indian firm to set up near Delhi a plant to manufacture 3,500 tractors a year, using Perkins 35 H.P. diesel engines (already being produced in India) have been finalised. The French firm will not only provide the technical know-how, but shall also arrange for training of Indian engineers in France. Setting up of a training centre in India is also envisaged under the collaboration agreement understood to have been finalised.

In the initial stages, the Indian company has undertaken to export $2 million worth of goods from this country (included in them are jute, vegetable oils, sewing machines and bicycles) to meet its foreign exchange requirements. It is hoped that by the fourth year of its working, the new unit will be able to produce indigenously 90 per cent of the components required for its tractor manufacturing programme.

EXPORT OF HMT MACHINES TO SWITZERLAND

The Hindustan Machine Tools Limited has booked export orders from Switzerland for supplies of machines worth over a million Swiss francs. The booking has been made by Messrs. Oerlikons of Switzerland who collaborated with HMT in building the company's Bangalore factory. The orders consist of lathes of Oerlikon design built by HMT in India.

This booking is in addition to the export orders which HMT has been receiving from West Germany since last year for the supply of milling machines.

The Hindustan Machine Tools Limited, it may be recalled, had given an undertaking to the Government that it would be making good the entire foreign exchange required for its expansion programme, particularly in respect of setting up its third unit in Punjab, by way of exporting machines.

EXPORT OF ART SILK FABRICS

As a measure of export promotion, the Government of India has decided that art silk fabrics which are exported by post-parcels would also qualify for export incentives, subject to the condition that such exports are effected after complying with the existing pre-inspection procedure prescribed by the Textile Commissioner as well as the drawback procedure prescribed by the Central Board of Revenue for grant of rebate of customs duty on the imported yarn content in the fabrics and the excise duty on the indigenously manufactured fabrics. Exports made on or after April 1, 1962, will qualify for export incentives.

In order to assist the export of ready-made garments, it has been decided that the existing import entitlement of 15 per cent for dyes, chemicals etc., may be increased to 25 per cent. With the increase in the entitlement to 25 per cent, the raw cotton entitlement, which was previously in force, will be withdrawn. These changes will apply to all exports made on or after April 1, 1962.

RURAL INDUSTRIES PLANNING COMMITTEE

The Government of India has decided to constitute a Rural Industries Planning Committee which will review the progress of industries in rural areas, advise on problems of policy and planning relating to them and recommend programmes for the intensive development of village and small industries in the countryside, including co-ordinated area and regional plans of development and pilot projects.

The Committee will consist of Mr. G. L. Nanda, Deputy Chairman, Planning Commission; Mr. K. C. Reddy, Minister of Commerce and Industry; Mr. Nityanand Kanungo, Minister of Industry; Mr. S. K. Dey, Minister of Community Development, Panchayati Raj and Co-operation; Mr. Shriman Narayan, Member, Planning Commission; Mr. T. N. Singh, Member, Planning Commission; Mr. V. L. Mehta, Chairman, Khadi and Village Industries Commission; Mr. Shankarrao Deo; Mr. Jayaprakash Narayan; Prof. D. R. Gadgil, Director, Gokhale Institute of Politics and Economics, Poona; Mrs. Kamladevi Chattopadhyay, Chairman, All India Handicrafts Board; Mr. Dwaja Prasad; Mr. Krishnadas Gandhi and Dr. D. K. Malhotra (Member-Secretary).

SMALL-SCALE INDUSTRIES STUDY TEAM

The Union Ministry of Commerce and Industry has, through the courtesy of the Ford Foundation, invited an International Perspective Planning Study Team for Small-Scale Industries. It consists of the following six economists and planners from the United States and European countries: (1) Mr. Hans Gru dstroem, Sweden (Team Leader); (2) Mr. Morris Budin, Economist-Statistician, U.S.A.; (3) Mr. Anders Barfil Ejerhed, Engineer and Institute Head, Sweden; (4) Mr. Winfield B. Heinz, Engineer and Operations Research, U.S.A.; (5) Mr. H. Edwin Robinson, Economist, U.S.A.; (6) Mr. Morris J. Solomon, Economist and Statistician, U.S.A..

The Team began its work on April 16. It will stay in the country for a period of 4 to 6 weeks. Its study is expected to include a broad review of the existing programme of development of Small-Scale Industries and determination of some analytical, statistical and engineering approaches in regard to efficiencies of sale, management and engineering abilities in various small industries, as well as indication of new directions of development on a long-term basis, keeping in view the future planned economic growth in India.

RAISING PER CAPITA INCOME

The Seminar on "The Paths of Planned Economy in India" has set up a working group "to define the minimum level of income, and to fix a definite period within which every attempt should be made to secure this minimum income for all the households in the country." The Seminar considered it necessary that among the objectives of planning, the first priority should be given to the securing of a national minimum of basic consumption goods and social amenities for all the households in the country.

The Working Group consists of Prof. D. R. Gadgil, Prof. B. N. Ganguli, Prof. D. Ghosh, Prof. P. S. Lokanathan, Mr. M. R. Masani, Mr. Ashoka Mehta, Mr. Shriman Narayan, Mr. Pitambar Pant, and Prof. V.K.R.V. Rao.

Prof. V. K. R. V. Rao will be the convener of this Working Group. The Working Group has been request-

SECRETARY TO GOVERNMENT
3 MAY 1962
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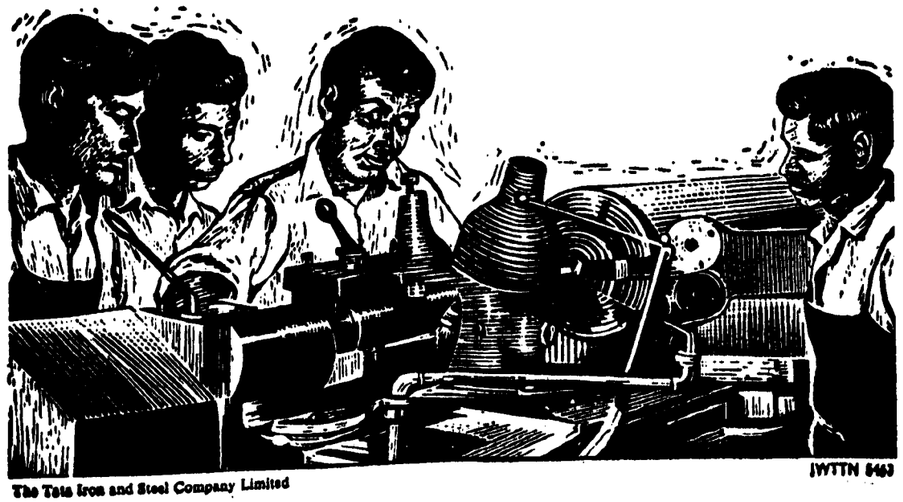
a helping hand...

As far back as 1921, Tata Steel established a Technical Institute in Jamshedpur to develop a cadre of fully qualified technical personnel to take up positions of responsibility in India's first steel works. Subsequently, the Company instituted training courses for skilled artisans and other categories of employees.

During the last four years, the Jamshedpur Technical Institute has planned and provided special training programmes to meet the urgent needs of Hindustan Steel. Over 1,800 technicians from the Government steel plants at Rourkela, Bhilai and Durgapur have availed themselves of the accumulated training experience and facilities placed at their disposal by 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

JWTTN 8469

ed to complete its report by the end of September this year.

JAPANESE AID FOR AGRICULTURAL AND FISHERIES DEVELOPMENT

Two agreements have been signed between the Governments of India and Japan for the establishment of four Agricultural Demonstration Farms to be run on the Japanese methods of paddy cultivation and one Marine Products Processing Training Centre to introduce in India the technological advances made by the Japanese fish processing industry.

The four Agricultural Demonstration Farms are to be set up at Nadia (West Bengal) on an area of 25 acres, at Sambalpur (Orissa) on an area of 12 acres, at Shahbad (Bihar) on an area of 10 acres and at Surat (Gujarat) on an area of 12 acres. If they prove successful in stepping up rice yields in India, which are anticipated to go up to nearly four times the present average, a number of similar farms may be set up in the other rice-producing areas of the country.

Sixteen Japanese technicians to man these farms are expected to arrive here some time next month. The services of these farm technicians will be provided free of charge by the Japanese Government and they will bring with them Japanese agricultural machinery, equipment and tools of 90 different varieties for each farm. Besides machinery and equipment, the Japanese Government will be making available for the initial period of farming some other materials as well such as pesticides and fertilizers. Tools and implements for meteorological surveys and some vehicles are also proposed to be supplied by the Japanese Government under this aid programme. The Government of India on its part will provide the necessary land and buildings for the farms, accommodation for the Japanese technicians and the running expenses for the operation of these farms. This agreement will be valid for a period of three years. The Japanese technicians will be here for the whole of this period.

The setting up of the proposed farms in India will be the first experience of its kind for Japan, which during the post-war period has made rapid strides in her agricultural development programme under the stress of deficiency of indigenous food. Today Japan is nearly self-sufficient in its food supplies from indigenous sources. The Government of India, it appears, has been prompted to go in for this agreement, owing to the success achieved by four young Japanese farmers on a demonstration farm which they have been running at Saharanpur for the last few years. This year these farmers have been able to raise on this farm three rice crops instead of one as had been the case previously. The Japanese Government feels that it can make a significant contribution to the agricultural development of India through these demonstration farms.

The agreement on fisheries development envisages the setting up of a Marine Products Processing Training Centre at Mangalore, in Mysore State. The Government of Japan will make available under this agreement services of seven experts to man this centre and will also provide 90 different varieties of machinery, equipment and tools for operating it. The Government of India on its part will provide the necessary land and buildings for the centre, accommodation for the Japanese experts and the running expenses for the operation of the centre.

The seven Japanese experts who will be manning the centre include one co-director, two canning experts, two refrigerating experts, one fish pasting expert and one co-ordinator. The Indian counterparts of these experts will be sent to Japan for technical training. The centre will start functioning as soon as the necessary buildings are completed. Promising youngmen from different parts of the country will be sent to the centre for technical training. The details for the training programme are to be decided in consultation with the Indian authorities concerned when the Japanese experts arrive. This agreement is also to run for a period of three years.

The total aid that the Japanese Government will be making available under these two agreements, estimated at Rs. 40 lakhs for the whole of the period during which they will be in force, will be independent of the assistance promised by it as a member of the Aid-India Club and also under the Colombo Plan.

RICE OUTPUT OVER 33 MILLION TONS

India's rice production in 1961-62 has once again exceeded the 33 million-ton mark, reached for the first time last year. According to the latest estimates, the total output in 1961-62 is 33.61 million tons, and but for the diversion of considerable paddy area to jute in West Bengal and Bihar, this year's production would have been an all-time record. Last year's output was 33.66 million tons.

It is understood that while there was a fall of nearly 9 lakh tons in production in West Bengal and Bihar, there were significant increases in Uttar Pradesh, Gujarat, Andhra Pradesh, Maharashtra, Rajasthan, Punjab, Madras and Mysore.

Total rice production in India in 1957-58, 1958-59 and 1959-60 was 24.89, 30.35 and 30.95 million tons, respectively.

IN BRIEF.....

Textile Industries Machinery Corporation, of Dehra Dun, has been permitted by the Government to manufacture textile machinery in collaboration with the Soviet Union. This is first venture to go in for manufacture of textile machinery in collaboration with Russia.

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There has been a general fall in the export of all textiles from India, particularly hosiery goods. The fall in exports of hosiery goods is attributed to (i) keen competition from the other exporting countries like Japan and Hong Kong, (ii) the higher prices of Indian goods and (iii) coming up of hosiery factories under protective measures in some of the traditional importing countries of Indian goods.

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The Imperial Chemical Industries (India) Private Limited has been granted a licence for setting up a new industrial undertaking at Bombay, under the name Chemicals and Fibres Ltd., for producing polyester staple fibre (terylene) to the extent of 45,000 lbs. per annum.

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The Union Government has agreed in principle to the Orissa Government's proposal to set up a 3,00,000 tons capacity cement manufacturing factory in Sambalpur district.

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The Union Government has decided to increase the dearness allowance admissible to its employees drawing a basic salary of below Rs. 320 and to extend the benefit of this allowance to those drawing a basic pay between Rs. 320 and Rs. 399 per mensem, with effect from November 1, 1961. This has been done in pursuance of the Government's decision to accept the recommendations of the Pay Commission under which the dearness allowance was to be raised if for 12 consecutive months the Working Class Consumer Price Index on a average ranged 10 points above 115. Consequent upon the decision of the Government, which will benefit nearly 2 million Central Government employees, the Central Exchequer will have to bear an additional burden of Rs. 13 crores per annum.

COMPANY AFFAIRS

BUCKINGHAM CARNATIC AND BANGALORE WOOLLEN

During the year 1961 textile manufacturers seem to have done better than the previous year and this is confirmed by encouraging results for the year of the Backingham and Carnatic Company Limited and the Bangalore Woollen, Cotton and Silk Mills Co. Ltd.

The Buckingham & Carnatic recorded a profit of Rs. 1.07 crores which was nearly 9 per cent more than the previous year's profits. After providing for taxation to the extent of Rs. 46.6 lakhs, the Directors suggested the transfer of Rs. 6.50 lakhs towards Debenture Redumption Fund, Rs. 6.52 lakhs towards Development Rebate Reserve and Rs. 12.80 lakhs towards General Reserve. An interim dividend of Rs. 6 was paid on each ordinary share of Rs. 100 on September 30, 1961 which absorbed Rs. 10.71 lakhs. The Directors have now recommended a payment of final dividend of Rs. 12 per ordinary shares of Rs. 100 each, subject to deduction of tax, which would absorb another sum of Rs. 21.42 lakhs.

The Directors have reported that the Company maintained a satisfactory level of output. Sales at over Rs. 12.35 crores reached, for the fourth time in succession, a new record figure, and exceeded those of the previous year by 9.5 per cent. Exports totalling approximately Rs. 2.02 crores were also higher and again secured for the Company valuable benefits under the Export Incentives Scheme.

The Bangalore Woollen, Cotton & Silk Mills Company Limited recorded a profit of Rs. 59.0 lakhs which was over 30 per cent more than the previous year's profits. After providing for taxation to the extent of Rs. 27 lakhs, the Directors approved appropriation of Rs. 8 lakhs towards Workpeople's and Clerk's Gratuity and Rs. 1.90 lakhs towards Development Rebate Reserve. An interim dividend of Rs. 6 per share was paid on ordinary shares of Rs. 100 each subject to deduction of taxation on September 29, 1961, which absorbed Rs. 7.29 lakhs. The Directors have now recommended the payment of final dividend by Rs. 12 on each ordinary share of Rs. 100 each subject to deduction of tax. The appropriation will absorb Rs. 14.58 lakhs.

The Directors have reported that the production of cotton cloth continued at a high level and in the Silk Department, as larger supplies of raw material were available, output was greater. In the Union Section production of Cotswol and Angola was maintained. The Woollen Mill at Hebbal finally ceased working in June when stocks of raw material were exhausted. The demand for the Company's products exceeded output and closing stocks of finished goods represented considerably less than one month's production. Prices of raw materials, stores and machinery parts, many of which are obtained from indigenous sources, continued to rise, but a prudent purchasing policy contributed towards the improved results.

LYNX MACHINERY

Lynx Machinery Limited incorporated in November 1960 has vastly improved its production potentiality during the year to November 30, 1961 and has purchased additional machinery. The lay-out for the new factory at Calcutta has been worked out and negotiations for the construction of the building structures are being conducted. For the first year a loss of Rs. 1.56 lakhs is not discouraging, and it was after transferring an amount of Rs. 2.68 lakhs to expenditure on development account. Sale returns were to the extent of Rs. 17.4 lakhs.

The Company is in its stage of expansion. The complete set of drawing for the manufacture of LISTER petrol and kerosene engines was received by the Company from Messrs. R. A. Lister Co., Ltd., England. The Directors have reported that considerable progress has been made in planning and organising production of the components and assembly of the complete engines. The manufacture of Concrete Vibrators of ALLAM design has now been taken up and this will meet the long felt demand in the country for a dependable make of Concrete Vibrators of all types. The Company is also organising the engineering and the structural division. Industrial licence to manufacture flexible shaft grinders has also been secured by the Company though the collaboration agreement with Messrs. Flexible Drive & Tool Co., Ltd., of England has not been approved by the Government. The Company has also made an application for the issue of an industrial licence to manufacture Skoda diesel engines in collaboration with the well-known European manufacturers — Skoda, Czechoslovakia. The Company has secured an industrial licence for the manufacture of Hydraulic Tipping Equipment and Frames for Automobiles at Bombay. The Directors have reported that negotiations with foreign collaborators for technical and financial collaboration are being carried on. The Company, it seems, is set for a bright start.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

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

LONDON OFFICE
BEGG SUTHERLAND DIVISION
SECRETARIES & TREASURERS

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

Secretaries for: Bota Picker & Co. Ltd.
Royal Exchange Assurance.

Company Meeting

CENTRAL BANK OF INDIA LIMITED

Summary of the Speech delivered by the Chairman, Sir Homi Mody, at the 51st Annual General Meeting of the Shareholders of the Central Bank of India, Ltd., on Wednesday, the 25th April, 1962.

During his speech at the Annual General Meeting of the Shareholders of the Central Bank of India Limited on Wednesday the 25th April, 1962, Sir Homi Mody, Chairman, said that by and large, the year was one of general expansion of national output. He said that in regard to industrial production, though there was an increase of something like 8 per cent, the rate of growth was lower than in the previous year. Conditions of acute scarcity were allowed to develop in respect of coal, power and transport, in spite of repeated warnings of businessmen and industrialists. The failure in these all-important sectors together with an inadequacy of maintenance imports of items such as raw materials, spares and compenents have been chiefly responsible for the slackening in the pace of industrial production during the year.

TRANSPORT PROBLEM

"The Second Plan had sufficiently indicated", continued Sir Homi, "that the transport capacity was grossly inadequate for the needs of the country. The situation demanded drastic recasting of ideas with regard to targets of production and priorities ..... A position has now been reached in which not only the Plan estimates are likely to be confounded, but even the existing productive capacity in the country may be seriously affected."

Continuing, Sir Homi said that the transport bottleneck has been most seriously felt in the Coal industry. There was, as a result, growing shortage of coal in consuming centres, affecting all industries depending upon it for industrial or power production. He added that it was remarkable that when the country was desperately short of wagons, a large part of the rated capacity of the railway wagon industry should be lying idle. In the face of this situation, the targets of production set for the Coal industry during the Third Plan period would seem to be completely unrealistic. Sir Homi was of the opinion that the capital expenditure and foreign exchange involved in the projected expansion, and the time required for developing new mines, had apparently not been given adequate consideration. He went on to point out that even if we could raise all the coal estimated in the Third Plan, the problem of transport would remain.

Sir Homi observed that side by side with this imbalance in our economy was the acute power shortage that the country was experiencing. Under-estimation of the country's requirements, the failure of Public Sector undertakings to reach their targets and the disincentives to the Private Sector of the industry had resulted in a shortage which was being increasingly felt, particularly in regions which are far away from the coal fields.

NATIONAL PLANNING NEEDED

All this, argued Sir Homi, provided growing evidence of the imperfections of the Five-Year Plans. "Arguments about the Public and the Private Sector," continued Sir Homi, "and even about the size of the Plans, are becoming irrelevant in this context. What the country needs is national planning in every sense of the word, and the policy of keeping the Public and Private Sectors at arm's length, so to speak, from each other, needs to be revised."

"There ought to be a much closer relationship", Sir Homi said, "between the two than is now the case, and it is a thousand pities that the knowledge, experience and enterprise of those who have built up in the past, as they are building up in the present, an imposing structure of considerable dimensions, in the face of many difficulties, should not be more adequately utilised. There has recently been a welcome awareness on the part of Government of the importance of the Private Sector, but there is, as yet, an imperfect understanding of the role it can play in national development. While foreign experts are greatly in demand, there is still a barrier between the Government and the Indian industrialist, arising from a certain distrust and suspicion. I have been emphasising for some years that there has been a change in the outlook of the business community, and that there are many in its ranks who are not dominated by self-interest and are anxious to co-operate in the task of national development. I hope it may be found possible for their voice to be heard more effectively in the framing and implementation of our Plans for a rapid advance in the moral and material condition of our people."

FOREIGN EXCHANGE

Sir Homi expressed concern over the persistent erosion in the total foreign exchange reserves which had dropped from Rs. 825 crores at the beginning of the Second Plan period to Rs. 302 crores at the end of 1961, in spite of large drawings on the International Monetary Fund. He said, "In the year under review our adverse balance of trade amounted to Rs. 283 crores. This shows a welcome decline from the figure of the previous year, but this was more due to a decrease in imports than to an increase in exports". "The remedy", he continued, "lies in our ability to attract greater foreign investments and to promote larger exports". As regards the first, Sir Homi advocated that our Government should seriously consider ways and means of doing away with the harassing procedures, delays and stiff-necked attitudes which a number of foreign investors, anxious to participate in Indian undertakings, were experiencing. "As regards export promotion", said Sir Homi, "Government must realise that the measures so far undertaken have but a limited value, and that the basic fact is that our products have to be competitive in quality and price. In this connection, I would quote from a speech made by Mr. Alfred Hayes, President of the Federal Reserve Bank of New York, to the New York State Bankers' Association a few months ago, on the subject of export promotion. Whilst sounding a note of warning against the habit of looking upon import restrictions, higher tariffs and exchange controls as a panacea for their balance of payments difficulties, he said: "We must be willing not merely to recognise foreign competition as an economic fact, but also to make an aggressive effort to compete more effectively in all markets, both with new and important products and with lower costs ..... This is not the job of monetary policy alone, nor even of monetary policy primarily. Whole-hearted co-operation from Government, industry and labour is a necessity in this area." "I would add", Sir Homi continued, "that giving subsidies and inducements, on the one hand, and loading costs of production with all manner of burdens, on the other, is a self-defeating process."

PRESSURE ON BANKING SYSTEM

Sir Homi Mody then informed the shareholders that with a view to improving their position, Banks effected in March an upward revision in the rates laid down under the Inter-Bank Agreement. The pressure on the banking system, however, for additional credit continued to persist and the Advance-Deposit ratio rose in consequence from about 62 per cent in December 1960 to over 70 per cent in March 1961. The banks were therefore obliged, during the busy season, not only to liquidate a part of their investments in Government Securities, but to borrow on a larger scale from the Reserve Bank, even at penal rates of interest.

Sir Homi then went on to recapitulate the various measures taken by the Reserve Bank during the year to strengthen the banking system and revive public confidence, which had been somewhat shaken by bank failures in the preceding year. The policy of encouring a merger of the weaker banks with the stronger ones was vigorously pursued and resulted in the reduction in the total number of Scheduled Banks from 94 to 83. In conformity with this policy, the Central Bank took over the Jodhpur Commercial Bank.

By far the most important event that took place during the year was the passing of an Act for the establishment of a Deposit Insurance Corporation, which would fully cover about 75 per cent of the total number of deposit accounts in the country, and provide protection to all depositors to the extent of Rs. 1,500 per account.

"Towards the close of the year", continued Sir Homi, "the Reserve Bank also put forward a proposal for strengthening the equity base of the banking system and exhorted all the banks to observe a convention which would lead to their achieving a ratio of 6 per cent between their Paid-up Capital and Reserves and their Deposits. This is no doubt a sound move, but if the present pace in the growth of Bank Deposits is kept up, the attainment of the prescribed ratio may take a long time, even with the transfer of 20 per cent of declared profits to the published reserves of Banks."

Sir Homi then disclosed to the shareholders that as a step towards implementation of this proposal, the Directors had decided to increased the Authorised Capital of the Bank to Rs. 10 crores and to raise additional Capital by the issue of 6,30,000 new shares in ratio of one new share for every two existing shares. This would increase the Paid-up Capital to Rs. 4,72,50,000.

IMPRESSIVE INCREASE IN DEPOSITS

Turning to the affairs of the Central Bank itself, Sir Homi informed the shareholders that, for the second year in succession, the Bank's deposits registered an impressive increase of Rs. 20 crores the total moving up from Rs. 200 crores in 1960 to Rs. 220 crores in 1961, and that in the quinquennium 1957 to 1961, the growth of the Bank's Deposits had been of the order of 42 per cent.

Over the past 5 years, the improvement in gross earnings had been of the order of Rs. 4.43 crores, or 57 per cent. The increase, Sir Homi affirmed, had taken place under all heads, namely, Interest and Discount, Commission, Exchange and Brokerage.

The net profit during the year showed a substantial rise, and was indeed a happy culmination of the progress made by the Bank during the first half a century of its working. He, however, sounded a note of warning that while it would be their constant endeavour to keep up the rate of growth in profits, it must not be forgotten that the future would throw additional burden on the industry. As a corollary to the growth of Deposits, progressively larger amounts would be needed year after year for payment of premia to the Deposit Insurance Corporation. The implementation of the Tribunal's award was likely to impose a further burden. The Reserve Bank's proposal for strengthening the equity base and increasing the liquidity ratio of Banks would also have their effect on the availability of resources for employment in the Bank's business. It was, therefore, considered prudent and necessary to conserve the Bank's resources, and accordingly, out of this year's profit, Rs. 45 lakhs were transferred to Reserves, taking the total of the Bank's owned funds to Rs. 7.28 crores. This, however, was still short of the ratio between Capital and Deposits as envisaged by the Reserve Bank.

DIVIDEND

Referring to the dividend, Sir Homi stated that this year in view of the larger profits, it was proposed to pay a final dividend of Rs. 2.60 per share subject to tax, which together with the interim dividend of Rs. 2.40 would amount to a total dividend of Rs. 5 per share, subject to tax, or Rs. 3.50 net for the whole year, thus restoring the dividend to the level of 14 per cent net at which it had stood prior to the cut effected as a result of the changes in the taxation system.

In conclusion, Sir Homi made a reference to the Golden Jubilee of the Bank which was celebrated in a befitting manner all over the country, as well as in Pakistan, Rangoon and London. The great enthusiasm witnessed everywhere served to bring home vividly the abundance of goodwill and public confidence which the Bank enjoyed. Everyone connected with the Institution had derived fresh inspiration from those celebration. In commemoration of the occasion, it was decided, in collaboration with the Devkaran Nanjee Banking Corporation, to set up a Staff Training College, which would be named after the Founder of the Institution, Sir Sorabji Pochkhanawala. Sir Homi stated an announcement to that effect had been made at the time of the Golden Jubilee and the draft outlines of the Scheme were now being examined.

At the conclusion of his speech, Sir Homi, referring to the Budget proposals of the Finance Minister which were announced after his speech went to the Press, observed: "It is idle now-a-days to expect from a budget anything but heavy burdens. The reactions of the harassed tax-payer can, therefore, only be in the nature of either a groan or a sigh of relief that it has been no worse, depending on how much has been sought to be extracted from him. He can expect nothing better so long as our Government's planning continues to be what it is. All that can be said, accordingly, about the latest Budget is that the Finance Minister has done his best in the circumstances and is to be commended for his courage in doing away with the vexatious and unproductive Expenditure Tax. He must not forget, however, that the additional burden he has cast on the corporate sector is unjustified and is bound to affect the pace of industrial development."

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

Company Meeting

THE NATIONAL RAYON CORPORATION LIMITED

The following is the speech delivered by Shri Kasturbhai Lalbhai, Chairman, at the Annual General Meeting of The National Rayon Corporation Limited held at Bombay on 26th April, 1962.

Gentlemen,

I have great pleasure in extending you a cordial welcome to this Fifteenth Annual General Meeting and placing before you for consideration the Directors' Report on the working of the Company for the year 1961 together with the Statements of Accounts for that period. These have been in your hands for some time now and with your permission I shall take them as read.

2. The production of the rayon yarn during the year under report has increased by Rs. 77 lakhs and that of chemical products by Rs. 17 lakhs compared to the year 1960. There has been an alround increase on the expense side due to increase in excise duty and increase in other items due to higher production, both of the rayon yarn and of chemical products. It is hoped that the turn over for the year 1962 will be higher as the Tyre Cord Plant has gone into production and the expanded rayon plant will be in production for the whole year as against only six months in the year under report.

3. No allocation has been made towards Gratuity Reserve this year as your Board has decided to pay the amount of gratuity if and when it arises and charge it to the accounts of the year in which it becomes payable.

4. There will be no further payment on account of Royalty to Skenandoa Rayon Corporation as our liability to pay it has ceased with the close of the report year.

5. We have now heard from the Government of India that they have approved of the Industrial Credit and Investment Corporation of India, granting our Company foreign exchange loan to the tune of Rs. 39 lakhs as applied for by us, for the expansion of the Caustic Soda Plant. The import licence permitting import of requisite machinery is expected any moment and it is hoped that the expanded capacity would be installed sometime early next year.

6. The Tyre Cord and fabric manufactured by the Company at its newly set up plant has been sent to leading manufacturers of tyres for tests. One of the manufacturers of tyres being satisfied has already placed a trial order for sizeable quantity and negotiations are afoot with a few other tyre manufacturers for supply of tyre cord.

7. The ensuring of adequate and uninterrupted supply of coal and electrical energy continues to be a headache to the Company. In case of Industries like ours who have a continuous manufacturing process, the problem becomes even more acute. I only hope that in due course of time the situation will improve.

8. For quite some time now rayon manufacturing industry is being criticised with regard to the selling prices of rayon yarn fixed by them under the plea that they are not comparable with the prices prevailing in other rayon producing countries in the world. This criticism is not only incorrect but the actual facts are entirely different from what they are represented to be. The ex-factory prices exclusive of excise duty permitted to be charged by the indigenous rayon manufacturing units are in fact substantially lower than the internal prices prevailing in all the other rayon yarn manufacturing countries excepting one; thereby you will appreciate our prices become second lowest in the whole world. I may also state that these prices are even lower than the landed cost of corresponding imported varieties. Such criticism, to say the least, is therefore unwarranted.

9. In this connection I may also mention that the manufacturers of rayon yarn as a whole agreed to the absorption of 60 per cent of the additional excise duty imposed last year on the specific understanding that the consuming units in their turn will not pass on the burden of this excise duty to their customers. We regret to find that this understanding has not been honoured. In the circumstances there does not appear to be any cogent reason for asking the manufacturers to continue the absorption of 60 per cent of the additional excise duty. Suitable representation is being made to the authorities concerned to reconsider this matter.

10. While the Company has been receiving licences for raw materials required for operating of our plant at its rated capacity, the position is somewhat different in case of licences for pulp. The Government appears to have fixed a certain quota of foreign exchange for import of rayon grade pulp into the country as a whole. This quota is not being increased in proportion to the increased capacity coming in operation. The available exchange is therefore being distributed pro rata amongst the operating units resulting in curtailment of the quota of existing units from time to time. We are thus compelled to purchase the balance of our requirement of pulp utilising the licences made available against the Export Promotion Scheme. These licences are made available, as you are aware, in consideration of certain quality of yarn being sold at substantially lower rates which in effect goes to increase the cost of pulp. The landed cost of sulphur has also increased consequent upon the shipping being restricted to US bottoms. These factors combined with the overall increase in the wage rate, transport, electricity etc. have contributed to the increase of the production cost.

11. I am glad to inform you that the Management's relation with the labour continued to be cordial during the report year. The dispute about the quantum of bonus paid for the year 1960 was referred by the Workers' Union to the Labour Commissioner on whose report the Government initially decided in Company's favour. However, a letter has been recently received from the Government informing that on reconsideration, the matter has been referred to Labour Court for adjudication.

12. A suggestion was made at the last Annual Meeting that a statement from the Chairman should be circulated to the shareholders along with the report and accounts of the Company. I regret this could not be done this year, but I may assure you that the suggestion will be implemented from ensuing year.

13. In conclusion, I must say a word about the workers and the staff, who, by their efficient work, have contributed in a large measure to the smooth running in the plant and the satisfactory working of the organization.

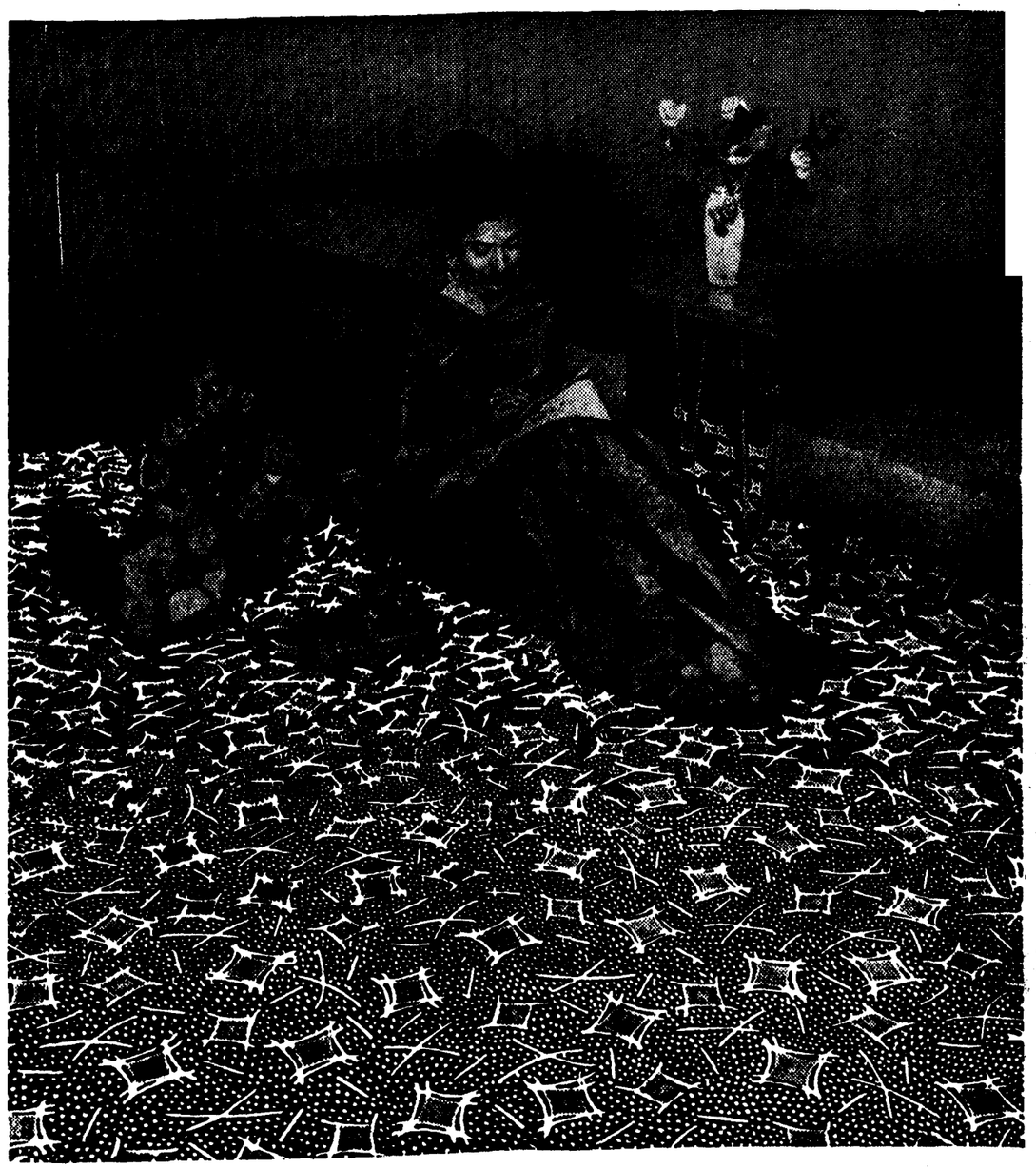
14. With these observations, I commend the Report and the Statements of Accounts for adoption and propose the following resolution —

RESOLUTION

THE FIFTEENTH ANNUAL REPORT AND THE STATEMENTS OF ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1961, BE AND THEY ARE HEREBY ADOPTED.

Thank you, Gentlemen.

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Company Meeting

THE TRAVANCORE RAYONS LIMITED

Speech delivered by the Chairman, Shri A.R. Ramanathan, at the Sixteenth Annual General Meeting of the Company, held at Rayonpuram on April 25, 1962.

Dear Shareholders:

It gives me great pleasure to extend to you all a cordial welcome on the occasion of this Sixteenth Annual General Meeting of your Company. The Annual Report and Accounts for the year ended December 31, 1961, having been circulated to you in advance, I hope I have your kind permission to take them as read.

PROFIT AND APPROPRIATIONS:

The working for the year 1961 has resulted in a profit of Rs. 61.93 lakhs after providing Rs. 40.13 lakhs for depreciation, Rs. 2.75 lakhs for Development Rebate Reserve, Rs. 1.50 lakhs for Gratuity Reserve and after paying Rs. 32.80 lakhs towards Excise duty.

You will notice from the Balance Sheet that the provision for taxation is higher by Rs. 3.30 lakhs compared to 1960, and, with the profit for the year being more or less the same as that of 1960, your Directors have maintained the dividend recommendation on the equity shares, at the same rate of 20 per cent. They have considered it also prudent to create a new Reserve, known as "Dividend Equalisation Reserve". As the Directors have explained in their Report, the reason for this Reserve is this: When the huge expansion programmes of the Company are completed, a large amount of Development Rebate will be allowed to us by the Income Tax Authorities. In order to avail of this Rebate, a Development Rebate Reserve equivalent to 75 per cent of the Rebate will have to be set aside. The setting aside of such a Reserve will diminish the distributable profits. The object of the Dividend Equalisation Reserve is to help maintain dividend stability in such circumstances.

EXCISE DUTY — NEED FOR SOME RELIEF:

The increase in profits would have been greater but for the following reasons:

As I had mentioned in my last speech, the Central Government's 1961 budget raised the excise duty on rayon yarn steeply, by 66-2/3 per cent, and, what is more, the manufacturers were called upon to bear 60 per cent of the increase. This has meant a loss of profit of nearly Rs. 10 lakhs. Secondly, an equally high excise duty of 20 per cent ad valorem, on our Cellulose Film, was also levied, and, as anticipated, this proved to be a major cause of a fall in demand for the film in the latter part of 1961. Consequent upon this, the increased capacity of our Cellulose Film plants had to remain unutilised.

Even during last year, I had submitted that the Government of India should take a balanced and well considered view of the position and offer the industry the relief it deserves, by way of a reduction in the excise duties on rayon yarn and cellulose film. Alternatively, in the case of rayon yarn, the manufacturing units could be allowed to increase the selling prices to some extent. While on this subject, I wish to refer to another point also. In the case of both rayon yarn and cellulose film, there are a number of basic and intermediate raw materials such as caustic soda, soda ash, glycerine, zinc etc., which also bear excise duty in addition to the final products. This is, obviously, inequitable, and, in my opinion, a liberal approach to these aspects is likely to yield better results — both to Government and the Industry. I, for one, do agree that sacrinces are necessary on the part of everyone, in the interest of the Plans and the Nation.

ACHIEVEMENTS OF THE RAYON INDUSTRY:

The Indian Rayon Industry has achieved notable success in the short span of a decade. The annual output has increased from 5 million pounds in 1950 to 45 million pounds now. The saving in foreign exchange has been about Rs. 28 crores so far. The target for filament yarn under the Third Five-Year Plan has been fixed at 75 million pounds. Considering the substantial pace of progress of the economy, this target is easy of achievement, and may require an upward revision to cope up with the enormous expansion in demand, which the size of the plan is likely to generate.

PRODUCTION:

The production of rayon yarn suffered some shortfall, due mainly to lower output in the older machines which had been working since 1950. There have been many cases where our applications for imports had to be drastically cut due to acute foreign exchange shortage. While I fully appreciate the uncomfortable situation in which the Government is placed, I would plead for more scientific re-arrangement of priorities in such a way that raw materials and spare parts are allowed, in due measure, to existing industries, so that unutilised capacities may be minimised, in the overall national interest. The production of moisture proof cellulose film registered an increase of about 50 per cent over the 1960 production due to the commissioning of our Second MST Plant. When the market for the film improves, the increase in our MST production can also be maintained.

EXPORTS:

With the pressing necessity to increase the country's exports, your company is also making its contribution and striving to explore the export markets. In the case of rayon yarn, we are helping the fabric exporters by supplying them a quota of rayon yarn at subsidised prices. In the case of cellulose film, I am glad to tell you that a satisfactory beginning is being made. The quality of our film has met with good consumer acceptance. Besides the Far Eastern markets, it is also our desire to explore the Middle Eastern markets. Continuous efforts are being made to improve the factory efficiency, process and technology, and the quality of our products.

QUALITY CONTROL AND WORK STUDY:

The benefits of statistical-quality-control techniques are being availed of; and also the employees at various levels are being suitably educated and trained under courses conducted by the National Productivity Council. A work and job evaluation study is also being undertaken so that men, materials and machinery could be fully utilised.

EXPANSION SCHEMES:

As you are all aware, the Company holds an industrial development licence for expansion of its Rayon production capacity by another 5 tons per day which will raise up the total rayon production to 13.6 tons per day. This expansion is expected to cost the Company about 3.5 crores of rupees, which has to be met partly by issue of right shares and partly from long term borrowings. At the moment, I am unable to give you any indication as to the issue of capital etc. since the entire scheme depends upon the licence situation. Immediately the licence is received, your Directors expect to consider this question.

The erection of the Cotton Linter Plant is going on according to schedule. And, as your Directors have stated in their Report, in line with its traditional pioneering efforts, your Company will be the first Rayon Plant to manufacture Rayon Grade pulp in India. The capacity will be 10 tons per day, initially. The production is expected to start by October-November this year.

LABOUR:

The relations with labour were satisfactory, on the whole. The three-year agreement with the labour terminated on April 4, 1962. It is the desire of your company to renew it for a longer term in the interest of industrial peace and stable progress. I hope the employees will give their full co-operation.

I now propose that the Directors' Report, Balance Sheet and Profit and Loss Account for 1961 be approved and adopted.

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

Managing Director's Speech

THE DUNLOP RUBBER CO. (INDIA) LTD.,

The following is the speech delivered by Mr. M. L. Bexon, M.C., Managing Director of The Dunlop Rubber Co. (India) Ltd., at the 36th Annual General Meeting of the company held in Calcutta on the 24th April, 1962.

Ladies and Gentlemen,

I have much pleasure in welcoming you to the 36th Annual General Meeting of the Company. The Directors' Report and Accounts have been in your hands for some time, and with your permission I should like to take them as read. You will have noticed that we have this year for the first time incorporated some information and photographs of the activities of your Company, and I am sure you will agree that this is a worthwhile addition to your general knowledge of the Company's affairs.

THE YEAR'S TRADING

The year under review saw both our factories at Sahaganj and Ambattur working to full capacity, the notable feature being a general increase in productivity which was most encouraging.

During the early part of the year the Tyre Dealer Associations continued to play a worthy role in ensuring an equitable distribution of the sizes in short supply at list prices to consumers, but with the onset of the monsoon retail selling prices generally began to fall: by the end of the year the general shortage of tyres, except in a few sizes and types, was no longer felt and trading tended to return to normal.

Increased supplies of our Highway Truck and Bus tyre were made in the main sizes but the demand for this extremely popular pattern remained unsatisfied. Similarly, our Gold Seal car tyre continued to maintain its high level of acceptance with users and remained their first preference.

Throughout the many irrigation and industrial projects our Off-the-Road tyres continued to be in keen demand and particular mention may be made of the Dunlop "Powergrip" and "Earthmover EM.7" patterns which found ready acceptance for their high quality and durability.

Sales of Cycle tyres and tubes in the domestic market increased although our deliveries to the Bicycle Industry were below the level of 1960 as the activities of some of these concerns declined during the period. It is our view that the general trend in this Industry will improve before long and the signs today already confirm this view.

In the Industrial Rubber Products field our Conveyor belting expansion was completed during the period and field reports on the high quality of our product continued to be most encouraging.

The demand for Industrial and other types of hoses was also satisfactory and it is true to say, I think, that in every large project throughout the country Dunlop hoses are being used.

Dunlopillo sales remained at a high level and the demand for our range of products continued to exceed our manufacturing capacity. It is of interest that sales of Dunlopillo for industrial applications increased considerably.

During the year we were continually handicapped by the shortage of transport for the conveyance of finished products from our factory at Sahaganj to our various Sales Offices spread throughout the country, and this problem unfortunately still remains with us today. Increasing use of road transport where possible for long distance routes has proved very helpful and we would strongly urge that this medium be given every encouragement to develop to the full. Emphasis, we feel, should be placed on road building and maintenance as a positive contribution towards solving the existing transport difficulties.

EXPORTS

Your Company has responded to Government's call for exports and we are currently exporting all types of tyres, cycle rims and accessories. We are also seeking to widen the range of products we export and negotiations are in progress to this end.

However, I feel it would not be out of place to mention that export business is not only highly competitive but has its own special difficulties, and by its very nature cannot be built up over a short period of time.

Nevertheless, I am glad to be able to tell you that our Cycle tyre exports in 1961 were 17 per cent higher than in 1960, and in the quarter of this year our overall exports were running at a level over 50 per cent higher than the same period in 1961.

EXPANSION PLANS

I am sorry to report that there has been a delay in implementing our expansion plans, which were mentioned at this time last year. You will probably have seen press reports that Government are considering the question of raising the target for the automobile tyre manufacturing capacity to be established during the Third Five Year Plan. It is to be hoped that their decision will be announced soon and that we shall then be able to go ahead with our full plans because Am-

battur has been designed so that economical expansion can take place quickly and efficiently.

Meanwhile we are implementing some small expansions at both factories for which we have licences.

We also have a licence to manufacture P.V.C. belting, for which there is a good demand from the coal mines. Because of its fire-resistant properties, it is advantageous for use in underground gassy mines, and we are finalising plans to implement this project.

The Directors have constantly under review the possibilities and necessity for expanding existing capacity and introducing new products.

RAW MATERIALS

During 1961 the supply position of raw materials in general was reasonably satisfactory, although the foreign exchange situation and the consequent uncertainties and delays in the issue of import licences presented a constant problem. For some items, however, we had to abandon our established suppliers and find new sources in the U.S.A., with a consequent increase in our raw material bill. Despite these difficulties, production at both factories was maintained according to schedule.

On a number of items, import duties were further increased and resulted in a substantial addition to raw material costs, thus offsetting a number of economies which we had introduced.

Considerable progress has been made towards producing indigenously various raw materials we use, and we are already arranging comprehensive test programmes in order to ensure that these materials will be suitable for the very high quality products we make. It is gratifying to note that over half of our cycle rims are now manufactured from local rim strip, and as indigenous production increases, we are hopeful that during 1962 our entire output of rims will be made from Indian steel, with a consequent saving in foreign exchange.

PROFIT AND LOSS ACCOUNT

The profit for the year after providing for depreciation, interest and taxation was Rs. 1,64,75,494 as compared with Rs. 1,24,56,228 for 1960. The profit after tax expressed as a percentage to sales was 5 per cent, and, as you will have gathered from the Directors' Report, the improvement over last year's figure of 4.1 per cent arises mainly from the increased volume of business and increased efficiency.

Excise Duty now exceeds Rs. 6 crores and absorbs a substantial amount of working capital, a matter which your Directors continue to keep under constant consideration.

It will be observed that overall Salaries, Wages and Bonus show an increase of approximately Rs. 34 lakhs and Welfare Expenses are also up due mainly to improved canteen and catering expenditure at factories, depots and head office.

Advertising expenditure has been increased to meet the ever growing competition facing us now and in the future, and our participation in the Indian Industries Fair accounted for a substantial portion of the increase.

The amount of Bank Overdraft Interest has decreased as a direct result of our reduced borrowings.

As a result of the temporary lull in capital expenditure until our next planned expansion receives approval and gets under way, the amount transferred to Development Rebate this year is only Rs. 7,50,000.

The amount transferred to General Reserve is Rs. 62,50,000, this being considered prudent in the light of our forward expansion plans.

Our net profit available for disposal is higher than last year by approximately Rs. 41 lakhs. The compulsory transfer to Development Rebate Reserve has decreased by Rs. 9,50,000 and this gives an overall increase of approximately Rs. 50,50,000 of profits available for disposal. Out of this additional amount it is propo ed that Rs. 25,50,000 is allocated to you, the Shareholders, the balance of Rs. 25 lakhs remaining as retained profits within the Company.

The Directors recommend a dividend for 1961 of 20 per cent subject to tax on the ordinary share capital as increased by the recent Bonus Issue. In 1960 the dividend paid on the old capital was 21.5 per cent.

BALANCE SHEET

On the Assets side there have been no significant changes since last year. Inventories are higher in line with the higher level of output and sales.

The Share Capital as Issued and Subscribed has increased by Rs. 1.5 crores, which is, of course, the Bonus Issue, and Reserves have already been mentioned in the Directors' Report and need no further comment. Our overall borrowings through Bank Overdrafts, etc. are lower in-line with the increased profits and reduced capital expenditure. The Provision for Taxation is higher arising from the increased profits and the additional liability in respect of the Bonus Issue.

FUTURE PROSPECTS

There are now several manufacturers producing tyres in the country and others are expected to come into production during 1962. Competition will, therefore, be keen but your Company does not fear this and indeed welcomes it. We have the product, the sales organisation and the market acceptance to retain our share of the expanding market, but it is our earnest hope that if the total manufacturing capacity of the country is in excess of demand, then free competition and consumer preference will be allowed to decide sales levels.

EMPLOYEE RELATIONS

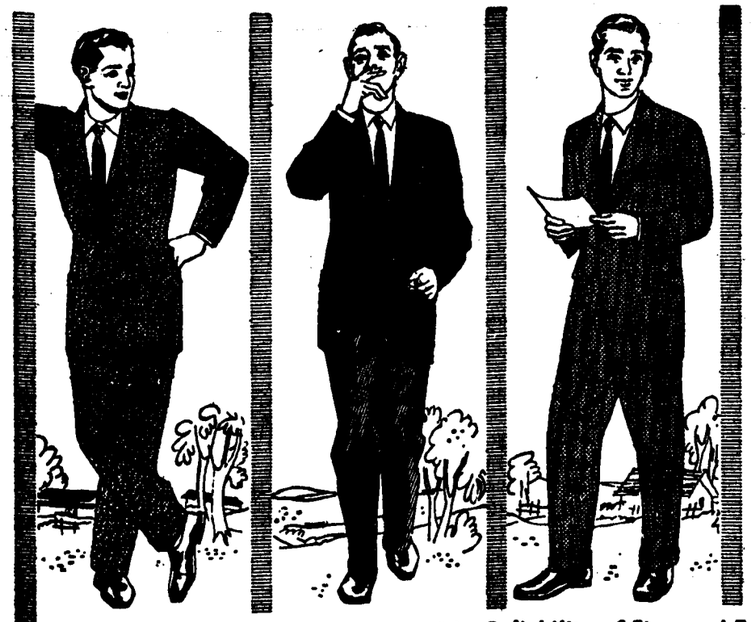
It is particularly gratifying to record a further improvement in labour relations at the Sahaganj factory during 1961. Increased productivity was obtained from both our factories with correspondingly greater rewards to our workers. I should like to mention that the workers also shared in the improved results of the Company, an annual bonus being paid at the rate of 3½ months basic salary as opposed to 3 months last year. The total bonus paid for the year exceeded Rs. 44 lakhs.

The Company entered into long-term agreements with Employees' Unions at Sahaganj and Ambattur factories, and at several of our depots throughout the country. These contain increasing benefits to the employees and reflect the success that has been achieved over the years in the field of industrial relations. At head office and the depots the service conditions continue to be improved.

You will, I am sure, wish to join the Directors in thanking the employees for the loyal service they have given and the hard work they have put in towards another year's successful results.

NOTE: THIS DOES NOT PURPORT TO BE A RECORD OF THE PROCEEDINGS OF THE ANNUAL GENERAL MEETING.

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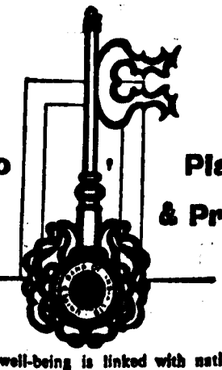
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TAX PAYABLE ON TOTAL INCOME

(Old and New Rates)

MARRIED PERSONS

Income Rs.	Old Rates				New Rates					
					Income other than salaries				Income only from salaries	
	Wholly earned	Percentage	Wholly unearned	Percentage	Wholly earned	Percentage	Wholly unearned	Percentage	Tax	Percentage
3,000	.. ..	..	..	..	..	..	..	..	..	..
3,200	.. 6	0.2	6	0.2	6	0.2	6	0.2	6	0.2
3,600	.. 18	0.5	18	0.5	18	0.5	18	0.5	18	0.5
4,200	.. 36	0.9	36	0.9	36	0.9	36	0.9	36	0.9
4,800	.. 54	1.1	54	1.1	54	1.1	54	1.1	54	1.1
5,000	.. 60	1.2	60	1.2	60	1.2	60	1.2	60	1.2
6,000	.. 120	2.0	120	2.0	130	2.2	130	2.2	130	2.2
7,200	.. 192	2.7	192	2.7	214	3.0	214	3.0	214	3.0
8,400	.. 305	3.6	349	4.2	341	4.1	390	4.6	333	3.9
9,600	.. 419	4.4	479	5.0	467	4.9	534	5.6	456	4.7
10,000	.. 457	4.6	522	5.2	509	5.1	582	5.8	497	4.9
12,000	.. 688	5.7	786	6.5	761	6.3	870	7.2	743	6.2
13,200	.. 848	6.4	970	7.3	934	7.1	1,068	8.1	912	6.9
14,400	.. 1,025	7.1	1,171	8.1	1,123	7.8	1,284	8.9	1,096	7.6
15,000	.. 1,113	7.4	1,272	8.5	1,218	8.1	1,392	9.3	1,189	7 9
16,800	.. 1,453	8.6	1,661	9.9	1.596	9.5	1,824	10.9	1,558	9.3
18,000	.. 1,680	9.3	1,920	10.7	1,864	10.3	2,130	11.8	1,819	10.1
20,000	.. 2,058	10.3	2,352	11.8	2,347	11.7	2,682	13.4	2,291	11.5

TAX PAYABLE ON TOTAL INCOME

(Old and New Rates)

MARRIED WITH ONE CHILD

Income Rs.	Old Rates				New Rates					
					Income other than salaries				Income only from salaries	
	Wholly earned	Percentage	Wholly unearned	Percentage	Wholly earned	Percentage	Wholly unearned	Percentage	Tax	Percentage
3,000	.. ..	..	..	..	..	..	..	..	..	..
3,200	.. ..	..	..	..	..	..	..	..	..	..
3,600	.. 9	0.2	9	0.2	9	0.2	9	0.2	9	0.2
4,200	.. 27	0.6	27	0.6	27	0.6	27	0.6	27	0.6
4,800	.. 45	0.9	45	0.9	45	0.9	45	0.9	45	0.9
5,000	.. 51	1.0	51	1.0	51	1.0	51	1.0	51	1.0
6,000	.. 111	1.8	111	1.8	121	2.0	121	2.0	121	2.0
7,200	.. 183	2.5	183	2.5	205	2.8	205	2.8	205	2.8
8,400	.. 296	3.5	338	4.0	332	4.0	379	4.5	324	3.8
9,600	.. 409	4.3	468	4.9	458	4.8	523	5.4	447	4.7
10,000	.. 447	4.4	510	5.1	500	5.0	571	5.7	488	4.9
12,000	.. 678	5.6	775	6.5	752	6.2	859	7.1	734	6.1
13,200	.. 839	6.4	959	7.3	925	7.0	1,057	8 0	903	6.9
14,400	.. 1,015	7.0	1,160	8.1	1,114	7.7	1,273	8.8	1,087	7.5
15,000	.. 1,103	7.4	1,261	8.4	1,208	8.1	1,381	9.2	1,180	7.9
16,800	.. 1,444	8.6	1,650	9.8	1,586	9.4	1,813	10.8	1,548	9.2
18,000	.. 1,670	9.3	1,909	10.6	1,854	10.3	2,119	11.7	1,810	10.1
20,000	.. 2,048	10.2	2,341	11.7	2,337	11.7	2,671	13.3	2,281	11.4

TAX PAYABLE ON TOTAL INCOME

Married with more than one child

Income Rs.	Old Rates				New Rates					
					Income other than salaries				Income only from salaries	
	Wholly earned	Percentage	Wholly unearned	Percentage	Wholly earned	Percentage	Wholly unearned	Percentage	Tax	Percentage
3,000	.. ..	..	..	..	..	..	..	..	..	..
3,200	.. ..	..	..	..	..	..	..	..	..	..
3,600	.. ..	..	..	..	..	..	..	..	..	..
4,200	.. 18	0.4	18	0.4	18	0.4	18	0.4	18	0.4
4,800	.. 36	0.7	36	0.7	36	0.7	36	0.7	36	0.7
5,000	.. 42	0.8	42	0.8	42	0.8	42	0.8	42	0.8
6,000	.. 102	1.7	102	1.7	112	1.8	112	1.8	112	1.8
7,200	.. 174	2.4	174	2.4	196	2.7	196	2.7	196	2.7
8,400	.. 287	3.4	328	3.9	322	3.9	368	4.4	315	3.7
9,600	.. 400	4.2	457	4.7	448	4.7	512	5.3	437	4.6
10,000	.. 438	4.3	500	5.0	490	4.9	560	5.6	479	4.8
12,000	.. 669	5.6	764	6.4	742	6.2	848	7.1	725	6.0
13,200	.. 829	6.3	948	7.2	915	6.9	1,046	7.9	894	6.8
14,400	.. 1,006	7.0	1,150	8.0	1,104	7.6	1,262	8.7	1,078	7.5
15,000	.. 1,094	7.3	1,250	8.3	1,199	8.0	1,370	9.1	1,171	7.8
16,800	.. 1,434	8.5	1,639	9.8	1,577	9.4	1,802	10.7	1,539	9.2
18,000	.. 1,661	9.2	1,898	10.5	1,845	10.2	2,108	11.7	1,801	10.0
20,000	.. 2,039	10.2	2,330	11.6	2,328	11.6	2,660	13.3	2,272	11.4

TAX PAYABLE ON TOTAL INCOME

(Old and New Rates)

UNMARRIED

Income Rs.	Old Rates				New Rates					
					Income other than salaries				Income only from salaries	
	Wholly earned	Percentage	Wholly unearned	Percentage	Wholly earned	Percentage	Wholly unearned	Percentage	Tax	Percentage
3,000	.. ..	..	..	..	..	..	..	..	..	..
3,200	.. 66	2.1	66	2.1	66	2.1	66	2.1	66	2.1
3,600	.. 78	2.2	78	2.2	78	2.2	78	2.2	78	2.2
4,200	.. 96	2.3	96	2.3	96	2.3	96	2.3	96	2.3
4,800	.. 114	2.4	114	2.4	114	2.4	114	2.4	114	2.4
5,000	.. 120	2.4	120	2.4	120	2.4	120	2.4	120	2.4
6,000	.. 180	3.0	180	3.0	190	3.2	190	3.2	190	3.2
7,200	.. 252	3.5	252	3.5	274	3.8	274	3.8	274	3.8
8,400	.. 369	4.4	421	5.0	404	4.8	462	5.5	394	4.7
9,600	.. 482	5.0	551	5.7	530	5.5	606	6.3	517	5.4
10,000	.. 520	5.2	594	5.9	572	5.7	654	6.5	559	5.6
12,000	.. 751	6.3	858	7.1	824	6.9	942	7.8	804	6.7
13,200	.. 911	7.0	1,042	7.9	997	7.5	1,140	8.6	973	7.4
14,400	.. 1,088	7.6	1,243	8.6	1,186	8.2	1,356	9.4	1,158	8.0
15,000	.. 1,176	7.8	1,344	9.0	1,281	8.5	1,464	9.8	1,251	8.3
16,800	.. 1,516	9.0	1,733	10.3	1,659	9.9	1,896	11.3	1,619	9.6
18,000	.. 1,743	9.7	1,992	11.1	1,927	10.7	2,202	12.2	1,881	10.5
20,000	.. 2,121	10.6	2,424	12.1	2,410	12.1	2,754	13.7	2,353	11.7

SUMMARY OF WAYS AND MEANS
(Receipts)

(In Crores of Rupees)

Receipts	Accounts, 1956-57	Accoun.s, 1957-58	Accounts, 1958-59	Accounts, 1959-60	Accounts, 1960-61	Revised 1961-62	Budg.t, 1962-63
1. Revenue Surplus ..	89.40	42.05	—	42.55	51.25	33.96	—
2. Rupee Loans raised ..	157.74	136.17	501.91	378.97	246.34	255.50	260.00
3. Special Floating Loan issued ..	—	—	—	71.43	3.45	3.45	3.45
4. Net sales from Cash Balance Investment Account ..	—	.05	.08	.97	.97	—	.40
5. Other Loans ..	10.84	32.47	197.25	186.98	264.71	379.19	455.00
6. Small Savings (Net) ..	59.01	69.45	78.21	82.87	103.76	95.00	105.00
7. **Repayment of Loans by—**							
(a) States ..	34.60	61.40	61.93	80.85	95.48	158.09	163.20
(b) Others ..	7.49	13.28	20.78	24.08	30.50	56.77	54.56
8. **Railway Funds —**							
(a) Depreciation Reserve	47.68	49.38	48.40	47.96	46.64	67.58	69.02
(b) Revenue Reserve ..	1.53	1.70	1.09	1.90	1.87	1.99	2.02
(c) Development ..	20.64	13.64	19.10	35.13	36.07	17.12	23.23
9. Treasury Bills (Net) ..	240.45	459.43	—69.80	72.28	—191.31	76.00	150.00
10. Investment of Deposits of U.S. Government Counpart Funds (Net) ..	—	—	—	—	240.41	59.59	90.00
11. Other debt heads (Net) ..	65.63	51.83	71.83	83.32	154.35	233.04	215.85
12. Opening Balance ..	—4.65	50.96	52.11	34.87	69.67	45.22	49.92
TOTAL ..	730.36	981.81	982.89	1144.16	1154.16	1482.50	1641.65

(Disbursements)

(In Crores of Rupees)

Disbursements	Accounts, 1956-57	Accounts, 1957-58	Accounts, 1958-59	Accounts, 1959-60	Accounts, 1960-61	Revised 1961-62	Budget, 1962-63
1. Revenue Deficit ..	—	—	5.25	—	—	—	60.78
2. **Capital Expenditure —**							
(a) Defence ..	19.70	22.93	27.88	36.11	33.39	25.57	32.63
(b) Railways ..	107.38	151.90	125.82	74.69	89.48	169.75	196.50
(c) Others ..	147.43	256.73	248.16	246.71	282.63	297.11	423.32
3. **Loans by Central Government to —**							
(a) States ..	198.32	275.98	293.90	275.47	328.18	448.77	440.35
(b) Others ..	56.90	58.33	106.27	217.73	158.30	144.76	121.04
4. Discharge of debt ..	83.23	74.68	31.96	129.88	128.62	206.37	230.75
5. Net Purchase in Cash Balance investment Account ..	2.89	—	—	—	—	27.06	—
6. **Drawal from Railway Funds —**							
(a) Depreciation Reserve	43.70	63.62	80.72	68.36	64.04	60.27	63.00
(b) Revenue Reserve ..	—	—	—	—	—	—	—
(c) Development ..	19.58	25.53	28.06	25.54	24.30	52.92	23.00
7. Closing balance ..	50.96	52.11	34.87	69.67	45.22	49.92	50.28
TOTAL ..	730.36	981.81	982.89	1144.16	1154.16	1482.50	1641.65

CENTRAL BUDGET

REVENUE

(In Lakhs of Rupees)

	Budget 1961-62	Revised 1961-62	Budget 1962-63
Customs	1,89,64	1,99,60	1,99,60) +7,80*)
Union Excise Duties	4,32,63	4,70,95	4,92,28) +30,80*)
Corporation Tax	1,41,00	1,60,00	1,68,00) +10,50*)
Taxes on Income	52,21	48,73	58,30) +10,40*)
Estate Duty	9	12	12
Taxes on Wealth	7,00	7,50	7,00) +2,00*)
Expenditure Tax	80	80	80) (—) 70*)
Gift Tax	80	85	85
Other Heads	14,32	15,46	15,83
Debt Services	13,84	11,58	1,67,51
Administrative Services	97	1,11	6,11
Social and Developmental Services	44,70	45,55	35,29
Multipurpose River Schemes, etc.	—1	—1	36
Public Works, etc.	3,76	3,74	4,02
Transport and Communications	2,46	2,38	6,30
Currency and Mint	60,63	53,15	69,58
Miscellaneous	20,99	22,92	24,56
Contributions and Miscellaneous Adjustments	22,12	21,68	24,41
Extraordinary items	10,00	13,00	40,00
Total Revenue	**10,17,95**	**10,79,11**	**13,20,87) +60,80*)**
Deficit on Revenue Account	5,57	..	..
TOTAL	**10,23,52**	**10,79,11**	**13,81,67**

* Effect of budget proposals.

EXPENDITURE

(In Lakhs of Rupees)

	Budget 1961-62	Revised 1961-62	Budget 1962-63
Collection of Taxes, Duties and other Principal Revenues	21,14	21,15	22,58
Debt Services	81,90	86,10	2,47,90
Administrative Services	58,37	60,00	70,31
Social and Developmental Services	1,67,78	1,55,72	1,63,24
Multipurpose River Schemes, etc.	1,26	1,23	1,57
Public Works, etc.	20,62	21,92	21,88
Transport and Communications	5,68	6,22	8,75
Currency and Mint	11,96	11,62	20,23
Miscellaneous:			
Pensions	10,41	10,49	10,47
Expenditure on Displaced Persons	11,28	11,29	9,60
Other Expenditure	52,07	59,99	89,38
Contributions and Miscellaneous Adjustments:			
Grants to States	2,08,09	1,99,75	2,13,54
States Share of Union Excise Duties	76,33	80,93	1,14,36
Other Expenditure	2,84	3,02	3,07
Extraordinary items	10,87	13,79	41,40
Defence Services (Net)	2,82,92	3,01,93	3,43,37
Total Expenditure	**10,23,52**	**10,45,15**	**13,81,65**
Surplus on Revenue account	..	33,96	2*)
Total	**10,23,52**	**10,79,11**	**13,81,67**

* Effect of budget proposals.

SUMMARY OF CAPITAL TRANSACTIONS: 1958-59—1962-63
RECEIPTS

(In lakhs of rupees)

	1958-59 (Accounts)	1959-60 (Accounts)	1960-61 (Accounts)	1961-62 (Revised)	1962-63 (Budget)
Special Floating Loan	—	71,43	3,45	3,45	3,45
15-year Annuity Certificates	65	65	70	60	70
New Loans	6,99,17	5,65,95	5,11,04	6,34,70	7,15,00
Treasury Bills	—	—	—1,91,31	76,00*	1,50,00
Investment of U.S. Government Counterpart Deposit Funds	—69,80	72,28	2,40,41	59,59	90,00
Treasury Savings Deposit Certificates	5,14	9,74	12,05	9,00	14,00
Post Office Savings Bank Deposits ..	20,00	25,77	44,54	39,00	39,50
12-Year National Plan Savings Certificates	81,34	68,90	65,06	62,00	65,00
Cumulative Time Deposits	5	76	1,83	3,40	4,50
Post Office Cash Certificates	—2.36	—69	—64	—52	—37
National Savings Certificates	—24,41	—20,97	—18,64	—17,02	—16,84
Defence Savings Certificates	—	—1	—	—1	—1
National Plan Certificates	—2,10	—1,24	—95	—1,15	—1,18
Other Unfunded Debt	19,46	23,77	43,99	36,34	38,56
Railway Depreciation, Revenue Reserve and Development Funds	—40,18	—8,91	—3,76	—26,50	8,27
Telephone Development Fund ..	—47	—99	—3	55	30
P. and T. Renewals Reserve and other other Funds	1,31	33,47	6,82	8,49	7,28

(Continued on next page)

SUMMARY OF CAPITAL TRANSACTIONS: 1958-59 — 1962-63 (Contd.)

(In lakhs of rupees)

	1958-59 (Accounts)	1959-60 (Accounts)	1960-61 (Accounts)	1961-62 (Revised)	1962-63 (Budget)
Other Miscellaneous Reserve Funds ..	—6	59	—4	—5	43
Appropriation for Reduction or Avoidance of Debt	5,00	5,00	5,00	5,00	5,00
Deposits under Income-Tax Act (Net)	—4,30	—14,03	32	—85	—30
Discount Sinking Fund (Net) ..	—72	54	1,55	—80	2,04
Payment by Reserve Bank for Rupee Coin	5,00	5,00	5,00	5,00	5,00
Repayment of Loans by States ..	61,93	80,85	95,48	1,58,09	1,63,20
Other Loan Repayments	20,78	24,08	30,50	56,77	54,56
Other Deposits and Advances (Net) ..	46,66	61,03	92,71	1,54,08	1,57,95
TOTAL	**8,22,69**	**9,72,97**	**9,45,08**	**12,65,16**	**15,06,04**
Deficit on Capital Account	11,99	7,75	75,70	29,25	—
GRAND TOTAL	**8,34,68**	**9,80,72**	**10,20,78**	**12,94,41**	**15,06,04**
DISBURSEMENTS					
Capital Outlay:					
Railways	1,25,82	74,69	89,48	1,69,75	1,96,50
Posts and Telegraphs	10,70	8,09	11,26	12,10	15,08
Schemes of Agricultural Improvement and Research	68	5,23	5,62	5,60	6,25
Industrial Development	1,87,19	58,60	91,27	1,09,66	1,76,52
Aviation	3,31	3,78	3,46	3,45	4,09
Broadcasting	75	65	88	1,30	1,40
Ports	2,45	1,26	1,21	1,56	2,87
Currency and Coinage	2,78	95,27	6,43	7,52	6,74
Mint	41	12	5	7	6
Delhi Capital Outlay	5,79	5,53	4,29	6,11	8,25
Multi-purpose River Schemes ..	3,15	4,25)			
Electricity Schemes and Irrigation ..	38	62)	1,85	3,86	11,32
Civil Works	14,11	15,00	34,63	40,49	57,02
Commutation of Pensions	—44	—42	—35	—8	1,40
Sterling Pensions	—38,12	—3,68	—3,69	—3,66	—3,70
Defence	27,88	36,11	33,39	25,57	32,63
Schemes of Government Trading ..	22,86	3,97	33,95	11,45	28,69
Development Grants	8,62	9,27	10,63	13,41	21,40
Compensation to Displaced Persons	4,81	—34	—45	—92	—80
Dandakaranya Development Scheme	1,00	2,23	3,94	4,52	3,91
Shipping, Tankers, etc.	25	34	—	52	1,88
Road and Water Transport Schemes	14	21	25	43	41
Indus Water Treaty	—	—	8,28	7,72	7,17
Transfer of Development Assistance from the Government of U.S.A. ..	16,19	35,15	66,29	65,70	63,28
Other Works	91	1,34	2,49	5,40	7,47
Other Civil Heads	11	17	35	90	1,24
Discharge of Permanent Debt ..	28,69	1,26,46	1,27,08	2,06,87	2,27,63
Discharge of Special Floating Debt	3,37	3,42	1,71	—	3,43
Inter-State Settlement	—	12	—	1,79	—
Advances to State Governments ..	2,93,90	2,75,47	3,28,18	4,48,77	4,40,35
Other Loans and Advances	1,06,27	2,17,73	1,58,30	1,44,75	1,21,04
Lighthouses and Light Ships ..	—	—	—	—	89
Overseas Communications Service ..	—	—	—	—	48
TOTAL	**8,34,68**	**9,80,72**	**10,20,78**	**12,94,41**	**14,44,90**
Surplus on Capital Account	—	—	—	—	61,14
GRAND TOTAL	**8,34,68**	**9,80,72**	**10,20,78**	**12,94,41**	**15,06,04**

*If the effect of the conversion of Rs. 50 crores is ignored, the net expansion of treasury bills during the year would amount to Rs. 126 crores. Of this Rs. 5 crores will be taken to increase the closing cash balance to the normal level of Rs. 50 crores. Thus the overall gap in the current year would amount to Rs. 121 crores.



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MAY 4, 1962.

The Nuclear Cold War

THE appearance of the Budget last week, with its relentless demand for immediate comment, eliminated reference to a subject which, as events have shown, has deeply disturbed Indian public opinion. This is the new series of tests both at surface level and in the high atmosphere (and possibly beyond) contemplated by the United States. It is not necessary here to argue whether or not as a military deterrent these tests are likely to be effective on the Soviet Union. If the Soviet Union tests in the Arctic last year did not deter the United States, but merely encouraged them to proceed with a new series of tests, surely the tests done by the United States will have precisely the same effect now on the Soviet Union. The Soviet Union has already announced its intention of starting a new series of additional tests. Matters have now passed beyond the stage of contemplation. However equitable in theory the belief that nuclear balance must be maintained, in practice, the action only leads to more destructive nuclear power being released. The armed neutrality can, indeed, be preserved when the balance is close. But nobody need suggest that a particular test just restores the balance and a permanent equilibrium. Each test by itself is an invitation for others to commence new tests. *The Eastern Economist* believes that the Soviet Union erred deeply when it started its new series in the Arctic. It is equally of the opinion that the United States has erred deeply in committing itself to a new line of tests. The reason is not that defensive measures are not sometimes necessary; it is that this particular chain of defensive measures is an unending one in which equilibrium is never reached and the race for additional nuclear arms continues in an unending series.

Quite apart from the issue as to whether or not "testing" is a condition of nuclear balance, there is the question of public opinion in the neutral nations which has been deeply aroused by the USSR action in the first place and now by the United States. Friends of the United States in the Indian Union have been deeply disconcerted that neutral opinion has been treated with a little disrespect in this matter by the United States as it was by the Soviet Union. Indeed, it is not neutral opinion only. Reports from Europe suggest that even allies of the United States, such as Britain, have serious misgivings on the timing of tests or the physical results in the atmosphere even if they are tests at a high altitude or beyond or inside the Van Allen belt. So far as tests at high altitudes are concerned, we at this moment possess so little information on the effect of cosmic rays and the Van Allen radiation reflections that no one can say that the results will be salutary. It is certainly to be doubted whether a particular nation has the right to commit all mankind to these risks. In the Indian Union at least it is clear that opinion is coming round to the view that the United States cannot undertake its tests in waters which do not belong to it exclusively.

The net result of the tests in terms of the radiation component and the dangers to life and living are differently estimated by different scientists. There is a substantial margin of difference; it may well be that the additions of magnitudes fairly well tolerated in isolation, might pass a danger point when used cumulatively by the USSR and USA combined. It is not in any case as if the two nations are sufficient unto themselves for the responsibilities which they are taking blindly for the lives of millions of people who might be subjected to fall-out at a distant date. It is known that this fall-out has had, or can have, a very deleterious effect on the mutation of species. For all these purposes it is right that world opinion should be deeply exercised about

the decisions being taken in the Kremlin and the White House without any regard to the opinion of those who stand outside these tremendous symbols of monolithic power in the modern world.

The India Committee, which is collecting a million signatures for the banning of nuclear tests under the indefatigable enthusiasm of Mr. J. J. Singh, has already passed the half million mark and is now rapidly reaching its objective. It is said that there is little to be expected from signatures. Perhaps there would be more notice taken of Mr. Rajagopalachari's suggestion that we should support Earl Russell in entering the forbidden zone to register our protest in using the waters belonging to the whole world and now forbidden to it by the United States. These are merely tokens of protest. The question is whether or not the nuclear giants of this world still take notice of the multitudes of the human species over whom in this age and time they have command by a tremendous accident of science and nuclear technology. A deep distrust of nuclear powers who test in their absolute discretion must be extended by this indifference to the cries of those who beg for a hearing and receive no ear. It is extremely doubtful if the leaders in the Cold War gain anything from this massive and seemingly callous exhibition of their own terrible, yet unknown, might.

India's Relations with Nepal

KING MAHENDRA'S visit to India had to be deferred until after the general elections in this country, but it will be readily conceded that the delay has been conducive to a more agonizing reappraisal on both sides. Our relations with Nepal have been allowed to deteriorate fast, when, in fact, the deterioration could have been halted by a prudent display of restraint and moderation by some of our organs of public opinion, not excluding a section of our Press. This does not condone the virulent propaganda that is being carried on lately in the Nepali Press against India. But a greater responsibility rests on India than on Nepal to take timely precautions to prevent misunderstanding. When amity and not recrimination is sorely needed, it is useless to attempt to apportion liability for spreading misunderstanding. During the prolonged interval between the invitation to the King to visit this country and his arrival here, the Nepali attitude hardened due to a variety of factors, genuine as well as imaginary. This hardening, it cannot be denied, had a sobering effect on public opinion in India, which began to show a keen recognition of the sovereignty of Nepal as an effective force in our trans-frontier relations in the north.

Nepal's King, like India's Prime Minister, is a staunch optimist in upholding cordial and intimate relations between the two countries which are deeply grounded in history, religion, culture and no less important a cementing force—commerce. But in the recent past another dominating factor has emerged to underscore these relations and it is the stake in mutual security. It is this factor more than any other which has been a source of real concern to India. Geography has imposed a difficult and delicate position on Nepal as a buffer State between India and China. Like all buffer States which are small in size (and Nepal's embarrassment is heightened by her land-locked location), Nepal has to endeavour to hold the scale evenly between two great neighbours on her two sides. In this difficult game of diplomacy she has allowed the scale to be tipped in favour of China. It is anxiety over this excess that makes India unhappy because of its long-term repercussions.

Two major issues occupied the better part of the talks between King Mahendra and Mr. Nehru. The divergent positions taken by Nepal and India in respect of these issues made it inevitable that the discussion should be outspoken and, by available reports, it was so. Of immediate importance to Nepal was the upsetting problem of the activities of Nepali Congress leaders who took refuge in India after the dissolution of the parliamentary system of government. India looks with profound misgivings on the agreement which Nepal has entered into with China for the construction of the Kathmandu - Lhasa road, as it carries sinister potentialities directly affecting her security and the integrity of her frontier territory. The success of the talks must be judged by the extent to which the two countries have minimized the area of divergence and allayed each other's apprehensions.

Sensitivity is responsible for the misplaced and extreme interpretation the King and his advisers are putting on the Government of India's responsibility for the activities of the Nepali Congress leaders. But proof that subversion is being organised, directed and reinforced with arms from India has not been provided and its absence conveys its own implications. The Indian Government's assurance that it has not tolerated and will not tolerate abuse of asylum for violent activities ought to prevail. King Mahendra showed unremitting insistence in demanding the expulsion from India of the Nepali leaders, meaning their surrender to him for legal action. This is an unacceptable demand especially against India's firm commitment not to allow violent operations to be launched from her soil to disrupt Nepal's integrity. Points of ingress and egress on the mountainous frontier are limited in range. It is for Nepal's armed forces to control them. India's commitment of co-operation in this task stands. The joint communique issued after the close of the talks provides for consultation and appropriate preventive action by agreement.

The Kathmandu - Lhasa road is by no stretch of reasoning a local project and it requires little imagination to envisage its likely impact on India's security. King Mahendra was apparently unwilling to discuss the Sino-Nepalese agreement to build the road, but the issue could not be bypassed. The economic justification of its construction is patently unconvincing and so is the emphatic denial of its potential military significance. In such a hazardous matter escape cannot be sought under the plea that its remote consequences are of little significance in the immediate context. India's deep anxiety about buffer diplomacy having overshot the mark is intensified by the failure on the part of Nepal even to keep India informed of the negotiations and agreement with China on this hazardous line of communications in accordance with the treaty of friendship between our two countries.

It is idle to pretend that the two big issues have been resolved. The road pact is allowed to lie where it rests. It would be impolitic to press the issue at this stage. Time may prove to be a rectifier. Patience will eventually demonstrate that the Government of India will honour its obligation to prevent armed raids against Nepal's integrity. It is gratifying to find that personal contact is removing the cobweb of misunderstanding. The initial start has been made in direct consultation for agreed moves. It is primarily for India, as the big neighbour, to win confidence by the credentials of action, fortified by tactful respect for Nepal's sovereign status.

The Management Bottleneck

THE Sixth Annual General Meeting of the Delhi Management Association held on April 26 was a stimulating review of the major problem of creation of Indian managerial talent. Mr. G. D. Birla, who might be said to have delivered the "keynote" speech, pointed out that the problems of industrial management were becoming increasingly more complicated and there were two dimensions at least in which the current bottleneck displayed itself. One was that the quality of the individual manager had to be much higher because of the complexities of the responsibilities that he now bore, particularly in relation to employee management. But there was also the problem of numbers on which he felt that here very little had been done and, indeed, even expressed the opinion that there was "no serious intention" behind the vast literature growing on the subject to the creation of managerial talent, short both in quality and in quantity. He agreed that this applied to the private industry as well as to public undertakings.

It is right that one should recognise that this is not a stick with which to beat the public sector. It is, in fact, a general problem because of the enhanced growth rates fed into the economic system, whilst the training of managers, on whom the growth ultimately rests, has not been undertaken a decade previously. Napoleon is credited with the remark that the education of a child should begin twenty years before its birth with the education of the mother. In much the same way, it can be said that the good management of an industrial enterprise should begin twenty years before it is born by the adequate education of the potential top manager. Far too little was done twenty years ago to provide by actual experience at top levels the managerial skill required. The family system—which is a tremendous drag on the entrance of the talented professional manager at the topmost level—has done not a little to present the idea that the topmost management in many houses is a closed unit reserved for particular members of the family. Far too much still exists in Indian managing agency practice of family preference as a passport to management. The career is not nearly as open to the talents as it should be. This is one of the blots on some of our leading business houses. They talk about scientific management and opening of the career to the talents. In fact, the ring is often terribly, and quite unnecessarily, circumscribed.

Quite apart from the problem of the "general" education of a manager, there has been abroad in the last decade a vast accretion of strength in terms of tools for making managerial decisions. It now appears that a leading engineer of Dupont in the United States, Dr. Sigurd Anderson, has devised a computer system to present "venture analysis" using advanced mathematical techniques and high speed computers to consider alternative choices in decision-making. To quote Dr. Anderson: "The heart of venture analysis is a computer simulator—a framework developed by managers and expressed mathematically by us into it, like pieces of a jigsaw puzzle, go details supplied by research, production and marketing men. The simulator both holds these data and shows plainly what pieces are missing. Then it's ready for its second role—telling managers the financial implications of the information the computer has been given.

"In computer simulation, we try to programme the structure of the market, investment and costs of a new product venture in such a way that its future over ten to 12 years can be seen under a variety of possible forecasts and decisions....

"In other words, managers can accurately weigh the risks they face by having a large, idle plant in a slow market or by losing sales opportunities because a plant is too small to serve an expanding market."

It seems that computers are really great gifts to top management, but top management must be able to frame proper questions before the computer goes into its stride. Most Indian managers, and even our topmost businessmen, take decisions without a scientific study of the possible alternatives which might exist as possibles for consideration. This is even more true of the operation of the Indian Railways where a very large number of major decisions in regard to the length of a haul, the size of a train, the speed at which it will run are fixed by traffic personnel without any scientific calculation of the optimum turnround of their wagons or speed of movement in particular cases. Linear programming and operational research have found almost no takers in this country, whilst they have been practised on an ever-increasing scale in practically every country of Europe and the United States. In other words, tools of management are deficient in practically every area of the country. To name a few, operational research, linear programming, computer simulation and, of course, the basic background which is sound economic knowledge and marketing research. It is assumed that technicians will be able to supply technical information but the scale of operation on which depends the choice of technology to be used is obviously a matter of "outside" decision. It is, as Mr. Birla said, much more important to find the right type of top management than to get involved particularly in the shortage of technicians and accountants. There are signs that the new Institute of Management

at Calcutta will make its responsibility of perfecting the management tools which are not perfected in the country. That alone will justify the addition to management institutions which have produced literature; hardly any basic change in the character of the Indian management. In any case it is time for Management Institutions to do some work study on themselves. Is all this Management Talk, without basic change in capacity, worth the man-hours spent upon it ?

Guest Editorial

Automation—Changing the Mould of Society

By WILLIAM REES - MOGG

THE basic discovery of Marx was that societies tend to be shaped by the economic systems which support them. The England of the great landowners turned into the England of the small capitalist producer, and the England of the small capitalist producer changed in its turn into the England of the large industrial company. Each of these changes in the organisation of production produced a corresponding political and social change. So now the society of mass consumption, with its very high standard of living in terms of consumer durable goods, is breaking down Britain's familiar class and industrial structure.

The trouble with Marxism was that the more or less scientific analysis of the past was accompanied by quite unverifiable prophecies about the future, which have in fact turned out to be false. The capitalist system has not developed in the way that Marx forecast that it would develop, and the Russian and Chinese systems are also wholly unlike Marx own idea of socialism, let alone communism.

One must therefore be very careful about extending an analysis of existing economic and social patterns too far or too glibly in the future. It is clear however that a very great change is going to occur as a result of the development of automation, and that no country is fully prepared for its social consequences, and for the political decisions that will have to be taken.

At present, in all advanced countries economic life is based on what might be termed the primitive machine. Apart from those who work in agriculture, which varies from less than 10 per cent in Britain, to about 30 per cent in France, to about 50 per cent in Russia, people make their livings mainly through operating or organizing mechanical processes of quite limited complexity.

Most of these processes amount to the shaping and fitting together of pieces of metal. Whether the job is that of a man working a rolling mill or a turret lathe, this is the function he has to perform. Most of the machinery itself is quite simple in purpose, though refined in technology, and much the larger part of it is controlled by man, either directing it to bore or to cut or to carry.

This is accompanied by the organisational or office life of the society which is also relatively simple. The office machinery copies or sorts again normally under the direction of an individual. Large numbers of people are employed in offices as on the factory floor, in jobs which are essentially repetitive, supervising essentially repetitive machines.

It is only in industries concerned with liquids or gases, which can readily be carried about in systems of pipes, that the situation is different. Then the number of operatives is very much smaller, and their functions correspondingly broader. Whether one is dealing with chemicals, with oil, or even with water or milk, one finds that the system is wholly different. Contrast for instance the productive systems of an oil well with a coal mine, or a water works with cotton mill.

Obviously the economics of handling have helped what might be termed the 'flow' industries, which include electric power, to expand as against the 'solid state' industries. Yet now we are moving into the period when solid materials can be shaped and handled as automatically, though still at a higher capital cost, as the flowing materials.

Already, for instance, it is possible to build a factory to produce television sets which needs nobody inside it. Components are put in at one end—sets are taken out at the other. Already the British motor industry has been able to double its production without any increase in its labour force.

Yet we can envisage, and in thirty years will face, a society in which most of the repetitive jobs will have disappeared. There are great opportunites in this, but also great dangers. In the first place one can foresee a widening of the gap between the skilled and the unskilled members of society. The man who works a lathe will either have to upgrade his skill to the point at which he can supervise a battery of self operating lathes, or else he must leave the factory. One can put it this way. At present industry employs large numbers of people with say £2,000 to £3,000 of capital equipment to help them earn their livings. In thirty years' time it may be employing a tenth of the people with an average of £100,000 of equipment.

What will the others do? They cannot expect the same incomes as the highly trained industrial staff. They cannot expect to compete with the products of the automatic factories. They may still work the land—where mechanisation seems possible, but automation does not. Many of them will have to seek work in service and distributive industries.

Equally the gap between the rich and poor countries would widen. The great advantage of the rich countries is their capital investment capacity; the advantage of the poor countries is their low labour costs. One can assume that an Indian or Japanese textile mill can undercut in price a British or American because both have to face a similar labour requirement. But suppose automation became complete—and the new fibres might lend themselves to that—where would the advantage lie. The first stage of industrialisation has tended to equalise wealth and has produced relatively egalitarian societies—it is possible that the second stage may, unless we can foresee and solve its social problems, widen the gap again.

THE WEEK'S NOTES

Labour Legislation

SOBER ATTITUDE, BUT NOT ENOUGH

MR. GULZARI LAL NANDA'S inaugural speech at the recent annual session of the All-India Organisation of Industrial Employers in New Delhi gives a reassuring indication that the Government of India is now in a mood to adopt a sober attitude towards labour legislation. Since independence, and more specifically during Mr. Jagjivan Ram's term of office as Labour Minister, the country was flooded with labour legislation on a very wide range of subjects. Some of it could be easily defended as unexceptionable and perhaps overdue. But, by and large, much of it was the fruit of the first flush of enthusiasm for forcing the pace of the socialist policy in labour relations. In its wake it brought many obligations for industry which had no adequate justification under Indian economic conditions and, what is significant, which did not lay corresponding obligations on labour. After Mr. Jagjivan Ram gave up the labour portfolio the pace of labour legislation was slowed down.

We have now the assurance of Mr. Nanda that the Government would not indulge in enacting new labour legislation, but would, on the contrary, consolidate the position built up so far. This is to take a sober view of the priority for rushing with labour legislation in the name of the ideal of the socialist pattern of society. But a reservation ought to be entered. Mr. Nanda amplified his commitment on the consolidation of labour legislation by stating that amendments would be made to existing legislation whenever the Government deemed them essential. Looking to the pronounced bias of the Government for lopsided labour welfare, these amendments would inevitably mean additional social obligations on industry. But, in fairness, amendment ought to cover a revocation of a good part of labour legislation which is demonstrably premature and burdensome to industry. On this score there is no assurance from the Minister.

It would appear that not all the issues raised by the Organisation's President, Mr. Hutheesingh, in his speech were replied to by the Minister. To take some important ones. Mr. Hutheesingh specifically raised the issue that many of the obligations regarding fixation of wages had little relation to the financial capacity of the industry to pay and the emoluments granted to labour had no relation to productivity. In fact, productivity has remained much of a slogan. Likewise, rationalisation remains an intractable problem. The principle of rationalisation has been agreed to, but rationalisation as a means of modernising industrial production and raising the output as well as labour's real earnings has not been taken over in real earnest. Exceptions need not be denied. There is a good deal of emphasis on evolving an integrated scheme of social security. Whether integration would amount to consolidation of the present position with the necessary co-ordination or it would involve additional social obligations is left ambiguous. Mr Hutheesingh has tried to emphasize that integration should rest on the idea of consolidation and should not extend beyond the benefits which are granted to labour at the present time. Going beyond them will be to entail additional liabilities on industry whose validity may be open to serious question.

Sino-Indian Border

CHINA'S DISTORTED VERSION

THE REPORT of the official representatives of the Governments of India and China on the border dispute was tendered to the two Governments early in 1961 and a full text of the report was published in India in February last year. So far, the Chinese Government has not shown the integrity and forthrightness to release the full text of this document for the enlightenment of its own people. A summary of the report was furnished to the Members of the National People's Congress which was in session at Peking from March 27 to April 16. Thus it was that it took the Chinese Government fourteen months to make up its mind to publish a summary after the full text was made known in this country and abroad. The National People's Congress (the Chinese Parliament) was not convened at all during 1961, contrary to the constitutional obligation to hold a session at least once a year. This postponement certainly could not be utilised as a pretext for withholding the publication even of the summary of the report. Now, at long last, the summary has been published and also broadcast over the Peking Radio in a form which makes a total distortion of the facts contained in the full text. The decision of the Government of China to publish the summary and not the text itself conveys its unmistakable intention to keep the Chinese public in ignorance of the documented facts and of spoon-feeding the people with the interpretation which the Chinese Government arbitrarily wants to put on it. In the face of these plain facts, the claim made over the Peking radio to the effect that the officials' report vindicated the stand of the Chinese Government on the border issue can be taken for what it is really worth.

This attempt to present a distorted version apart, there are certain points which emerge from the radio broadcast of which India ought to take note. The McMahon Line has been condemned as an imposition of aggressive British imperialism on Tibet. But the time-honoured border between Tibet and India dates much anterior to the British rule and it has been firmly established by tradition, custom, usage, documentary evidence and it has been all along recognised as such. The manner in which the Government of China has shifted its positions about the border since 1959 shows that it will have no qualms of conscience in yielding to expediency and opportunism in pressing endless claims over Indian territory. The principle of 'actuality' being bolstered by military occupation has now become a practical technique with the Government of China. It would be a mistake for India to assume with any sense of complacency that new incursions will not be made by China into Indian territory. It is not necessary at the present moment to refer to the border between China and the Kashmir State lying to the west of the Kara Koram Pass, since this question can be taken up only after the issue of Pakistan's present forcible occupation of this territory is finally settled.

But in regard to Bhutan and Sikkim there are dangerous pointers about possible aggression by China. In his press conference held at New Delhi on April 25, 1960, Mr. Chou En-Lai stated clearly and unambiguously that China respected India's relationship with Bhutan and Sikkim. The meaning of this admission should be clear, when it is recalled that the Government of China had unequivocally recognised the validity of the Conven-

vention of 1890 expressly acknowledging India's responsibility for the external relations of Sikkim. The same applies to Bhutan. The determination of the boundary between Bhutan and Sikkim, on the one hand, and China, on the other, is therefore a responsibility of India in so far as the former are concerned. But the Chinese Government in its official version of Mr. Chou En-Lai's New Delhi Press Conference of April 25, 1960, interpolated the word "proper" before "relations" and now the position it has taken is that the Chinese Government recognises the "proper relationship" of India with Bhutan and Sikkim. Obviously, China is to be the judge of what is "proper" and how it should act to determine propriety. This interpolation and the twist it has given to Mr. Chou En-Lai's original commitment are completely contradicted by a tape record of the proceedings taken on that occasion. The settlement of the Sino-Indian border dispute is bound to be a protracted affair and it would not be a surprise if new dimensions are added to it in relation to Bhutan and Sikkim.

University Education

PANGS OF HIGH PRESSURE GROWTH

THE UNIVERSITY GRANTS COMMISSION'S report for 1960-61 contains a wealth of statistical data covering the period of the Second Five-Year Plan. It is possible to assess the speed and quality of the development of university education from different angles. But the conclusion cannot be escaped that speed rather than quality arrests attention. No reflection need be inferred from this observation on the manner in which the UGC has acquitted itself of its difficult task. Neglect of quality is inherent in the extraordinary acceleration of the speed of expansion at the level of higher education. Nevertheless, within the scanty resources and the grudging financial co-operation extended by the State Governments to secure individual benefits, the UGC has made the best job of its work. The dominant impression which the report creates is that of mitigating the pangs through which expansion of university education is passing under the high pressure of demand.

The total number of students in the colleges and universities increased during the five years by 32 per cent to reach the mark of one million. The UGC has to maintain a judicious attitude in allocating resources to 46 universities and colleges affiliated to them. It is none of its faults if in certain important sectors the progress had to be inevitably slow. At a time when the economy of the country is crying aloud for the assimilation of applied science and technology, hardly 6 per cent of the students are able to undertake post-graduate courses. The changing percentages of students opting for different courses reflect the changing trends in the economy. The percentage of arts graduates has declined by 6.4 to 44.9. So has law come down in the estimation of students. This is as it should be. But other trends need not necessarily be taken as an answer to the long-term requirements of the rapidly diversifying economy. The report discloses that agriculture, veterinary science and education are suffering a decline which is a matter for real concern. If education is being neglected as a subject of higher scientific study, the fast multiplying number of high schools and colleges will find themselves poorly staffed with the requisite talent. In consequence, the standard of education cannot but deteriorate. Engineering and commerce courses are the passion of the day with the student generation for the simple reason that an industrialising economy promises to open up gainful and promising careers in these specialised spheres. We will require increasing numbers of agricultural graduates, veterinary surgeons and the like, when the technological revolution makes its inescapable impact on agriculture. But the student or his guardian with whom investment for potential employment is the primary consideration, can be pardoned, if he does not respond to the appeal of this distant influence.

Finance has been a very severe handicap for higher education as for other essential and priority spheres of social welfare. The UGC can induce the State Governments to share the burden of better scales of salaries for teachers only to a limited extent. The principle of sharing the burden operates as an obstacle to the State Governments' enthusiasm to improve the terms of teachers' salaries. But how can they ignore the hard-fact that the UGC makes firm grants only for five years, while the future is uncertain? The array of percentage increases in the number of students taking courses in the different subjects may look imposing. But it could hardly be said that it is matched by balanced rates of growth in accordance with the relative importance of the subjects. Already science graduates are facing the same difficulties about employment as confront arts graduates in a much more acute degree. Here the UGC may plan imaginatively, but the provision of resources will hang like a big question mark.

C.P.I.

COMPROMISE, NOT CONCORD

THE WEEK-LONG deadlock over the election of the new Secretariat of the Communist Party of India was resolved at the last minute by means of a compromise under sheer pressure to avoid an open rift in the party. Neither the extreme group led by Mr. B. T. Ranadive nor the rightist group led by Mr. P. C. Joshi could muster sufficient support to assert itself. Eventually, the top leadership of the party was bifurcated by an amendment to the party's constitution and a Chairman and a General Secretary now head its National Council. The "unanimous" choice of Mr. Dange as Chairman and of Mr. Namboodiripad as General Secretary was secured by a heavy concession to the extremists in the form of no less than four new nominees from their group to the secretariat. The rightists got an accretion of three and the left-centrists one. But the Bengal and Andhra groups have not concealed their unhappiness at the election of Mr. Dange. They are known for their support of China's position on the border question and in the time to come they would undoubtedly grow restive and finally demonstrate that despite the compromise they are a powerful and irresistible element. For the time being, satisfaction may be derived from the fact that Mr. Dange, who has advocated a firm line of disapproval of China's frontier policy, is the Chairman of the party.

Groupism has no doubt come to stay in the CPI and this was not unexpected after the evidence of facts about the difficulty in finding a successor to Mr. Ajoy Ghosh. What is significant from the Indian national point of view is not the fact of the existence of groupism in the CPI (which may dissipate its strength and affect its solidarity for the time being) but the entrenchment of the pro-Chinese leadership of the CPI in its executive organization. The report of the delegates of the CPI on the 22nd Congress of the Soviet Communist Party was not presented to the Council but deferred for very obvious reasons. The four delegates who were deputed to Moscow were evenly divided according to their leftist and rightist leanings. The embarrassing question in presenting the report is the interpretation of the ideological cleavage between China and the Soviet Union as disclosed at the 22nd Congress. It remains to be seen how the delegation will manage to tide over this perplexing issue. The pulls inside the party towards the left threaten to grow. Nevertheless, the shift in policy in the direction of a more determined opposition to the Government by appealing to the public at emotional points is clear. Already a decision has been made by the Council to launch a nation-wide agitation against the new taxation proposals of the Finance Minister and the rising price line.

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The World Abroad

BUSINESS CONSORTIA FOR INDIA?

By

ODYSSEUS

THERE has come across my desk the first study ever to be published on the problems of forming and managing a business consortium.

Hitherto, India has been on the receiving end of foreign consortia, such as the group of British banks, engineers, and others, responsible for the Durgapur steel works. But one point which emerges from Mr. A. Harding Boulton's clearly and concisely written 120 page handbook "Business Consortia" (Sweet & Maxwell. London. 1961. Price 30sh.) is that a number of individual companies, in competition with each other at home, may find it convenient to join forces to form a consortium to do their overseas selling. Should not India's manufacturers of fans, diesel engines, bicycles, sewing machines, leather goods, and engineering products, etc. etc., read this book in order to size up the chances of collaborating in export markets?

Mr. Harding Boulton points out that we have lived through a revolution in the technology of manufacture as radical as the group of changes which we call the Industrial Revolution. It is this technological revolution rather than the actual size of projects, that has led the consortium idea to be developed. The great bridge built between 1882-90 over Scotland's Forth river remains a monument to the engineering skill of an era that found no need for consortia. Since then, however, what has become more and more evident is an increase not necessarily so much in mere size as in the integration, and interdependence, of many skills to give life to a project like the Durgapur works. The consortium is most often concerned with a productive unit marked by an integrated compexity, in which many techniques contribute to its design and creation, and are intricately bound together into an interdependent whole.

Another factor which has led to consortia is the emergence of governments of developing countries as buyers and sellers in industry. The developing countries can look for aid either to the free West or to the socialised countries, and since Western governments are not equipped to undertake development enterprises, the consortium is one way in which the West can offer aid.

Apart from consortia created to deal with one specific enterprise, such as a dam or a steel works, there are now consortia made up of groups of companies, which bring together complementary skills, in alliances intended to enable them to deal with an indefinite series of projects and actively to seek for business in their own separate names.

Mr. Harding Boulton instances a consortium of ten companies which do not necessarily co-operate in all contracts, but which, as a group, bring large-scale engineering projects to the notice of its members, and then encourage the formation of smaller consortia from those of its members interested in any project. In this case, the parent consortium of the ten companies provides an intelligence service and administrative facilities for the smaller groups whose formation it has facilitated.

OPPORTUNITY FOR INDIA

India is but one of many developing countries which has encouraged foreign companies to set up inside its borders by imposing tariffs on various imports. This may often create conditions in which a consortium has a role. Whereas a newly developing country may not provide a big enough market to justify each potential manufacturer in establishing his own factory in competition with others, it may be feasible for several companies, which are in competition in their homelands, to create a single jointly owned factory abroad. Should a joint enterprise not be considered by Indian companies anxious to increase India's earnings of foreign exchange?

Again, a group of companies, importing into a country ranges of products complementary to one another, may establish a consortium to market their products in a foreign country. There exists, for example, a UK consortium which markets small tools throughout the world on behalf of a number of companies. These companies maintain their own sales organisations in their home markets, but combine to exploit overseas territories, thus illustrating the possibility of co-operation between rivals when both face competition abroad.

In some circumstances the formation of a permanent consortium is inevitable. Thus, for the joint overseas factory a commonly owned consortium, as a coherent unit, is necessary. But in other instances, a newly formed company is not the only solution of the problem, especially when the problem is merely one of size or complexity. Before hastily adopting the new fashion and forming a consortium, it is sensible to consider whether the problem could not be solved more easily by one main contractor employing specialist subcontractors. Even when a number of companies have decided, in principle, to work as a group, it is well to consider whether it would not be better for one member to have the primary responsibility and initiative, with the protection and support of carefully thought out agreements. For, while a consortium solves some problems, it creates others, and the use of an experienced, existing organisation as the main contractor has advantages.

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If, however, you plump for a consortium, you must distinguish between the "single purpose" consortium, intended to be dissolved after carrying out one big job, and the "continuing" consortium, intended for permanent existence, because there are wide differences in the practical methods of living together in a joint organisation if the alliance is to be short-lived or if it is to be permanent. Obviously, the establishment of a joint factory, or a joint selling organisation, requires a continuing consortium. This will avoid some of the difficulties inherent in consortium management. But the formation of a consortium to build a single big plant, dam, or power station, may well lead to a contract for another. Thus, a consortium intended, in the first place, as a temporary alliance may, to the surprise of its creators, turn out to be a continuing organisation. It then becomes important to recognise at once what is happening and to reshape the organisation to meet circumstances not envisaged at its formation.

If the consortium is set up in the form of a company, it is important that the drafting of proposals and

documents should not obscure the need for the promoters to grasp the underlying problems. Drafting is done by lawyers, accountants, secretaries, and administrators. Whether the framework that they devise is suitable depends, however, on how far they understand the technical and commercial requirements, the political backgrounds, any special local or other difficulties, the over-all problems of inter-company relations, and even the personal relations existing between the management of one company and another.

TOP MANAGEMENT'S ROLE

In every large company there is an inner circle which constitutes the "top management." Top management must leave to its legal, secretarial, and accounting experts, the work of drafting, but they must not expect these experts—outside the charmed circle of top management—to be able to read their thoughts. Draftsmen are concerned with forms and words, managers with substance and policy. Mr. Harding Boulton emphasises that success depends on the initial care taken to think out all the possible situations that could arise. A business leader worth his salt is a man of drive and enthusiasm, but he must not allow his enthusiasm to brush "details" aside. The project is attractive. He is sure that it is a money-maker. But, asks the accountant, supposing the consortium faces a loss, who is to pay? And how much each? Too often the business leader replies impatiently that in that case the parties will get together to decide what is to be done. The expert then dresses up this mental laziness in solemn, pseudo-legal language: "In the event that any party shall be of the opinion that the financial results are such as to indicate that any project, or projects, upon which the company shall be engaged will result in substantial loss, that party shall be entitled, by notice in writing to the others, to require that a special meeting be held at which each party shall be represented by a person, who shall be a director of that party, authorised to take decisions, and the meeting shall consider measures to be taken and the proportions in which any loss shall be borne."

It is easy to write such nonsense by the ream to disguise the mental laziness which prevents top management from thinking the project out properly.

It is worth remembering that the Latin word "consortium" means living together, and that family quarrels characteristically spring over trifles, become bitter, and are magnified from mole hills into mountains. It is therefore worth envisaging all possible situations before they arise, while the atmosphere is still cordial. If, later, a consortium runs into a crisis, the responsibility which each member ought to bear should be capable of exact definition.

The promoters should, from the first, clarify their thoughts about (a) the possibility of conflicts of interests between members, (b) the distinction between (1) conflicting and (2) basically different functions, (c) unequal need for, and loyalty to, the consortium on the part of its different members, (d) the effect of what Mr. Harding Boulton, in somewhat tight shorthand, calls the consortium's "severable" personality. By this he means the effect on each member company of creating a separate new legal entity, which will enter into contracts in its own right, in which its member companies will not only be shareholders, but may also be vendors to it or buyers from it, and with which their individual companies, separate from it, will have dealings. Remember that to start acrimonious argument with a consortium of which one is a member is to quarrel with oneself and with one's partners. When a consortium is formed by a group of manufacturers, to carry out a package deal, the temptation to regard it as one customer to whom it is unnecessary to be polite—a temptation most likely to emerge at the lower executive levels—must be consciously resisted.

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S. T. SADASIVAN
GENERAL MANAGER

The European Scene

SPAIN IN THE COMMON MARKET

From Our Special West European Correspondent

MADRID, April 29.

IN Brussels last month I found that Spain's application for association with, and eventually membership of, the Common Market was not being taken very seriously. The Six decided to reply to Madrid with a mere acknowledgement, without committing themselves to opening even exploratory negotiations. In Madrid, on the contrary, the prospect of Spain's entry into the European economic union is taken very seriously indeed; in fact, it is regarded as inevitable. The day the application became known the Madrid stock market took a dive, for speculators imagined that customs barriers at the Pyrenees were going to fall more or less overnight, exposing adolescent Spanish industry to the crushing competition of north European manufactures. This reaction was rather comical, since Madrid's application foresaw a long period of gradual adjustment before Spain would be asked to bear the impact of free competition, and in any case that application was received with scepticism if not indifference in Brussels. The share market has since then come back to its senses, but the impression remains: Spaniards now see their affairs in a new light, in the prospect of integration with the rest of West Europe.

The contradiction between opinion in Brussels and in Madrid on Spain's membership of the Common Market is less fundamental than might appear. Now that the Government's proposal is properly understood, Spaniards realise that there is no question of a sudden or even early entry, unarmed, into the arena dominated by the great West German, French and Italian corporations. In Brussels, too, it is not suggested that there is anything improbable about Spain's association with the European union. Unwillingness to take the matter further at this stage is due, firstly, to pre-occupation with Britain's case, which cuts out the work of the Six for many months to come; and secondly to fear of awakening political squabbles among the Six on the question of co-operation with the Francoist dictatorship. The Six are already engaged in a political dispute about the terms of their co-operation, and specifically about whether it is six sovereign governments that are to unite (this being de Gaulle's idea) or six peoples that are to unite under a new government (this being the vision of the integrationists). Obviously, any discussion of co-operation with Spain would bring this dispute to a paroxysm, because it is there that the distinction between government and people (which is rather sophistical when we are talking about Britain) becomes stark. A lot of people are ready to collaborate with the Spanish nation who will have nothing to do with the Francoist regime.

So the Six are wise to leave Spain's application pending until they have solved the British problem and, by the same stroke, settled their differences about supranationality and co-operation between sovereign states. When they have done so, the delicate issues posed by Madrid's request will have become much simpler. The economic question will be simpler, because it will be a matter of admitting Spain, with her big agricultural exports, to a larger union which will be deficit in food. The political problem will be simpler too because it will be a matter of digesting Spain into a unit where the powerful impact of Britain will have reduced that prominence of Catholic-conservative forces which today disturbs some Europeans in a union dominated by de Gaulle, Adenauer and the Italian Christian Democrats. (To put the matter more bluntly, the Six are now described by opponents as "the Vatican's Europe" and the entry of Spain into the association would deepen the purple tinge; on the contrary, a union that included Britain and was open on to the Commonwealth could consider association with Spain without complexes.) More important, when the Six, or the Seven or Ten as they will then be, attend to Spain's application they will see that it suggests a gradual association that might take 20 years—well beyond the tenure of 69-year-old Generalissimo Franco. The present colour of the regime, in other words, will be no pretext for refusing to co-operate with a Spanish nation that has at last decided to join Europe and the 20th century.

Formal negotiation about Spain's admission to the Common Market, then, lies some distance in the future, while her actual entry as a full member is remote. So it will seem paradoxical to report that, in a very important sense, Spain is already in the Common Market today! Yet this is the impression one forms in Madrid. The reason is that, despite legalistic preoccupation with the terms and technicalities of the Rome Treaty, people are in the Common Market once they adjust their economic actions to the prospect of serving a market that far transcends the national framework, a market of 200 million or so consumers, where goods, labour and capital will sooner or later circulate freely. The moment a majority of producers set themselves in that perspective, free themselves of the protectionist mentality, begin to think big and seek co-operation with other producers elsewhere in the wider market, then they are in the Common Market whether or not tariffs have yet fallen very far, or at all.

It is not the atmosphere of Cervantes' city that leads one to this Quixotic separation of vision and reality; it is the facts about recent European trade. We may leave it to United-Europe politicians to believe that the modest reductions of tariffs up to the end of last year explain the spectacular expansion of trade within the Common Market, the amalgamations and technical agreements, the modernisation and investment that have gone on in that region. Every business man knows that 30 per cent off tariffs could never produce such momentous consequences. What caused them was the knowledge that the reduction would one day be 100 per cent, so that, even if one did not know for sure when that day would be, one had to get ready now; this preparation for a bigger tomorrow, taking place in neighbouring economies that had been artificially separated by protectionism and which were enjoying a sustained industrial boom, explains the expansion of European trade, and not the tariff cuts. Now, once the Spaniards come to believe that their future lies with West Europe, so that all their economic plans have to be laid in view of that objective, they are as much in the Common Market as British firms who are not yet convinced that their Government is doing the right thing in preferring Europe to the Commonwealth.

Spanish business is in course of making this adjustment to the wider horizons of Europe, and the enthusiasm with which it is doing so suggests how stifled Spain has felt during the 20 years of isolation that followed the victory of Franco. It is not so long since students were arrested here for reading the pamphlets of the European unity movement, and since the regime banned the OECE report on the Spanish economy. Now there is a great opening of doors and shutters throughout the country; it is not only legal but approved to look toward

Europe—and of course Europe means all sorts of things besides economic integration: it means political democracy, free trade unions and independent criticism. For the first time, Franco has given the chronically divided Spanish people a vast objective about which they can almost all agree, and has assigned the nation a path of action that leads well beyond his own lifetime and even beyond the likely span of his aimless and sterile dictatorship. In no other country of Europe has the prospect of the Common Market brought such sentiment of release and widening horizons.

It is in adjusting its mentality to this sentiment that Spanish enterprise is, I suggest, already joining the Common Market. The instructive reaction of timid protectionism that caused the slump in the stock market is being belied by the string of company reports that appear in Spain each April. One after the other, company presidents are stressing the opportunities European integration presents to Spanish industry and the reasons why Spain need not fear the encounter with Europe, given facilities to make the transition at moderate pace. The president of a major chemicals firm, Union Espanola de Explosivos, has said this week, "Just as we believe that our traditional lines have nothing to fear from entry into the Common Market, provided we can rejuvenate them and increase productivity, so too we believe there exists a wide field for expansion of our activities inside an economically united Europe. I maintain that our entry into the Common Market is not prejudicial to, but essential for, our genuine and permanent economic development". That last assertion sums up the conclusions of a debate that has gone on in the economic Press here about the requirements of development and integration. Some had suggested that integration with Europe would be possible only after Spain had carried her development a certain way in isolation. The argument was illogical, for if the spell of development were to be really useful it would have to be development at a faster rate than that of the Six (so that Spain could catch up to some extent)—but if Spain were capable of the feat of developing faster than the Common Market she would have a secret denied most of the rest of the world (e.g. Britain), and would never need to join the Common Market at all. In reality, economists and business men have been able to show that the path to faster development lies through integration, because only that will provide the scale of operations, the capital, the cheaper raw materials, the technical help and the spur of competition which are all required for development.

This is not speculation, but something that is already happening, since Franco consented to put Spain back on the map of Europe by adopting the economic policies long pursued in West Europe while opening the country up to European capital. In the past year Spain has had a foretaste of the benefits of economic integration: her labour has been drawn out to France, Germany and elsewhere in North Europe at a rate never known before, to help relieve the acute manpower shortage there, while European capital has poured into the country to employ labour here and diversify the nation's industry. Incidentally, Spain has achieved an increase in trade with her immediate neighbours that exceeds anything known inside the Common Market itself: France's trade with this country increased last year by 42 per cent! As I wrote last week, the process is just beginning, for the benefits of the recent liberalisation of investment rules have yet to be seen. In short, Spain is being drawn into the orbit of the Common Market—physically, by the increase in trade and labour mobility, and mentally, in the transformation of entrepreneurs' attitudes—well before the formal negotiation of her admission has been taken up.

POPULATION REVIEW

A Journal of Asian Demography

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GANDHINAGAR, MADRAS-20 (INDIA)

Our West German Letter

WILL THE BOOM CONTINUE?

From Our West German Correspondent

BONN, April 25.

AFTER Prof. Erhard's persistant and vehement attacks against trade unions and industrial managements blaming them for furthering the dangerous wage-price spiral, discussions are at present going on whether the boom will continue or whether symptoms of a declining tendency are already visible. Erhard himself said the other day in this connection that he is neither a pessimist nor an optimist but a realist and he just thought it proper to give a sound warning well in time.

Now the Economic Science Institute of the trade unions as well as its counterpart, the Institute of German Industry, have given their rather contradictory verdicts. Let us first see what the former has to say. It is of the opinion that the favourable business juncture in February indicates a further upward trend in the months to come. The report also states that one can observe a tendency of a growing demand for and an increasing production of consumer goods thanks to the successful wage policy of the trade unions. These facts are to be welcomed, the report says, because the particular branches of the industry till recently had booked comparatively small orders. As to the industry of capital goods, it has still to execute long outstanding orders but will finally also profit by the upward movement of the consumer goods industry. According to the economists of the trade unions, the growing integration of Europe will have favourable repercussions in the course of time.

Let us now turn to the opposite side and see what the Institute of German Industry has to say. In its survey it is pointed out that West Germany is not in a state of a depressed economy. But there are clear danger signals which indicate that the economic prosperity is jeopardized. Wages and salaries have increased by more than 12 per cent in each of the past two years and look like rising at about the same rate this year although productivity is likely to rise by only 3 to 4 per cent, following increases by 3.9 per cent in 1961 and 6.6 per cent in 1960. New orders for exports in the last quarter of 1961 were 5 per cent lower than in the same period a year earlier. The export surplus in the first two months of this year has fallen to 41 million DM against a surplus of 1.27 billion DM in the corresponding period in 1961. A recent survey of the European Economic Community — the EEC—authority showed that labour costs have risen faster in West Germany than in other major industrial centres in Europe while, at the same time, international competition has become fiercer.

The report goes on to say that the preservation of economic stability will depend to a very large extent on the attitude and actions of the two social partners, the employers and the trade unions. It can, therefore, be welcomed that both sides have agreed in principle to the establishment of a neutral committee of economic experts to act as advisory body on economic matters to the Government. Whatever the functions and the work of this future committee will be, it will relieve neither the employers nor the trade unions from their responsibility they have towards the German economy as a whole.

Prof. Erhard has actually suggested such an expert authoritative body and it was expected that the Cabinet would discuss it when Chancellor Adenauer did interrupt his holiday in Cadenabbia for five days and presided over the meeting of his Government in Bonn. But this question was obviously not taken up and rumours will have it that the Chancellor does not yet agree with the proposed functions of such a committee.

PROTECTION FOR INVESTMENTAL CAPITAL

As the endeavours to establish a multilateral convention for the protection of investment capital in foreign countries have up till now not proved successful the Federal Government has decided to propose bilateral agreements to developing countries which are interested in partnership contracts. The International Chamber of Commerce in Paris had already published some years ago a "Code of fair treatment" and therein suggested three main conditions for the protection of foreign capital: Foreign investments must be granted a fair and just treatment and there should not be any difference between indigenous and foreign capital. Expropriations should not be executed without proper legal procedures. An adequate compensation should be paid immediately after the expropriation and promises made to foreign capitalists are to be kept unconditionally. But as these conditions were considered too general two associations have gone more into details. In Geneva the "International Study Group for the Promotion and Protection of Private Foreign Investments" and in Cologne the "Society for the Protection of Investments in Foreign Countries" have worked out their schemes. On the basis of these schemes, the Federal Government is now encouraging investment activities by bilateral agreements. The first agreements of this kind have been concluded with Pakistan, the Federation of Malaya, with Togo and Morocco. Negotiations will be taken up shortly with Argentina, Thailand, Liberia, Turkey, Ghana, the Sudan and some other developing countries. The Federal Republic has also co-operated with economists in Switzerland, Holland and Great Britain who have worked out a sample treaty for partnership which has now been submitted to the OECD in Paris for further discussions.

In this context the speech of the Governor of the State Bank of Guinea, Minister Moussa Diakete, a member of a trade delegation at present visiting West Germany, is of special interest. At a press conference he called the capital protection law, issued on 5th April in Conakry as the "turning point in the economic policy" of his country. He explained that there are three groups which should enjoy the privilege of protected investments. The first group is the small-scale industry which will be granted a remission of taxes for five years. To the second group belong investments up to 2.5 million DM. Enterprises of this category will be granted tax remissions of seven to ten years. The continuance of remission is connected with the location of the factory concerned. Plants situated inside the country will enjoy greater concessions. The third category comprises investments up to 20 million DM. In this case the Government has drawn up a plan for remission for 25 years which gives the entrepreneurs the chance to calculate the tax payments at long sight. The Minister concluded his speech by emphasizing that Guinea has

opened the doors to the foreign investor and is aiming at granting him all possible facilities, f.i. to import duty-free the raw material he needs. The Federal Government has offered a long-term credit of 50 million DM to Guinea and the question of aid for the exploitation of the mineral resources in Guinea is at present being discussed.

NUCLEAR ENERGY FOR PEACEFUL USE

While West Germany's coal mining industry is fighting with its back to the wall against the "invading" oil which comes like an octopus in pipelines from the North Sea coast and from the Mediterranean over the Alps to the South of the country, the nuclear energy appears as a new competitor to the conventional fuels on the horizon. But the Minister for Nuclear Energy and Water Economy, Prof. Dr. S. Balke, said recently in a lecture that the decisive part will be played by nuclear energy only when its production will be able to compete. Under the prevailing circumstances one can well understand that the power industry shows a certain reluctance in building power reactors. It is, therefore, up to the Government to assist those firms which undertake the development of this new branch of energy production. The Ministry is already also aiding five projects for the development of ship reactors. They are being executed by Siemens-Schuckert A.G., Erlangen, the Allgemeine Eleltrizita - etsgesellschaft (AEG), Frankfurt, Deutsche Babcock & Wilcox AG., Oberhausen, the Brown-Boveri - Krupp Reaktorbau GmbH., Dusseldorf and the INTERATOM GmbH., Benberg, an affiliated company of the DEMAG, Duisburg. The latter firm will receive in addition a financial aid up to 18 million DM in repayable loans to assist in building a reactor of limited output. Total costs of the proj ct are estimated at 25 million DM. The development of this reactor is part of the programme for progress of medium and small reactors. Technical inspection of the development progress will be undertaken in agreement with INTERATOM by an independent committee of experts who are working at the Nuclear Research Institute at Juelich. The West German Atomic Energy Commission has given its support to the project. INTERATOM estimates that the construction of this reactor will take about three years.

BUSINESSMEN IN A MONASTRY

In Asia it is quite common that people retire temporarily to an ashram to listen to the wisdom of a sage. As far as we know a quite similar occurrence has for the first time happened in West Germany and it looks as if it will become a regular custom. At the suggestion of leading businessmen in Munich, a group of industrialists, university professors, judges and medical doctors entered for a fortnight the monastry of the Benedictine Order in Niederaltaich (Bavaria). Under the guidance of Abbot Immanuel Maria Heufelder these laymen went in for a seculsion according to the rules of the Order and participated in the monastic life of the abbey. This test has proved so successful that several hundred applications for temporary entry into the Benedictine Monastry have been registered. The movement also shows that in the "Country of Economic Miracle" (Wirtschaftswunderland) there is not always (and not only) a desire for the latest motor car model, television-set etc. or for good food and drinks but, as we have seen, there is also a longing for the spiritual matters of life.



Economic Report from the U.S.

HANDLING OF THE STEEL SITUATION

By

GUY SIMS FITCH

WASHINGTON, April 24.

PRESIDENT KENNEDY'S handling of the recent steel situation represents a major victory for his economic policies. Without exercising direct controls, the President was able to use the influence of his office to forestall a general price rise in this key industry, demonstrating dramatically the power of the federal government as an economic regulator and a protector of the public interest. The Kennedy policies are geared to the premise that continued price stability is essential to the attainment of U.S. economic goals. These include an acceleration of the domestic growth rate and a final solution of the nation's improving but still troublesome international balance of payments problem. These related objectives are tied to the ability of the U.S. economy to improve its efficiency at home and to compete effectively for export markets, abroad.

This helps explain the jubilation with which the Kennedy Administration greeted the moderate and evidently non-inflationary settlement of the labour-management contract talks in the steel industry. It also helps explain the sharp Administration reaction when the settlement was followed by an immediate and almost general increase of some 3.5 per cent in the price of steel. The price-raising action was initiated by the United States Steel Corporation, the nation's largest steel maker, and was soon joined by most of the other leading steel companies. The ostensible reason for the increase was to enable the industry to raise its earnings so as to invest more in the modernization of its facilities and hence make itself more competitive. Everyone agrees that modernization of facilities is a desirable goal. But to many economists in and out of the government, it was difficult to see how the industry could benefit from a price rise that would invite further market inroads from foreign producers and substitute materials—to both of which the American steel industry admittedly has been losing ground in recent years.

From the broad viewpoint of national interest, moreover, the Kennedy Administration could hardly countenance unprotested a move that ran the risk of pushing up prices for thousands of items in which steel is a major component. By endangering the price stability of the past year, such increases would tend to retard domestic economic expansion and to weaken the competitive position in world markets of a host of American products, with potential damage to the U.S. balance of payments. Also to be considered was the possibility that this might upset the apparently non-inflationary pattern of labour-management negotiations which the all-important steel settlement seemed to have signalled. Many economists, moreover, were ready to challenge the industry's claim that it needed a price rise because of insufficient earnings. This is reflected in President Kennedy's characterization of the abortive price increase as unjustified as well as harmful to the public interest. Estimates show that the labour cost of a ton of steel for the industry as a whole has not increased since the last general increase in steel prices in 1958. Nor, with productivity continuing to rise, is it likely to increase under the terms of the recent labour settlement. In addition, plant capacity is ample, and basic materials are in plentiful supply and relatively inexpensive compared to some past periods. Under these circumstances, as Administration officials have noted, the steel industry probably could realize better earnings from a higher operating rate than from higher prices. On the question of earnings, it is noteworthy that with the possible exception of United States Steel Corporation, the largest steel companies seem to have suffered no real deterioration in their profit positions in the past several years. Indeed, available reports show a marked rise in steel earnings in recent months, along with business earnings generally, under the impetus of rising demand and production. Not all elements in the business community are completely reconciled to this line of thought, and it is possible that some price increases in steel may be in order later on. It is to the credit of the steel industry, however, that the general price rise was rescinded only two days after it was announced. An important factor, in addition to the Administration's opposition, was the competitive position in the industry itself, as several important companies refused to go along with the price boost.

As for the acknowledged need to modernize plant and equipment, the Administration holds to the view that this can best be accomplished—in steel and other industries—through a basically non-inflationary approach. One way has been to keep interest rates and monetary conditions stable, so as to stimulate a flow of savings into investment. Of potentially more direct advantage are two pending actions which would offer important new incentives and sources of funds for the modernization of industry generally. One is proposed legislation, now being considered by Congress, to give a tax credit for investment in new equipment. The other, due to be announced by the U.S. Treasury soon, would take the form of liberalized depreciation allowances for writing off the costs of new facilities for tax purposes. Together, these measures could provide the steel industry, as one of the potential beneficiaries, with as much as $130 million of tax savings on new investments. The groundwork thus is laid for further and essentially non-inflationary advances in the U.S. economy. The Administration is pursuing its policies without recrimination and with an evident determination to improve further the climate for business cooperation with the government. But one thing has been made clear in this steel incident, the public interest is paramount. And in the long run price stability represents a genuine gain for the entire nation—consumers, workers, producers and investors alike.

Special Article

ADVERTISING AND THE SIGNIFICANCE OF THE BRAND IMAGE

(CONTRIBUTED)

TRADITIONAL advertising, by and large, attempts to make its concern known to the people in general. It is a medium indicating to look for the present wants or "playing up the old desires". It does not necessarily assure to foster and promote sales. Awareness or existence of a concern need not be tantamount to the acceptance of its goods and services. Therefore, the central aim of effective advertising should be to sustain a favourable image of a product and/or service and thereby stimulate the current demand and influence new wants. To create such an atmosphere, two hypotheses present themselves—how one perceives the world and what the world in turn expects from the perception. Such a study is commonly referred to as general semantics. In fact, this study helps to guide and promote advertising creativity and communication. In a word, Harry E. Maynard observes that "general semantics is the study of how we perceive or 'size up' the world and then symbolically relate to it; that is, talk about it, write about it, or mathematize about it."

An attempt is made here to present certain psychological and sociological influences which formulate an impressionable image of a particular concern.

If an advertisement strives to exhibit the physical attributes of a product or service of an outfit, it may lend itself to passive, pleasant or petulant association of ideas, depending upon the psychological set-up of the individuals. The latter is said to be influenced by external factors. The external factors are those which comprise social pressures such as suggestions, instruction, group influences or participation. Advertisements which involve repetition, size, novelty, intensity, contrast, and the like, are also taken to be external factors. While internal factors include personal interest, emotional or physical state, hunger or thirst, pride, prejudices, attitudes and other feelings towards individuals or groups.

The strategy of winning and influencing people to one's thought largely depends upon the favourable setting in which the technique is launched. The favourable environment can be thought of as one where the society experiences certain emotional disturbances which include:

"(1) Painful uneasiness or anxiety;

(2) a feeling of separation from the group or isolation from group standards; and

(3) a feeling of pointlessness or that no certain goals exist."

Such a disturbed and insecured feeling is believed by sociologists to exist in a fast moving, literate and industrialised society. It is held that a slow moving, non-literate and underdeveloped society develops resistance to change. Hence it is scarcely possible to replace the already formed images of that society to the changing new ones. In a word, the technique of image formation applies to a well-developed and standardised society. Another point as regards communication carriers deserves attention. The communication carriers, in fact, attempt to draw people and to get them together and influence them to an activity. But more often than not, they fail to accomplish their specific objective. As indicated earlier, they emphasise the existence or awareness of a certain product or service, but they do not, however, set forth the specific attribute which the image-maker endeavours to do. In other words, the repetition of message is not always as significant as the nature of the image that it attempts to soak and begins to germinate in one's mind. To assess the achievement of advertising, the entrepreneur has to pin down the specific aspect which he attempts to demonstrate through advertising. The distinction between the advertising goals and marketing objectives, though apparently similar in the ultimate analysis with respect to enhancing sales and repeating purchases, markedly differ from each other in individual performances. The former spell out as "a specific communication task, to be accomplished among a defined audience to a given period of time". While the latter include stepping up sales, assisting and aiding salesmen in opening new accounts in new territories and expanding the share of the markets.

One of the factors that could possibly make the potential clientele to form a favoured image of a particular concern is to hold forth the enamoured attribute of its product (if there is none, create one) in a well received setting. If necessary, lend the sought-after image a 'new look' "in the already accepted values of the people". The image should conform to the tastes, purses, purposes and similar other standards of the society. Consumer research seeks to demonstrate that many a new and exotic preference tends to alter according to the various educational and income frequencies. Hence it is up to the market researcher to bear in mind the nature of the image he has in mind to project it to his prospective clients. It is not the well publicized that merits the attention of the public that matters often, but most often the pleasant image that captivates the onlookers that really counts. Many a success of the "unknowns" and very many failures of the "knowns" in the recent General Elections drive home this incredible point. The reason seems to be obvious. The former, no doubt, were known to the public but somehow they failed to impress a favourable and vote-catching image in their constituencies. While the latter is believed to have imposed an influencial and promising image on their voters, despite their individual insignificance.

Another principle which advances the effective formation of image is to emphasise the already formed images in terms of their "reference points". Reference points are taken to be standards which are employed as basis for comparison. In a complex society, it is believed, people constantly and continuously make choices and as such standards are needed to judge the contrasts which are derived from various events in the competitive society. The standard of comparison may stem from the performances and accomplishments of people with respect to their finance, prestige, recognition, public goodwill, and such other human longings. The attitude of comparison may be directed either towards a positive stand or a negative approach. Human nature being what it is, it seeks to assess its attainment by comparing with other similar competitors' success or failure, profit or loss, goodwill or ill-will, assets or liabilities, and so on.

The next consideration is as to how could one determine the nature of the image of a particular concern which exists in the minds of a certain society or group. Unless it is appraised, one can scarcely proceed further to develop and deepen the image of one's choice. When once it is assessed, it is rather possible to develop the desired image through cautious, periodic systematic re-enforcement of messages or stimuli. To perform this course of findings, usually social psychologists are called into service. They evaluate the necessary particulars by means of projective tests and "depth interviews".

It is true that men are rational beings. As such, sale-stimulants should be designed and directed in such a way that they should appeal and impress the rational attitude of human beings. In a dynamic and standardized society, it is rather difficult to draw a line between the rational and the irrational. In a society where the majority has a say, it is immaterial to exert the rational attitude by the minority. The latters' views will lead them nowhere. In this context, it must be pointed out that the real reasoned people could even be dubbed as irrational by the majority!

It is argued that the consumer, as an individual, by and large, wants to buy the goods and services which are socially acceptable. The rational motive implies self-approval which is equally acceptable by the society. In fact, it reflects the customs and conventions of the society. Therefore, it is maintained that the society and the rational consumer have one and the same taste or desire about a consumer good in particular.

The irrational motive, on the contrary, can be taken to mean that it is not one of self-approval, but that which is appreciated by the society. What is good for the major population of the society need hardly be bad for all the individuals! This kind of argument perhaps has made the Chief Executive of the General Motors say: What is good for the G.M. is considered good for the Government of the U.S. It is no wonder that many individuals who when asked to give their opinion as regards certain item, they seldom give out the answers what they deem fit lest the society would brand them as irrational beings! Instead, they will offer "socially accepted answers or even completely erroneous answers concerning their behaviour". In a word, whatever motives the consumers may have, the former should be socially acceptable. What is socially accepted is constantly in a flux. That is why, the market researchers should be alert to keep in line with the changing consumer's preferences.

The consumers' behaviour in a standardised and imitative society, by and large, not only takes a shape with reason and knowledge, but more often falls a victim to feelings and unconscious drives. Hence an average individual is governed by both reason and emotion. In the light of these complex segments of individual behaviour, the image-maker has to take into account many a vital factor before he launches his campaign. The task of the image-maker is not an easy one. His primary concern should be with the individuals' longings and desires. If he ignores this aspect and attempts to coerce the psychological setting of the individuals by means of persuasive media, the success of his efforts would tend to be transient if not ineffective. Whenever an individual mental equilibrium is tilted or disturbed by persuasion, the mind, despite its coercion, attempts to seek ways and means to regain its equilibrium.

In conclusion, as indicated, advertising, by and large, is a communication between the respondent and the commercial. It was presumed once that the respondents were passive recipients devoid of emotions or outside stimuli and as such certain terms, viz., retention, memory, impact and the like indicated only a passive registration. But today modern psychology bears out that the above assumption is not only outdated and useless but also is misleading and incorrect. In fact an individual or group "talks back, restructures, identifies and distorts the relation between himself and the commercial". Hence an advertisement researcher has to take into consideration the dynamic inter-relationships between the consumers and the communication-carriers.

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THE BUSINESS WORLD

Are We Doing Enough to Push Exports?

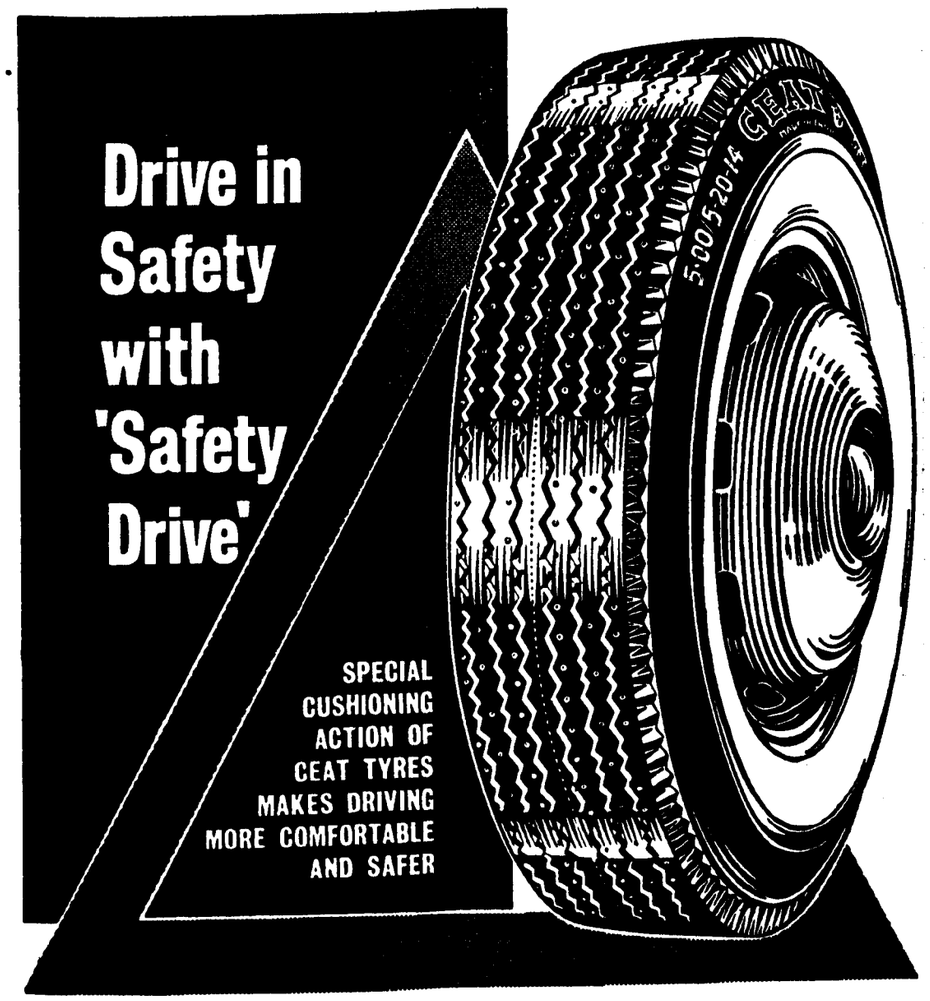
By CROESUS

ALTHOUGH the country may be said to have become export conscious, one cannot say as yet that this is matched by efforts commensurate with the needs of our ambitious development plans. "It is obvious," as Mr. G. L. Mehta, Chairman, of the Industrial Credit and Investment Corporation of India (I.C.I.C.I.) observed when he inaugurated the meeting of the Central Council of Foreign Trade, the other day, that "we cannot create an export market overnight; we have to start gradually building up an export market and nourish it for a long time before it is stabilised." This may sound like a cliche or truism but, if Mr. Mehta felt compelled to reiterate it, he must have had sound reasons for doing so. Even though it is generally agreed that exports are vital to our economy and an expansion of our exports directly concerns our development, judging by the actual performance, we cannot say that much has been done even at this stage sedulously to build up an export market, not to talk of nourishing or stabilising it. If we leave aside the export achievements of a section of the engineering industry and some marginal gains here and there due more to fortuitous circumstances than to deliberate effort—we have very little to feel elated about. On the contrary, the few figures that Mr. Mehta gave should convince everybody that there is no scope for any complacency. How many people are aware, we would like to know, that our exports, as estimated by the Planning Commission during the Third Five-Year Plan, do not at all help us to meet our needs for development imports? As against our maintenance imports of Rs. 3,650 crores or an average of Rs. 730 crores per year—even this is considered as an underestimate by Mr. Mehta—our total exports for the Third Five-Year Plan period have been put at no higher than Rs. 3,700 crores giving an annual average of only Rs. 740 crores. This means, as the I.C.I.C.I. Chairman did well to point out, that "we are meeting the whole of our import bill for Capital Goods by borrowing." This is hardly a satisfactory position for any country.

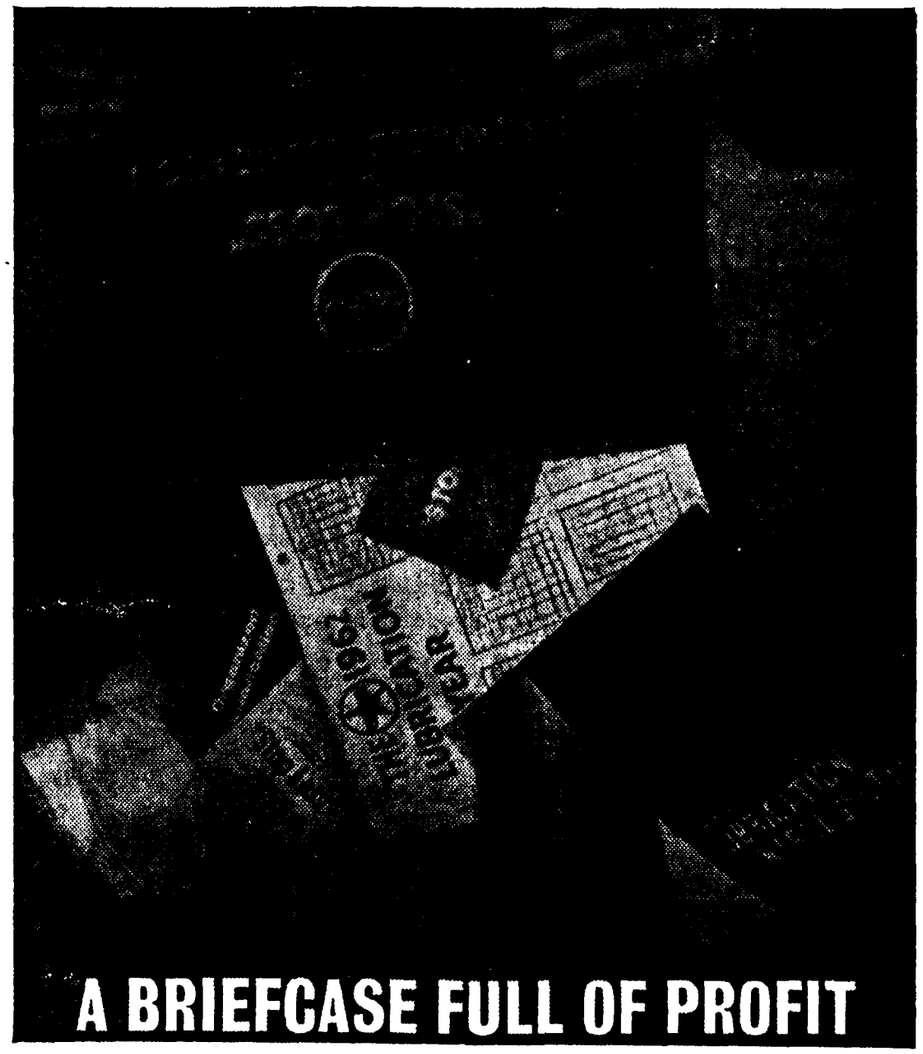
Let us look at it from another angle, also highlighted by Mr. Mehta. During the last ten years, our national income has increased at an annual rate of between 3 and 4 per cent, whereas our exports have risen, over the same period, at about just one per cent per annum! Thus, notwithstanding the fact that our production has increased, we have not been able to spare more for our exports. In other words, we have been using most of the production internally, which, of course, is a feature common to nearly all the developing countries where in the initial stages of progress at any rate, the propensity to consume is relatively greater than in the industrially advanced countries. Whatever the explanation, the net result remains that the level of our exports is not only not keeping pace with the level of our national income, but actually going down. About ten years ago, our exports were six per cent of our national income, but today, despite the two Plans, our exports are less than five per cent of our national income.

What is a matter for considerable concern is that, while we are not releasing any appreciable quantity of our increased production potential for exports, we are also impinging, to some extent, on imports, with the result that, quite often, there is not enough of these imports to go round to cater fully to the installed capacity of export industries in the country. The inevitable result has been, as Mr. Mehta has noted, that we have involved ourselves in a vicious circle, whereby import cuts are leading to high internal costs as a result of shortages of materials. This would not have mattered if the repercussions stopped there and did not extend further, but what has happened is that shortages of the essential imported raw materials have led to a curtailment of production even in export industries and, consequently, to a loss of competitiveness in the case of our exportable goods in foreign markets. This is by no means the only factor responsible for making our goods less competitive. The policies of the Government, on the one hand, and the unappreciative attitude of labour to the question of productivity, on the other, not to speak of the inadequate and often inefficient management, also go to render our goods in the world markets anything but competitive, price-wise or quality-wise. It is, therefore, necessary to forge a multi-frontal solution to the problem of exports.

Fortunately for us, the prevailing circumstances are reasonably propitious. Apart from the steadily growing export-consciousness of the public, to which reference has been made already, the authorities have also begun to bestir themselves. The acceptance of the recommendations of the Mudaliar Committee and the earmarking of a crore of rupees for export promotion constitute a good beginning. But there are a number of other important recommendations that require to be promptly implemented. There is, for example, the proposal for setting up a pool of revolving foreign exchange funds to be used to foster exports. As the Mudaliar Committee has observed, it should be possible to finance the import of the additional raw materials required to stimulate production for export progress through the medium of such a fund. It is the belief of this Committee that groups of international banks would be agreeable to supply credit for importing raw materials to be used by approved exporters who can be relied upon to fulfil undertakings on exports. If the foreign exchange so available is purposefully employed to ensure exports and earn more foreign exchange, such surplus could be put into a fund until it assumed a respectable size to be used, in turn, again, for imports of raw materials for export industries. The Committee has made further recommendation to make this effective, such as the setting up of an autonomous body, to be called the Export Stabilisation Board, and




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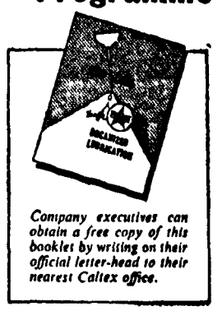


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it is to be hoped that effect would be given to these recommendations also without undue delay. The creation of a seperate Department of International Trade with such a dynamic Minister as Mr. Manubhai Shah as its head offers some hope that things will begin to move more brisky and systematically than hitherto. We may expect him to set, what the I.C.I.C.I. Chief has described as "meaningful targets for export for each industry, reconcile various programmes dealing with export, and co-ordinate several Government agencies concerned with them."

When once the Government is convinced — as one would like to hope it is—of the case for incentives to stimulate exports, it is not clear why it should be halting in providing as many as possible and practicable of such incentives as have been suggested by the concerned interests. As Mr. Murarji Vaidya, President of the I.C.O.F.T. urged, "we must take courage in both hands and announce and operate schemes of export promotion incntives which will make it worthwhile for every exporter to make long-term plans and set up the necessary organisation to develop the export trade of our country." Viewed in this context, it is debatable whether the relief on exports given by the Union Finance Minister last month is at all adequate. While the extent of relief given is welcome insofar as it goes and may even help improve our exports to some extent, the fact that the relief has been confined to a limited number of export commodities takes away much of the grace of this gesture. Further, the relief given in respect of corporate taxation is too meagre to prove an effective enough incentive for increased exports. The authorities could certainly afford to be more liberal when the stakes at issue are so vital to the economy of the country.

If the best results are to be obtained, tax reliefs and other official incentives alone will not do. They must be supplemented by the earnest contributions of both industry and labour; without that it would be impossible to strike at the root cause of the poor performance of our exports today. That our costs of production should be higher by nearly 100 to 200 per cent than those of many other countries, despite plentiful manpower and several other incidental advantages, is a commentary on the state of our preparedness in this sphere of economic activity. Something more effective than mere raising of eye-brows is called for, if we are not to continue to be priced out of the world markets not only in the new lines of our exports but even in some of our traditional ones. In short, to quote Mr. Mehta, "there is no basis for stable exports other than efficient production and steady reductions of cost."

Business Notes

Productivity

PLEA FOR RENEWED CONSCIOUSNESS

THE HIGH COST of production of our goods has placed us at a great disadvantage vis-a-vis those countries which can boast of a relatively much lower cost of production. This high production cost in our country is the result of a number of factors, but it is primarily a reflection of the low degree of productivity in the case of our industries. If productivity is reasonably high, the industry concerned will not at all mind a commensurately high wage bill. Now, wages constitute a large part of the cost of production, but the productivity of the workers concerned is lamentably low, and this is a serious hindrance to the country's export drive. At a time, when increased exports are so vital to the country's economy as it is today, the position requires to be looked into without delay. Indeed, this formed the main theme of the Presidential Address of Mr. Naval H. Tata at the annual general meeting of the Employers' Federation of India in Bombay.

"In the sphere of practical economics", declared Mr. Tata, "it is the wage cost per unit of production which matters". Despite the prevailing opinion to the contrary, ours is not a cheap wage-cost economy, although individual earnings of the worker in this country may not compare favourably with those in the more advanced countries of the West. Wages are directly related to productivity and they cannot outrun the industry's capacity to pay, nor can they be out of tune with productivity. In this context, Mr. Tata, referred to a recent survey which has shown that, between 1951 and 1957, the wage index in the organised sector has risen by 24 points, whereas the productivity index has moved up only by 8.6 points, thus revealing that there has been no relation between wages and productivity. The concept of wages, according to Mr. Tata, has a wider significance in this country and includes an element of what is popularly known as "Social Justice". But he noted that this yardstick of social justice was not being applied equally both to the organised and to the unorganised non-industrial workers of the country. In the result, there has been no reasonable parity as between the aggregate wages of the two categories, the unorganised sector having a distinct advantage over the organised. With the aid of statistics, Mr. Tata further revealed that agricultural labour, to which category the majority of the working population in India belonged, received only a fraction of what industrial labour earned, and remarked that it was unwise to accentuate the existing big disparities between the workers in different sectors thus, besides underscoring the point that any increase in the earnings of industrial labour must be preceded by a rise in productivity.

In view of the slender foreign exchange resources, Mr. Tata felt that exports must be increased and this could be achieved only if the two essential pre-requisites, namely, the maintenance of quality to satisfy the foreign consumer and the competitive cost of our products, were borne in mine. As regards quality, he said, it was the primary responsibility of the management, but the cost of production, he went on to say, depended on prices of raw materials, which were largely controlled by the Government, and labour cost over which also, as he averred, the employer had no control, thanks to the prevailing era of adjudicated awards. The primary responsibility for holding the price-line, therefore, lies more with the Government and the employer has practically no control over the wages, nor over the other items in the price structure which are now within the ambit of the Tariff Commission.

Chemicals

STEARIC AND OLEIC ACIDS

THE STEARIC AND Oleic acids industries have again come under the scrutiny of the Tariff Commission. The protection which these industries have been enjoying

for the last 14 years (it was in 1948 that the then existing revenue duty of 30 per cent ad valorem on Stearic and Oleic acids was converted into a protective duty) is due to expire next December. In 1954, the Tariff Commission brought in even derivatives of Stearic and Oleic acids within the scheme of protection, and the duty on these acids and their derivatives was fixed at a uniform rate of 31½ per cent ad valorem or 8 annas per lb., whichever was higher. Recalling all these, Mr. K. R. P. Aiyangar, Chairman, Tariff Commission, observed, whilst opening the public inquiry in this connection, that the industry had made considerable progress during the past 14 years; the production of stearic acid had increased from 69 tonnes in 1947-48 to 2,838 tonnes in 1961 and that of oleic acid from 8 tonnes to 392 tonnes. Even so, according to Mr. Aiyangar, there has been considerable under-utilisation of the existing capacity. Giving statistics to support this, the T.C. Chairman revealed that the present capacity of all the seven units engaged in the manufacture of these acids, as reported by the Development Wing, amounted to 6,949 tonnes for stearic acid and 1,768 tonnes for oleic acid; in the case of derivatives, which comprised stearates of aluminium, zinc, magnesium and lead, he said the total present capacity for manufacture amounted to 452 tonnes, while the total production of stearates increased from 113 tonnes in 1959 to 126 tonnes in 1960 and to 166 tonnes in 1961.

Mr. Aiyangar also disclosed that the consumption of stearic acid, on the basis of sales and imports, worked out to 2,410 tonnes for 1960 and to 2,716 tonnes for 1961, while the corresponding figures for oleic acid were 335 tonnes and 407 tonnes for 1960 and 1961, respectively.

The principal raw materials required for the manufacture of stearic and oleic acids are tallow, palm oil and groundnut oil. With the exception of palm oil and tallow, all other raw materials, according to Mr. Aiyangar, are available indigenously. The imports of palm oil and tallow are allowed to the existing manufacturers on the basis of their past consumption, claimed the T.C. Chairman. But the producers complain about the inadequancy of their quotas and they point out that it is this which has resulted the crippling under-utilisation of capacity. The indigenous supply of palm oil and tallow is very small and, even in the case of groundnut oil, the most important raw material in the manufacture of both these acids, the price has been steadily increasing.

Mr. Aiyangar drew attention to the fact that there were complaints from consumers about the higher prices of the indigenous products compared to the imported ones. There were also complaints he said, about the relatively lower quality of the acids manufactured indigenously. He did not, however, say to what extent the differences in quality of the finished products were the result of the inherent differences in the quality of the indigenous and the imported raw materials.

Paper Industry

HOW TO ACCELERATE DEVELOPMENT?

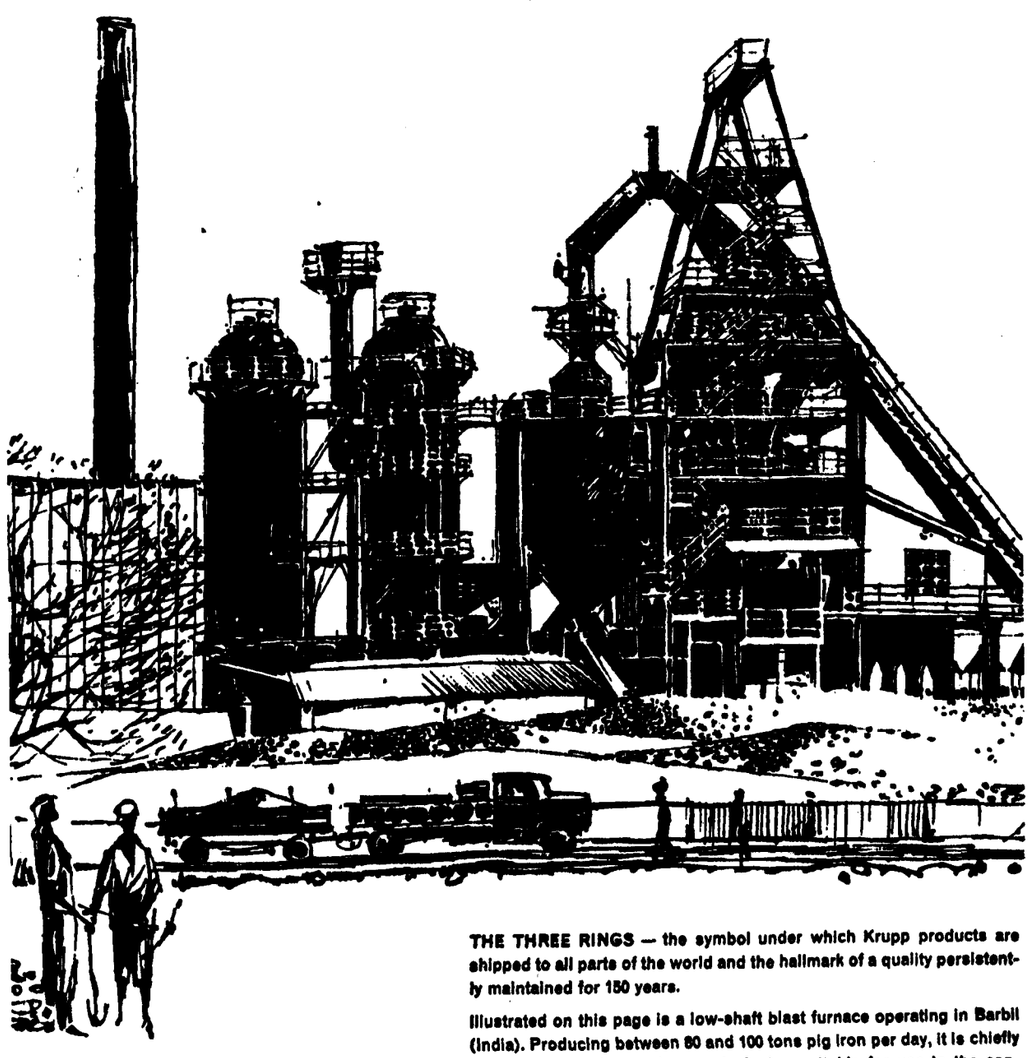
ALTHOUGH THE Third Plan envisages stepping up of paper and paper boards output from about 3.45 lakh tons in 1960 to 7 lakh tons by 1965-66, through doubling of the installed capacity from 4.1 lakh tons to 8.20 lakh tons, the progress made during the first year of the Plan appears to have been far from encouraging. During 1961, the increase in paper and paper boards production has been only of the order of 19,000 tons, as against an increase of 38,000 tons in 1958, 43,000 tons in 1959 and 51,000 tons in 1960. One explanation for this slow rate of progress in this industry in the last year can be that there is always a time-lag between the licensing of new units or expansion schemes and their implemetation. Thus, although licences for an additional capacity of 8.04 lakh tons have been issued, bringing the total licensed capacity to 12.14 lakh tons, no new paper plant has been added during the first year of the Third Plan. The 19,000 tons increase in output has resulted only through expansion of two of the existing units.

Three large and seven small units, out of the 22 large and 71 small units licensed to be set up during the five years to 1965-66, are expected to be commissioned during the current year. Some expansion programmes of the existing units may also materialise. But the growth of the industry is not likely to be commensurate with the growing needs of the country. No concrete steps appear to have been taken by licencees in the case of a number of schemes already sanctioned for implementation. This is evident from the fact that out of the additional capacity sanctioned to be installed, 32 licences (capacity 95,602 tons) has to be cancelled by March 31, 1962, under the "Show-Cause Notices" procedure. There are another 17 licencees who have also been served show-cause notices. The number of such cases may go up in the near future when the progress made by the licence-holders to implement their schemes comes up for further review. In the light of these facts, there is obviously a reason to look into the causes which stand in the way of setting up of the new units or even the expansion of some of the existing ones.

One reason for this slow progress in the matter of expansion of this industry is perhaps the low rate of return for capital employed in it. Mr. P. J. Egan, Chairman of the Indian Paper Makers' Association, has expressed the opinion that the rising cost of production has eaten up to a considerable extent the profit margin allowed to this industry after an enquiry by the Tariff Commission three years ago, which forms the basis of the present fixed selling prices of paper. The small profit margin that remains at present does not enable the companies to plough back any great profits for expansion and also does not make them sufficiently attractive for fresh investment by the public. Raw material, chemicals, power and fuel costs alone, according to him, have gone up by about Rs. 150 per metric ton since the Tariff Commission's enquiry. Production costs have also gone up owing to increased labour charges, repairs, establishment and the other overheads. The position has been explained recently to the Development Wing and an early decision in this regard in the form of some ad hoc increases in selling prices should help in accelerating the setting up of new paper factories in the country.

Some of the other difficulties faced by the industry are the non-availability of adequate quantities of raw materials due to transport bottlenecks and the anomalies created by lack of clear definitions of various types of paper for purposes of assessment of excise duty. Upgrading of the raw materials required by the paper industry into the category of preferential traffic schedule of the railways should indeed be of some help in expeditious movement of these materials from the assembling centres to the factory sites. But since the overall bottleneck on the railway system is going to

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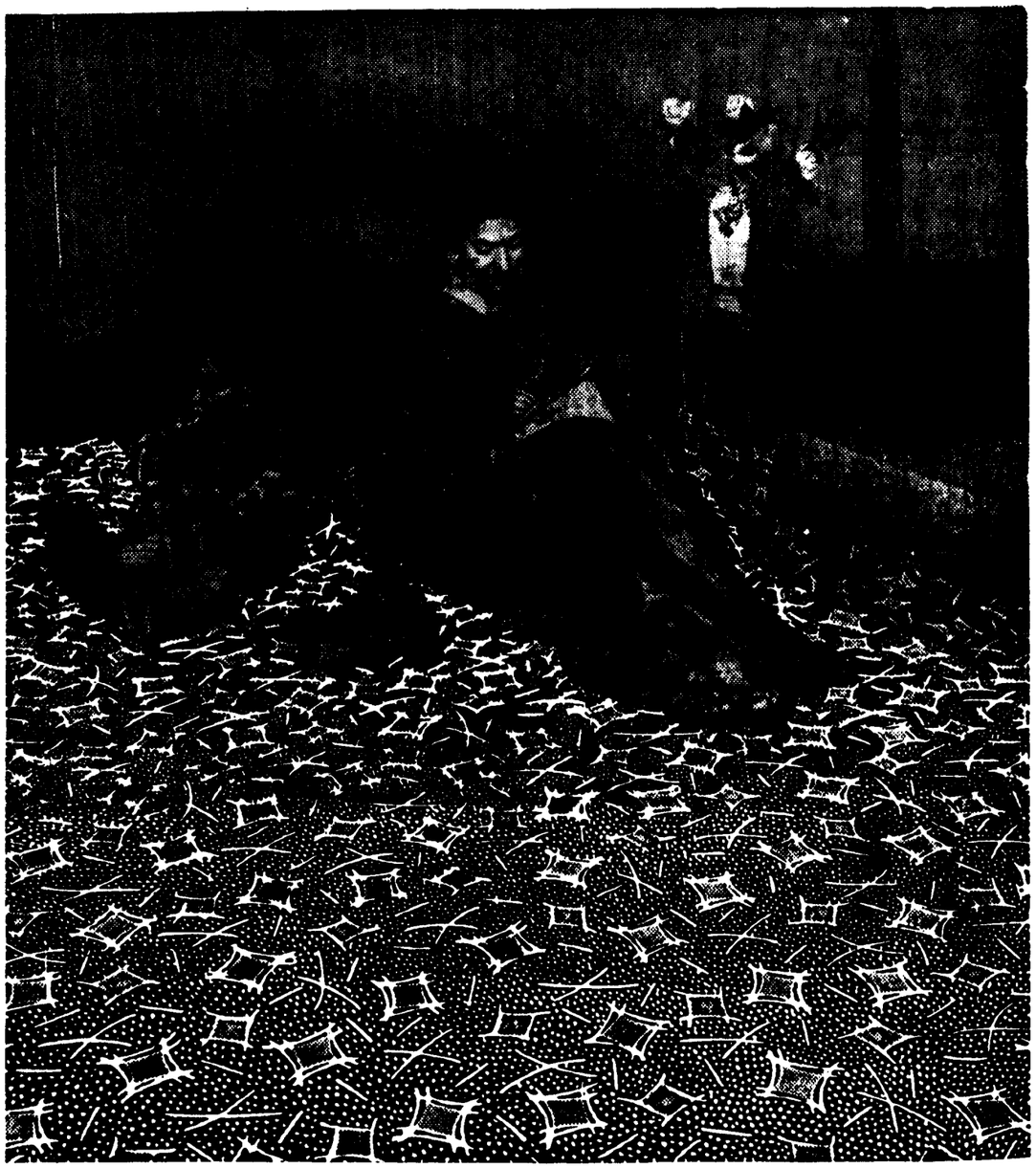
Illustrated on this page is a low-shaft blast furnace operating in Barbil (India). Producing between 80 and 100 tons pig iron per day, it is chiefly adapted for small-size, low-grade fuel unsuitable for use in the conventional blast-furnace process.

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remain for some time to come, the industry will have to put up with it.

Mr. Egan's plea for the development of the forest resources of the country on the lines suggested by him deserves particular attention from the authorities. It is hoped that his plea for leasing out of forests for development and exploitation by the industry on long-term basis will be conceded by the Government. There is obviously a case for precise definitions of various types of paper being evolved for the purposes of excise duty and an expeditious disposal of the memorandum submitted by the IPMA to the Central Board of Revenue in this regard is warranted.

Kerala

INDUSTRIALISATION THE BASIC PROBLEM: NCAER SURVEY

AT THE instance of the Kerala Government, a techno-economic survey of the State was undertaken by the National Council of Applied Economic Research, the main object being to assess the industrial potential of the State during the coming decade vis-a-vis the growth potential in other sectors of its economy.

The Report spotlights the distinctive feature of Kerala's economy—the high level of labour productivity in the agricultural sector (Rs. 638 per worker as compared to the all-India average of Rs. 411 per worker) which is offset by the extremely low productivity in the industrial sector (Rs. 548 per worker as compared to the all-India average of Rs. 1,294 per worker). The high agricultural productivity in Kerala is occasioned by its pattern of commercial crops yielding a high value. Coconuts, for example, occupy 20.2 per cent of the gross cropped area in the State and this is closely followed by rubber plantations. Low productivity in the industrial sector is accounted for by the predominance of cottage industry using obsolete techniques.

Against this background, the pressure of population on land and the increasing unemployment in the State have resulted in the low per capita income. The Report, therefore, urges the need for increasing per capita and total income by providing more employment opportunities for the working force in the State. Since employment in the agricultural sector cannot be increased beyond certain limits, the Council emphatically advocates further industrialisation of the State.

Having thus diagnosed the malady that has hindered the progress of Kerala, the Report prescribes the remedy in terms of guiding factors in planning the strategy of growth of Kerala. Firstly, a proper system of crop priorities in the sphere of agricultural development is to be fixed, taking into account the special suitability of the State for growing valuable plantation and other cash crops. The Council discounts the present thinking in terms of achieving self-sufficiency in foodgrains within the State. Instead, the Council suggests that no change-over from cash crops to food crops should be allowed and the deficit within the State should be made up by Government from surpluses of other States. The Council details the following order of crop priorities for Kerala: (i) the crops constituting a raw material for the industry, specially those which are presently in short supply, e.g., rubber, cashew, coconuts; (ii) the crops making a substantial contribution to foreign exchange earnings, e.g., tea, coffee, lemongrass, cardamom etc.; (iii) crops which contribute towards the wiping out of food deficits.

Secondly the Report urges the need for technological improvements in the industrial sector. It analyses the industrial growth potential in terms of five factors which, among themselves, determine the possible rate and the lines of expansion. These include the existence of overhead facilities, availability of local raw material resources, the existing level of industrial technology, entrepreneurial skill and type of labour found in the State. One of the main reasons of industrial backwardness, the Report says, is the use of antiquated industrial techniques resulting in low productivity and small re-investible surpluses in the industries of Kerala.

Technology being the prime-mover of economic growth, the Report opines that the mainspring in the strategy of industrial growth must be technological advancement, both through the replacement of antiquated processes by more modern techniques in the existing industries, especially the small-scale sector, and through introduction of technologically advanced new industries.

The Report suggests that the State should aim at achieving a per capita income of Rs. 410 (at 1955-56 prices) by 1970-71 which will be a somewhat comparable level to that of all-India in that year. This would require an increase of 107.6 per cent in the State's income between 1961 and 1971, i.e. an annual average rate of increase of 10.7 per cent. "If this goal is to be achieved", the Report says, "total investment effort required during the coming decade will be around Rs. 1,000 crores; Rs. 400 crores during the Third Plan period and the balance of Rs. 600 crores during the Fourth Plan. Investment in the State sector will have to be of the order of Rs. 484 crores. The balance of investment will be in the Central Government and private sectors."

At the rate of growth suggested in this Report, the primary sector income would increase from Rs. 193.8 crores to Rs. 387.6 crores (100 per cent), secondary sector income will rise from Rs. 66.5 crores to Rs. 152.9 crores (130 per cent) and tertiary income will go up from Rs. 136.7 crores to 283.6 crores (107.5 per cent).

In an Appendix to the Report is set out a summary statement of the possible large-scale and medium-scale industries which can be fostered in the State on the basis of its agricultural, forestry and industrial raw material resources. Some of the more important of these are: Sugar, cashew shell oil processing, automobile tyre, rayon pulp, paper (panalur paper), industrial alcohol, essential oil, pharmaceuticals; chemical fertilisers, caustic soda, ship building, electrical instruments, agricultural implements, structural fabrication, high tension insulators.

Textiles

BANGALORE WOOLLEN, COTTON AND SILK MILLS

AT THE 79th annual general meeting of the Bangalore, Woollen, Cotton and Silk Mills Company Ltd., Mr. E. F. G. Hunter revealed that the company had a successful trading year in 1961, sales having reached a figure of over Rs. 6 crores for the first time in the history of the company. The higher profit resulted from the progress made to improve efficiency in the mill and also from the good conditions which prevailed for most of the year in the Indian markets. On account of the efficiency brought about, it has been possible for the directors to recommend an increase in the dividend

on the company's ordinary shares. The final dividend recommended will bring the total for the year to 18 per cent gross, equivalent to 12.6 per cent net, which compares with the dividend of 10 per cent net declared for each of the eight preceding years, during which period labour by way of wages, dearness allowance, gratuity and other benefits has annually taken an increasing share from the company's revenues. Sales of the company's popular union fabric Cotswol and the heavier cloth Angola increased during the year and a substantial target for the supply of both these fabrics to Soviet Russia was completed.

Mr. Hunter later on dealt with the new charges being imposed and over which the company has no control and as a result of which costs have gone up quite high. Increase in wages brought about as a result of the recommendations of the Wage Board and the Automatic Loom Cess can be said to be mainly responsible for this increase in costs. Coal supply difficulties were also experienced by the company in 1961 and recourse had to be made to the purchase of seaborne coal which costs nearly double that supplied by rail. Although all these difficulties have been raising their head from time to time and particularly last year, it can be said to the credit of the Bangalore Woollen, Cotton and Silk Mills Company Ltd. that it has weathered the storm very successfully.

BUCKINGHAM AND CARNATIC

AT THE forty-first annual general meeting of the Buckingham and Caranatic Company Limited, Mr. E. F. G. Hunter dwelt at length on the various problems facing the Company. Mr. E. F. G. Hunter revealed that for the first time since 1953 an increase in dividend on the company's ordinary shares has been recommended. The final dividend proposed will bring the total for the year to 18 per cent gross, equivalent to 12.6 per cent net which compares with the dividend of 10 per cent net declared for each of the eight preceding years. This increase in dividend is justifiable in the sense that while labour is demanding an increase in wages there must be equally a compensatory factor for the shareholders as well. The labour, and the shareholders have an equal right in the higher profits of the company.

Dealing with exports, Mr. Hunter underlined that an active export drive had been engaging the attention of the company. This is evidenced by the increase in company's export sales by 2½ per cent to approximately Rs. 2.02 crores which increase was once more against the trend of India's sales of textiles in overseas markets which last year fell by nearly 19 per cent. Since the textile industry is facing a severe competition in foreign markets, Mr. Hunter pleaded that there was a valid case for a reduction in the import duty on dyestuffs and chemicals. Quality has now become the key to success in overseas markets but this, of course, alone is not sufficient and it is essential that quality be backed by higher productivity to ensure a low cost production. In the final analysis Mr. Hunter pin-pointed towards the increase in costs that have hampered the speedy growth of the industry. First and foremost may be mentioned the increase in wages which have been brought about under the recommendations of the Wage Board and the second may be mentioned the absenteeism which has taken an increasing turn of late. If an onward march is to be secured and the target of cloth laid down for the Third Five-Year Plan is to be achieved, it is essential that absenteeism be put an end to and the rationalisation be brought about quickly. Labour will, of course, have to adjust to the rationalisation programme. Since management is prepared to look to their interests, it becomes the bounden duty of labour also to make some sacrifices for achieving the targets laid down in the Plan.

National Rayons

HIGHER COSTS

MR. KASTURBHAI LALBHAI, Chairman, The National Rayon Corporation Ltd. at the annual general meeting of the company revealed that there has been an alround increase on the expense side due to increase in excise duty and increase in other items due to higher production both of the rayon yarn and of chemical products. The chairman, however, was hopeful that the turnover for the year 1962 will be higher as the tyre cord plant has gone into production and the expanded rayon plant will be in production for the whole year as against only six months in the year 1961. Then again it is a comforting factor that the production of the rayon yarn during the year 1961 has increased by Rs. 77 lakhs and that of chemical products by Rs. 17 lakhs compared to the year 1960. Another encouraging development is that the company has been granted foreign exchange loan to the tune of Rs. 39 lakhs for the expansion of the caustic soda plant. The import licence permitting import of requisite machinery is expected and it is hoped that the expanded capacity will be installed early next year.

The criticism that the selling prices of rayon are higher as compared to the selling prices in other countries, was, refuted by the chairman in a dignified manner. In fact the position is that the ex-factory prices exclusive of excise duty permitted to be charged by the indigenous rayon manufacturing units are substantially lower than the internal prices prevailing in all the other rayon yarn manufacturing countries. These prices are even lower than the landed cost of corresponding imported varieties. Since the supply of imported pulp is not sufficient, the company is compelled to purchase the balance of its requirements of pulp utilising the licences made against the export promotion measures. Mr. Kasturbhai Lalbhai was sorry to find that while manufacturers of rayon yarn agreed to the absorption of 60 per cent of additional excise duty imposed last year, consuming units have not honoured the understanding and have tried to pass on the additional excise duty to consumers.

The Central Bank of India

ALL ROUND EXPANSION

FROM THE speech of Sir Homi Mody, Chairman, the Central Bank of India Limited, an all round expansion attained by the Bank in the year 1961 is visible. It may be in regard to working funds, deposits, advances, gross income or net profit, new records seem to have been established. Deposits, for instance, have registered an impressive increase of Rs. 20 crores, the total moving from Rs. 200 crores in 1960 to Rs. 220 crores in 1961. In the quinquennium 1957 to 1961 the growth in the Bank's deposits has been of the order of 42 per cent, time deposits having been doubled during the period.

Although there has been only a modest increase of Rs. 220 crores under investment, it is heartening to note that throughout the year 1961, Bank's resources were put to the maximum use and were profitably employed. At the end of 1961 advances reached as high a figures as Rs. 161 crores, showing an increase of Rs. 10 crores during the year. The growing tempo of economic and industrial development was reflected in an improvement not only in banks loans, overdrafts and cash deposits, but also in the portfolio of bills purchased and discounted, which is a true index of the part a bank plays in financing the movement and marketing of merchandise all over the country. As in the case of deposits, so also under advances there has taken place during the past five years a marked improvement to the tune of Rs. 60 crores, which is equivalent to an increase of about 60 per cent.

As far as gross earnings are concerned, they touched the highest level and amounted to Rs. 12.23 crores. Net profit also show a substantial rise and is an index of the bank's progress during the first half century of its working. The shareholders, though may not be very pleased with the dividend which is restored to the level of 14 per cent net probably because they expected a further increase on account of increase in profits, still it is a consoling factor that the level has been maintained. With the Bank continuing to make further progress in all directions, it is likely that the dividend of 14 per cent net might increase further in the years to come. Our economy is expanding at a rapid pace and the role of the Central Bank of India Ltd. has been quite substantial in it. Its management is in efficient hands and it can be expected that the Bank will continue to make progress year after year.

Indian Aluminium

SATISFACTORY PROGRESS

WHILE INDIAN ALUMINIUM COMPANY LIMITED has made an alround progress, its greatest achievement seems to be in completing its expansion plans much ahead of the schedule. This was pointed out by the Company's Chairman, Mr. K. C. Mahindra, at the twenty-fourth annual general meeting. It may for instance, be observed that at Hirakud, the expansion aimed at doubling the capacity of the plants to 20,000 tons per annum, was completed five months ahead of schedule. At Alupuram, the additional extrusion press was installed on time and started operating in October, 1961. The expansion of alumina producing facilities at Muri progressed satisfactorily and a portion of the new facilities was brought into operatoin in December, again ahead of schedule by approximately four months. In a few weeks' time, the company will have completed the integrated expansion programme undertaken during 1959. It, indeed, is a heartening factor that all the projects have been or will be completed within the capital expenditure figures originally budgeted. Expansion plans apart, the company is now taking such a turn that the expectations are that by 1966-67 it would achieve sufficient strength to stand on its own and generate technique, enough management and enough resources to follow through further expansions. Not only the Chairman has commended the working of the company but recently the National Plans Association, a non-profit-making research organisation in Washington, D.C., has made a case study of the Indian Aluminium Company as an example of Indian-Canadian Collaboration, and has recorded its judgment in very favourable terms.

Mr. Mahindra also dwelt at length on some of the difficulties faced by the industry. The first and foremost difficulty on which he focussed attention was in regard to transport for which he made the plea that transportation situation in the country be improved. On the bauxite problem, the ore from which aluminium is produced, Mr. Mahindra suggested that the State Government should from now on exercise care in issuing prospecting licences or giving leases for bauxite properties to persons or companies who are not directly engaged in the production of aluminium. This, in the view of the company's Chairman, would ensure more effective utilisation of reserves in the country and greatly contribute to the establishment of new economic production units.

British India Corporation

FROM STRENGTH TO STRENGTH

MR. H. S. CHATURVEDI, Chairman and the Managing Director of the British India Corporation Ltd., Kanpur, in his address at the 42nd annual general meeting of the Corporation revealed that after deducting all expenses the profit before taxation in the year 1961 amounted to Rs. 1,05,36,221 as compared with Rs. 90,93,242 in 1960. After providing for depreciation and taxation, the surplus available was over Rs. 61 lakhs as against Rs. 53 lakhs in 1960. The overall results have enabled the directors to recommend a dividend payment per ordinary share of 35 nP. less tax, which represents a gross return of 7 per cent per annum on capital invested by ordinary shareholders. The need to improve further and to build for the future, however, is obvious, and out of the available trading surplus, about Rs. 40 lakhs have been ploughed back into the business as against a corresponding figure of about Rs. 31 lakhs in 1960.

Production in the Corporation's woollen branches has been quite satisfactory. The demand for Lal-Imli and Dhariwal products continued to remain good and the branches were able to sell their entire production. Although the Cooper Allen and North West Tannery Branches continued to face serious operating difficulties during the year, the results of the Elgin Mills Company Ltd. and Cawnpore Textiles Ltd. for which the Corporation is now working as Secretaries and Treasurers were very satisfactory. Profits and sales were higher. In the sugar units record was created in the quantity of cane crushed and sugar produced during the season 1960-61 in all the six sugar units of the group. Industrial relations were also quite satisfactory in the various units. The main difficulty was of course of coal which led the Lal-Imli Mills to close down in January 1962 for some days. On the whole it may be said that the BIC has faced the difficulties quite admirably and it is expected that it will continue to grow from strength to strength.

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FROM THE CAPITAL'S CORRIDORS

ABOUT OIL

THE General Managers of ESSO Standard Eastern and Burmah-Shell, Mr. J. W. Sinclair and Mr. H. A. Eccles, have been to their Head Offices in New York and London, respectively, for consultations.

Considerable importance is attached to their talks with their Boards of Management. It is a matter of common knowledge that neither the Government nor the oil companies have been happy over their continued strained relations, more particularly after the implementation of the Damle Committee's recommendations. The oil companies agreed to implement this Report under protest and have since submitted to the Government their considered opinion on the issue involved. There has also been a deadlock over the throughput of the two Trombay refineries. The Government has been insisting, through curtailment of foreign exchange allocation, on pegging this throughput at the 1960 level, irrespective of the capacity created since then. It has as well made it clear that no increase in the throughout of these refineries will be permitted unless the Refinery Agreements are revised.

So far as ESSO is concerned, it is also interested in setting up a lubricating plant, in equal partnership with the Government, and a naphtha cracker unit. The Government is inclined to grant it a licence for a 100,000 ton-capacity naphtha cracker plant, as against its demand for a unit of 200,000 tons capacity. ESSO had also shown interest in oil prospecting in areas other than West Bengal where its joint venture with the Government failed to discover any oil or gas.

It is presumed that it was to discuss some solutions to these issues that the two General Managers had gone to their Head Offices for consultation.

So far as the refinery agreements are concerned, a via media appears to be under discussion. The Government, it is suggested, should be satisfied if these agreements are replaced by licences under the Industries Act. This would place the oil industry on an equal footing with any other industry in India. It would also mean association of Indian capital in equity shares of the refineries. The prices of oil products could as well be determined by the Tariff Commission as is the case with cement, steel, rubber etc. The oil industry, on its side, would trust the Government that it will not be nationalised under normal circumstances. The Government would permit the oil companies to buy crude from their own sources, provided the price paid is competitive, and would allow them to maximise their refinery throughputs without involving any foreign exchange expenditure on capital equipment.

There appears to be a general agreement on ESSO's lubricating project. ESSO has agreed to go into fifty-fifty partnership with the Government, the management of the project being on commercial basis, largely on the model of Oil India Limited.

The Government will also like to enter into equal partnership with ESSO in the petro-chemical project. If ESSO agrees to this, it may be allowed to set up a petro-chemical plant of 200,000 ton-capacity, instead of 100,000 ton-capacity at present indicated to be licensed by the Government.

So far as oil prospecting is concerned, there appears to be no basis for an agreement. The Government has made it clear that it would either permit oil companies to prospect on contract basis (the companies working as contractors of the Oil and Natural Gas Commission) or as mere explorers (the companies undertaking to sell oil, if and when struck, to the Government at a determined price). These conditions have not yet attracted any international oil company except the Burmah Oil Company which is a partner in Oil India Limited.

AGREEMENT WITH ENI

The details of the agreement entered into between the Government of India and the E.N.I. of Italy were given by Mr. K. D. Malaviya, Union Minister for Mines and Fuel, in Lok Sabha last week. The agreement was signed on August 29, 1961.

In a statement which he placed on the Table of the House, Mr. Malaviya said: "The Agreement provides for a 100 million dollar credit being given by ENI for public sector petroleum projects in two categories; the first category includes projects for which the general provision has already been made in the Third Five-Year Plan, such as transport pipelines for petroleum products from Barauni to Delhi and Barauni to Calcutta, gas fractionation plant, liquid petroleum gas bottling plant and distribution facilities, lubricating oil plant, supply of crude oil production and also distribution equipment.

"Among the list of projects is also included contract drilling for any areas specified by the Oil & Natural Gas Commission. In the second category come additional projects like petro-chemicals and some others for which the Planning Commission and other Ministries have further to be consulted for concurrence and for which consultations have also to be made with E.N.I. in due course.

"Time schedule for projects under first category is such as to enable them to be executed within the Third Plan period.

"The estimated costs of the projects will be known after the project studies have been completed."

INVESTMENT AND INCOME-TAX REBATE

With a view to encourage savings, the Finance Minister, Mr Morarji Desai, in his Budget speech on April 23, announced a scheme by virtue of which moneys deposited in the 10 and 15-year accounts of the Cumulative Time Deposit Scheme run by post offices will also be allowed to earn a rebate of income-tax within certain prescribed limits. The benefits accruing from this have been explained in a Press note issued by the Union Ministry of Finance. The Press note says:

"At present, payments made as life insurance premia or contributions to recognized Provident Funds alone are reckoned towards earning a rebate of income-tax within the prescribed limits. Thus, persons who are not insurable or who cannot contribute to a Provident Fund are not in a position to earn the rebate. It has now been decided that the moneys deposited in the 10 and 15-year Accounts of the Cumulative Time Deposit Scheme run by post offices will also be allowed to earn a rebate of income-tax as in the case of life insurance premia and contributions to Provident Funds but within the same maximum limits. This concession will be specially attractive to self-employed persons like Doctors, Lawyers etc., or employees in commercial undertakings who are not eligible to contribute to any recognized Provident Funds.

"So far deposits under the C.T.D. Scheme can be made for a period of 5 or 10 years only with a maximum deposit limit of Rs. 200/- in the 5-Year Account and Rs. 100/- in the 10-Year Account. With the introduction of a new 15-Year Account with a maximum monthly deposit limit of Rs. 300, the limit for the 10-Year Account has been raised to Rs. 200 a month. As the return from the investments in the C.T.D. Scheme is free of income-tax, the new 15-Year Account would enable an individual to invest a total sum of Rs. 54,000 and earn a tax-free return of about 4.3 per cent compound per annum.

"Taking all the Small Savings schemes together, a single individual can at present invest upto a maximum limit of Rs. 1.05 lakhs the return on which is tax-free. With the opening of the new 15-Year C.T.D.



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Account, the maximum tax-free investment by an individual would stand increased to Rs. 1.47 lakhs. An average family of five can, thus, invest upto a sum of Rs. 7.35 lakhs, the return on which would be tax-free."

EXEMPTION FROM NEW EXCISE DUTY OF CERTAIN IRON AND STEEL PRODUCTS

With a view to making it convenient for the manufacturers of the end-products to pay the duty at one stage, the Government of India has decided to exempt blooms, billets and slabs from a part of new excise duty leviable on them in terms of the Second Finance Bill, introduced in Lok Sabha on April 24, 1962. Thus, if these products are made from duty paid pig iron or steel ingots, as the case may be, no further duty on ad valorem rates will be charged on them. If the duty had not been paid on them at the rates applicable to pig iron or steel ingots, it will have to be paid on such blooms, billets and slabs. When these blooms, billets or slabs are converted into other finished or semi-finished articles, which are subject to new excise duties, further duty at the appropriate ad valorem basis will have to be paid on them.

The Government has also exempted rails and sleeper bars from the duty in excess of that leviable on pig iron or steel. In the case of sleeper bars, the exemption will be applicable only when these are used for making sleepers for a railway track.

All these exemptions have been made effective from April 24, 1962.

EXCISE DUTY ON SUGAR

The Indian Sugar Mill Industry has been disappointed by the absence of any relief in excise duty on sugar in the recent Budget proposals of the Union Finance Minister, Mr. Morarji Desai.

The Committee of the Indian Sugar Mills Association has addressed a telegram to the Finance Minister urging him to reconsider the Association's request for reduction in this excise duty. In the telegram, the Committee has pointed out that the industry is facing a precarious situation due to the serious financial crisis caused by unprecedented burden of stocks, resulting from stagnant consumption, increasing production and difficulties in the way of exports. Further, it is stated, the production cut is undesirable in view of its adverse effects on cultivators. The Committee has pointed out that in view of these factors and owing to the licensing of additional capacity, a cut in excise duty is necessary for stimulating internal consumption which can provide a lasting solution to the present surplus problem facing the industry.

The Committee recalls that excise duty on sugar was enhanced by Rs. 4-2 per maund in 1957 with the specific objective of reducing internal consumption and for making available larger supplies for exports. The Committee considers that the continuance of this additional duty in the entirely changed circumstances, when the industry is burdened with surplus stocks, is absolutely unjustified and should be done away with. This reduction, the Committee opines, is not likely to seriously affect the Government revenue even initially. Over the period also, there may not be any loss in view of the expected increase in consumption.

Meanwhile, the Union Minister for Food and Agriculture, Mr. S. K. Patil, has assured the Lok Sabha that the entire standing sugarcane crop shall be crushed for sugar manufacture. The strategy adopted for alleviating the distress caused to the cultivators in areas where sugarcane output this year is in excess of requirements, after taking into consideration the 10 per cent cut in output stipulated in terms of the new sugar policy announced in November last, is the diversion of quotas for sugar manufacture from the mills whose production is likely to fall as a sequal to shortage of cane supplies, to mills which have in their areas more than the required amount of cane. To facilitate crushing of cane in Bihar and U.P., the State Governments are understood to be finalising their schemes to give some relief to the industry in the form of rebates on the purchase tax and the cane cess.

BOKARO STEEL PLANT

A fact-finding Mission, representative of the U.S. Steel interests, will shortly visit India, at the instance of the American Agency of International Development, to survey the availability, inter-alia, of ores, limestone, coal and transport for the purpose of financing the fourth one million ton capacity public sector steel plant proposed to be set up at Bokaro. Prima facie, this should mean that neither the U.S. Government nor the U.S. Steel industry are committed to finance the project till they are satisfied that the basic requirements for a Steel Plant are available at Bokaro. It should also be evident that the protracted India-U.S.A. discussions have already ruled out the possibility of any steel production from Bokaro during the Third Plan period, as envisaged in the Plan. The Indian authorities are, therefore, anxious that the proposed Survey should not be so prolonged as to rule out the project being materialised even in the early years of the Fourth Plan.

The U.S. Ambassador at one of his Press Conferences had indicated that his country's collaboration in setting up this project carried an obligation to work up the plant to its cheap and efficient production. This is all the more important in the face of the Russian claim that Bhilai Steel would be the best and the cheapest in the world. Bokaro will be the American answer to Bhilai, if the Americans were to take it up.

The coming out of the Survey Mission should mean that the basis of U.S. aid and collaboration in building the plant will follow its report. The Indian position seems to be abundantly clear, namely, that the plant will be in the public sector and India will use as much plant and equipment as are locally manufactured by the time the plant is being commissioned. Side by side, the Government has recognised that training is no substitute for the experience needed for running a first class steel plant. Within this framework, there is ample room for negotiations when the U.S. Government has decided to finance the Project.

ROURKELA & DURGAPUR PLANTS

Meanwhile, the Secretary of the Ministry of Steel, Mr. N. N. Wanchoo is leaving for Germany on May 1 to finalise the negotiations in regard to the expansion of German-built Rourkela Steel Plant by 0.8 million tons. The West German Government has already offered a credit to finance this project and tenders, on the basis of the project report, have already been invited.

Mr. Wanchoo, before returning to India, will also visit London to have further discussions in regard to the expansion by 0.6 million tons of the British-built Durgapur Steel Plant. The British Government has already offered to finance this expansion programme of the Plant.

KIRIBURU IRON ORE PROJECT

The work on the Kiriburu Iron Ore Project has made satisfactory progress. The project is expected to go into production, as scheduled, by the beginning of 1964, when ore exports to Japan from this mine are to commence.

Of the new railway links, the line between Sambalpur and Titlagarh is expected to be ready for goods traffic by December, 1962, and that from Bimlagarh to the loading point at Kiriburu by March, 1963. Work on improvement of facilities at Vishakhapatnam is expected to be completed by the target date.

The Japanese yen credit (equivalent to 8 million U.S. dollars) is for the purchase in Japan of machinery and equipment for only the mining project. Orders of a total value of Rs. 1.85 crores have been placed so far on various suppliers in Japan against the credit.

The U.S. credit was for the foreign exchange cost of the railway and port facilities. The railways have already entered into commitments worth $13 million;

drawals in respect of the port work will also commence soon as contracts have already been concluded for the additional berths and are about to be concluded for the ore loading plant.

PIG IRON PRODUCTION

With a view to encourage the dispersal and regional development of pig iron production and to achieve the target of about half a million tons output outside the integrated steelworks by the end of the Third Plan period, it is proposed to license shortly further capacity in the private sector.

Private parties so far approved for the manufacture of pig iron are:

Name of the Firm and its location	Annual capacity (Tons)
Messrs. Kalinga Industries, Orissa	15,000
Messrs. Kalinga Industries, Orissa (Expansion)	85,000
Messrs. Textool Co. Ltd., Madras	15,000
Acme Iron and Cetrifugal Pipe Works, Maharashtra	15,000
Acme Iron and Cetrifugal Pipe Works, Maharashtra (Expansion)	15,000
Sepulchre Bros. (India) Private Ltd., Bombay	15,000
Hind Traders, Bombay	96,000

KATHARA COAL WASHERY

An agreement has been signed recently between the National Coal Development Corporation and a Russian organisation for the preparation of the detailed project report and the working drawings for a 3,000,000 ton-capacity coal washery to be set up at Kathara. The project will be financed out of the 112.5 million rouble credit made available by the Soviet Union to India. The main terms of the agreement are:

1. The project report will be prepared within seven months from the date of receipt of all the initial data, which has since been supplied.
2. The report will include details of main technical and economic data for the Kathara washery as a whole and of its separate units.
3. The detailed project report will be prepared in conformity with the technical specifications, norms and standards in force in the U.S.S.R., taking into account the local conditions and regulations as obtaining in India.
4. The working drawings will be delivered within one year—beginning from March, 1963, to March, 1964.

SHOW-CAUSE NOTICES TO INDUSTRIAL LICENCEES

The Minister for Industries in the Union Ministry of Commerce and Industry, Mr. Nityanand Kanungo, told Lok Sabha last week that show-cause notices had been served on 817 licencees who had not taken effective steps to implement the licences granted to them under the Industries Act. During the last three years 1,474 licences had been granted out of which 88 had already been revoked, he added.

FURNACE OIL AS INDUSTRIAL FUEL

The Union Finance Minister's announcement on subsidy to railways for transport of furnace oil from the ports to consuming industries has created some difficulties.

It may be recalled that the Bombay textile mills, by and large, had switched on to furnace oil without demanding any relief. The Ahmedabad textile mills were having difficulties with their coal supplies. They wanted to switch on to crude from Cambay. The Minister for Oil, Mr. K. D. Malaviya, wanted better price for this crude and eventually got it from the oil companies rather than from selling it to the Ahmedabad mills.

Meanwhile, the Government, in its anxiety to step up cement production, had agreed to the proposal of certain cement factories in the South and on the West Coast to switch on to furnace oil on the basis of a price increase of Rs. 5 to Rs. 10 per ton of cement. This decision of the Government had been already communicated to the cement factories concerned prior to the Budget speech by the Finance Minister on April 23.

The Finance Minister in his Budget speech announced a rebate of 50 per cent in rail freight on furnace oil, the rebate to be paid by the Union Government. It will mean that no unit, textile or cement, at a port will get this concession. Ahmedabad is about 500 miles from Bombay and the Ahmedabad mills will be entitled to this concession which will be roughly Rs. 15 per ton or 2 nP. per metre of cloth. This should meet the fuel cost differential of switching on to furnace oil from coal.

Can the Government go back on its own decision, already communicated to cement factories, is the issue under discussion here.

REVERSIBLE POWER TURBINES

Our Madras correspondent writes:

At a Press Conference held here on April 28, Mr Paul Dietz, Associate Director of the well-known American firm Allis Chalmers, said that his firm had been able to perfect a reversible pump turbine unit which could work with thermal power to pump back the tail water into the catchment area so that the same water was available for use in a hydro-electric power station. Thermal power, he added, was available cheap during the idle hours of the night and this could be fully utilised for pumping back the water and enabling the hydro-electric power station to work fully in all seasons. He said his company had already commissioned such units in Japan and Italy after they had proved highly successful in the United States where several such units were operating. He hoped that the Government of India would also study the possibility of utilising these reversible pump turbines in many of the projects in this country.

Allis Chalmers, Mr. Dietz explained, had also been successful in their experiments in the field of power generation through the new and revolutionary "fuel cell" process. Their trials for commercial application of this process in a standard tractor had already proved very worthwhile and if their further experiments should also succeed, it should be a new achievement in the electricity field. He added that it was of the most exciting of all sources of energy that is being explored by world scientists.

Mr. Dietz also gave details of the first super-heated nuclear power plant now being built in the United States by his firm and seven others jointly. It was their hope that if the 66 mg plant should succeed, it would prove to be a big step forward in cheaper nuclear power. The process was, he said, that steam was passed twice into the reactor.

Mr. Dietz was told that Madras Government was considering a proposal to put up several 100 ton capacity cement plants in places where raw materials were available in small quantities. He said Allis Chalmers, who have specialised in cement machinery as well, were already manufacturing 100 ton capacity plants and that they would work economically in all places where biger cement plants were not nearby and where all the production of the smaller plants would be consumed within a radius of 100 miles. He commended the idea of locating 100 ton plants wherever possible.

IMPORT OF CAPITAL GOODS FROM JAPAN UNDER THE SECOND YEN CREDIT

An Import Trade Control notice concerning import of capital equipment from Japan under the Second Yen Credit, states that the contracts with Japanese suppliers can be either on c. & f. or c.i.f. basis as may be convenient. Any customary performance guarantee required may be settled by negotiation with the supplier.

The notice indicates that payment for the goods can be effected only under a confirmed irrevocable letter



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of credit opened on a specified Japanese bank through the importer's bank in India.

The letter of credit which should be in the approved form would provide for payment by the Japanese bank against the Second Yen Credit. No foreign exchange remittance from India will be permitted.

As and when payments are made by the Japanese bank to the Japanese exporter, the Indian importer should deposit the rupee equivalent of the Yen payments calculated at the IMF parity rate on the date of Yen payments, to Government account through the State Bank of India, New Delhi.

The contract should normally provide for payment on cash basis i.e., on presentation of shipping documents. Customary performance required may be settled by negotiation with the exporter. Contracts on the basis of deferred payments can be considered only in exceptional cases, and if the value of equipment exceeds Rs. 1.5 crores. The foreign exchange remittance from India for payment of interest on such deferred payment contracts will be permitted. In no instance can payments after March 31, 1966, be allowed.

HINDUSTAN ANTIBIOTICS

The Hindustan Antibiotics Limited has tentatively fixed the following targets of production for 1962-63.

Commodity	Output
(i) Bulk Penicillin	50 million mega units.
(ii) Tetracyclines	1,000 kilogram
(iii) Streptomycin and Dihydro-streptomycin	20,000 kilogram

According to present indications, the expansion programme of the company is as follows:

Commodity	Output
(i) Tetracyclines	1,500 kilogram
(ii) Streptomycin and Dihydro-streptomycin	80,000 to 90,000 kilogram.
(iii) Hamycin (A new antifungul antibiotic)	15 kilogram
(iv) Vitamin 'C'	48 tons

MANUFACTURE OF FERTILIZERS

The capacity target for nitrogenous fertilizers envisaged in the Third Plan is one million tons (in terms of nitrogen), as against the existing installed capacity of 228,300 tons. In order to achieve this target, several projects have been licensed or approved in both the private and the public sector. Details of the existing capacity and of the licensed or approved schemes are as given in table below.

In addition, proposals for setting up fertiliser factories are being considered by the West Bengal and Gujarat Governments. The Jammu and Kashmir Government has also under consideration the setting up a fertiliser factory in this State. Details of these schemes are still to be worked out.

State	Location	Capacity		End - Product
		Existing (Tons of N)	Licensed/ Approved (Tons of N)	
Andhra Pradesh	Vishakapatnam	..	80,000	Ammonium phosphate; Urea.
Andhra Pradesh	Kothagudam	..	80,000	Urea.
Assam	Namrup	..	45,000	Urea and ammonium sulphate.
Bihar	Sindri	117,000	..	Ammonium Sulphate, Urea & double salt.
Maharashtra	Trombay	..	90,000	Urea and Nitrophosphate.
Kerala	Alwaye	20,000	50,000	Ammonium sulphate, ammonium phosphate, ammonium chloride.
Madhya Pradesh	Itarsi/Katni	..	50,000	Urea.
Madras	Ennore	..	8,250	Ammonium phosphate.
	Tuticorin	..	64,000	"
	Neiveli	..	70,000	Urea.
Mysore	Belagola	1,300	..	Ammonium sulphate.
	Mangalore	..	100,000	Urea, ammonium phosphate and ammonium sulphate.
Orissa	Rourkela		120,000	Calcium ammonium Nitrate.
Punjab	Nangal	80,000	..	"
Rajasthan	Hanumangarh	..	80,000	Ammonium sulphate.
Uttar Pradesh	Varanasi	10,000	10,000	Ammonium chloride.
	Gorakhpur	..	80,000	Urea.

In addition, proposals for setting up fertiliser factories are being considered by the West Bengal and Gujarat Governments. The Jammu and Kashmir Government has also under consideration the setting up a fertiliser factory in this State. Details of these schemes are still to be worked out.

I.W.S. OFFICIALS' VISIT

Sir William Gunn, Chairman, and Mr. W. J. Vines, Managing Director, International Wool Secretariat, completed their seven-day visit to India and left for Australia from Bombay last week. Sir William stated that the purpose of their visit was to study the long-term prospects of the Indian market for wools produced in Australia and New Zealand, and to obtain an understanding of the present problems of the industry with the view to providing whatever practical assistance their organization could.

They visited all the principal wool textile centres in this country and had conversations with industry and with Government authorities, including the Minister of International Trade, Mr. Manubhai Shah, and the Director-General of the Council of Scientific and Industrial Research, Dr. Thacker.

Sir William stated that he recognised the acute difficulties produced by India's balance of payment problem, and the proposals which he hoped the IWS would develop, would recognise this situation in a practical way. The IWS was prepared to take a long range view of the Indian market and was not looking for immediate results from its efforts, he added.

Sir William and Mr. Vines discussed with Mr. Manubhai Shah a number of possible ways in which the IWS could assist the Indian wool industry to improve the quality of its production and to increase its consumption of wool. These plans would need further consideration by the Ministry of International Trade and would require to be agreed to by the Board of the IWS, which would be meeting shortly in Australia. Possible methods discussed included assistance by IWS financially, supply of well-skilled technical personnel in the special research programme now being planned by the C.S.I.R. and the wool textile industry in India, and promotional support for wool carpets in world markets

which was already bringing increased demand for Indian as well as New Zealand type wools.

Mr. Vines stated that in recent months he and Sir William had visited every major wool consuming country in the world and were much encouraged by what they have seen. The development of modern easy-care process for wool products imparting permanent creasing, shrink resist qualities and moth-proofness, had done a great deal to make wool articles popular with all generations. Although the competition with man-made fibres was increasingly severe, there was an unmistakable swing throughout the Western World of the public towards pure wool articles. The Board of IWS and the grower countries had decided that they would considerably increase their expenditure on wool research product development and promotion.

It is learnt that a number of Australian technicians will shortly be arriving here to assist this country in every aspect of the wool industry—from sheep-breeding onwards. Special efforts will be made to improve the quality of carpet yarn for the purposes of export.

CENTRAL MACHINE TOOLS DESIGN INSTITUTE

The Government of India has decided to locate the Central Machine Tools Design Institute at Bangalore. The Government's decision follows the recommendation of a Technical Committee set up by the Ministry of Commerce and Industry to work out the details of location of an Institute and the type of work to be taken up there.

The main objectives of the Institute, which will be set up with Czechoslovak collaboration and assistance, will be to design and develop machine tools and to standardize machine tool elements, and to undertake the manufacture and testing of prototypes. It will train designers and design personnel for the machine tool industry, undertake research in methods of calculation in designs, in the behaviour of machine tools and hydraulic, electric and electronic control systems in relation to machine tools. Research in metal cutting, such as machineability, tool research, production processes, etc., will also be undertaken at the Institute. Information and documentation about the progress made on the technical aspects of the machine tool and cutting tool industry will as well form part of the Institute's work.

The project will cost over Rs. one crore. The Government of Czechoslovakia has offered, free of cost, the services of technicians, experts, machinery and equipment required for the Institute. The Czechoslovak assistance will be to the extent of Rs. 60 lakhs.

A formal agreement with the Czechoslovak Government in this regard will be concluded shortly.

ENHANCEMENT OF PROVIDENT FUND CONTRIBUTION

The Government of India has decided to increase, in four industries to begin with, the rate of provident fund contribution from 6¼ per cent to 8 per cent of basic wages, dearness allowance and retaining allowance, if any. These four industries are: (1) cigarettes; (2) electrical, mechanical and general engineering products; (3) iron and steel, and (4) paper. The decision, it is learnt, will be implemented in these industries step by step.

To give effect to this decision, a bill seeking to amend the Employees' Provident Fund Act, 1952, is likely to be introduced during the current session of Lok Sabha.

A Letter to the Editor

THE CONGRESS AND THE LEAGUE

Sir,

In his article on "The Congress and the League" in 'The Eastern Economist' of April 13, 1962, Odysseus reviewed the recent sequence of events that led to the partition of India. He said that while the war with Japan was on, the British Government had large British forces in India and were in a position of power to ensure an undivided federal Dominion of India. But when the war ended a year earlier than anticipated, the British became war-weary, reduced their forces in India considerably and in consequence, lost their power to enforce rules and were reduced to act as a go-between to reconcile two independent parties, the Congress and the Muslim League. According to Prof. Percival Spear, "the British could only argue and persuade; they could no longer command." Can it be that while the British were prosecuting the war against Japan, they were not aware that a communal civil war was threatening in India? If they were prepared to pursue the war against Japan for another year without wearing, did they suddenly weary of keeping the peace in India? Were they aware that Mr. Jinnah had proclaimed "direct action" which was not necessarily to be non-violent, like the non-co-operation of the Congress? Or, were they strong enough to defeat the direct action of the Congress because it was directed against the Government but was non-violent, and were not strong enough to nip in the bud the direct action by the League, though it threatened violence but was not directed against the Government? Had the Government already abdicated its responsibility to keep the peace and prevent civil war if only between communities?

Were the British Government in no position to command but only to argue and persuade when Bengal was partitioned in 1905 for communal ends, when Minto conceded a separate and superior status to Indian Muslims, when Chelmsford and Montagu condoned and sanctioned communal and excessive representation to them after denouncing it in strong terms, when the Round Table Conference met in 1930-31, and when the Government of India Act of 1935 forced communal representation on citizens who would have none of it? Pakistan is the end-result of a tendency which the British initiated in 1905, when they were not war-weary and when they were in a position, not only to argue and persuade, but to command and impose. If they were strong enough to impose communal and undemocratic representation against their own better judgment and over the opposition of the nationalist majority in India, were they not strong enough to impose, if necessary, joint electorates on the communal minority? Presently, the British and the French Governments are themselves practically imposing African majority rule over the white British and French minorities in Kenya and Algeria. The thesis that the British could only argue and persuade but not command is true after India attained independence, but not between 1905 and 1947.

Yours etc.,
P. KODANDA RAO

BANGALORE,
25-4-1962.

Company Meetings

THE BANGALORE WOOLLEN, COTTON & SILK MILLS CO. LTD.

Chairman's Speech

Presiding at the Seventy-ninth Annual General Meeting of the Shareholders held at the Company's Office, Agraharam Road, Bangalore City on Thursday, the 26th April, 1962, Mr. E. F. G. Hunter said:

Gentlemen,

I have pleasure in welcoming you to the Seventy-ninth Annual General Meeting of The Bangalore Woollen, Cotton and Silk Mills Co. Ltd. The Directors' Report and the Accounts for the year 1961 have been in your hands for the prescribed period, and with your permission, I propose to take them as read.

You will have seen from the Accounts that the Company had a successful trading year, sales having reached a figure of over Rs. 6 crores for the first time in the history of the Company. The higher profit resulted from the progress made to improve efficiency in the Mill and also from the good conditions which prevailed for most of the year in the Indian markets.

The better results have made it possible for your Directors to recommend an increase in the dividend on the Company's ordinary shares. The final dividend recommended will bring the total for the year to 18 per cent gross, equivalent to 12.6 per cent net, which compares with the dividend of 10 per cent net declared for each of the eight preceding years, during which period labour by way of wages, dearness allowance, bonus, gratuity and other benefits has annually taken an increasing share from the Company's revenues.

The closure of the Company's Hebbal Mill in June of last year saw the final conclusion of a battle which the Woollen Department of your Company has fought over a period of years against the tide of rising costs, which, together with the cess and excise duty, imposed on all but the coarser rugs in 1955, made the working of this Department uneconomic. Fortunately, by careful reorganisation and re-deployment of labour, the closure was effected without retrenchment. Negotiations for the sale of the woollen machinery and the machinery parts at satisfactory prices were concluded during the year, and formal sanction of Government to the transfer of the machinery to the buyer is awaited. It may be some time before the machinery is removed from the Mill but meantime consideration is being given to the future use of the Hebbal Mill premises.

Sales of the Company's popular Union fabric "Cotswol" and the heavier cloth "Angola" increased during the year and a substantial contract for the supply of both these fabrics to Soviet Russia was completed.

Your Directors continue their efforts to improve sales in overseas markets as they are most anxious to secure the valuable incentive benefits by way of licences for the import of cotton, dyestuffs and machinery.

Increased supplies of indigenous filature silk enabled the Company to increase the number of looms in use in its Silk Department for the manufacture of filature silk shirting and sarees, and I am pleased to say that this increased activity contributed to the improved results for the year. Recent developments in the production of spun silk in Mysore State are promising and there are prospects that during 1962 the Silk Department will once again work to full capacity.

The supply of Indian cotton during the 1960-61 season was favourable, both in respect of quality and quantity, but controls which had been introduced during the previous cotton season were continued. Although the Textile Industry had every reason at the beginning of the 1961-62 cotton year to expect a satisfactory Indian cotton crop, with the new crop estimated at around 50 lakh bales, during the last four months of 1961 growing conditions deteriorated rapidly and it became clear that once again Mills were faced with a cotton crisis. The cotton crop is now estimated at around 43 lakh bales, which is far below the annual requirements of the Textile Industry in India, and this represents a reduction of approximately 21 per cent on the 1960-61 Indian cotton crop. This obliged the Textile Commissioner to introduce variety-wise rationing of cotton several months after the start of the season. Apart from the fact that prices of all varieties of Indian cotton are now exceedingly high, it is clear that unless Government takes urgent measures to augment imports, including a proportion of suitable short staple cotton with which to supplement indigenous supplies, the Industry will very soon be faced with a serious shortage of its primary raw material. We know that negotiations are in progress with the U.S.A. and, we believe, with certain other countries.

The industry has not been faced with any serious shortage of long staple cotton so far, but with effect from January 1962, Government has increased the rate of premium payable on long staple imported varieties in order to finance the Export Incentive Scheme. The increase in the rate of premium varies from Rs. 20 to Rs. 30 per bale, depending on the staple length of the cotton, and this will necessitate increased expenditure by your Company of about Rs. 2,00,000 per annum.

Your Company has been carrying out experiments with the production of a terylene/Wool suiting and this fabric will be introduced to the market shortly.

The increase in costs recorded in the Profit and Loss Account is, in general, no more than proportionate to the increase in production and sales despite a tendency for all costs to rise, and reflects the energy with which measures of economy have been exercised by your Company.

Unfortunately your Company, in common with others in the Industry, is frequently faced with new charges and imposts over which it has no control and three of such additional increases in cost will have to be met this year. First, the wages of all workpeople were increased by a further Rs. 2 per month from the 1st January, 1962 in accordance with the terms of the Textile Wage Board recommendations made in 1960. Secondly, the Company's contribution to the Employees' State Insurance Scheme has been doubled from the 1st April, 1962. Still further to finance the Export Incentive Scheme, Government has imposed a special levy on all Indian cotton consumed from the 1st January, 1962 and it is estimated that this additional levy will

involve an increase in cost of about Rs. 85,000 per annum. It is hoped that labour will make some extra effort in return for the further increase in wages, otherwise the Company will have nothing to show for these specific increases in cost.

It will be noted that a new item of cost, namely, automatic loom cess, appears in the Profit and Loss Account. This new impost introduced by the Budget of 1961 is levied on 30 per cent of the production of automatic looms less the value of cloth exported. Had, therefore, the Company's export sales not improved, this levy would have been much heavier. While the Company will make every endeavour to increase exports, it is unlikely that it will be able altogether to avoid the payment of this additional levy.

You will observe from the Profit and Loss Account that charges in respect of management have undergone a change which is in consequence of the relinquishment of the Managing Agency from the 1st January, 1961.

The Company's appeal to the Supreme Court against the imposition of Octroi Duty by the Corporation of Banagalore on raw materials entering the city, was heard during the year and I regret to have to report was decided against the Company. As a result, a sum of over Rs. 8 lakhs, for which provision had been made, being the balance 50 per cent of the Octroi Duty levied since 1955 when the new duty was first introduced, was paid during the year to the Corporation of Bangalore.

Industrialisation in Bangalore has made considerable progress during the last ten years and one result is that during this period the population has almost doubled. Unfortunately, neither the supply of electric power, nor of water to the same area, has progressed at the same rapid pace. During the year it became necessary for the State Government to introduce staggered working days to reduce the daily electric power demand and the Mills now work on Sunday of each week and have Monday as the weekly holiday. Further, the Mills have been asked to reduce their demand during the evening peak load period which occurs between 6-30 and 9-30 p.m., and ways and means of meeting this request, without adversely affecting production, are being explored. No doubt as a further measure to reduce consumption, as well as a means of raising revenue, the Government of Mysore saw fit during 1961 to enhance the tax on electricity consumed. I regret to report that no improvement in the supply of water is in sight and it has been necessary to supplement the Corporation supplies by water from Bore Wells which your Company has sunk in recent years at considerable cost. The water thus secured is, however, initially unsuitable for production purposes, and to make it usable a Water Treatment Plant has been installed and is now in operation.

Coal supply difficulties were again experienced in 1961 and recourse had to be made to the purchase of sea-borne coal which costs nearly double that supplied by rail. Apart from a recurring difficulty in obtaining supplies, the use of coal has made it difficult to maintain cleanliness in the Mill and the storage of coal has taken up valuable space. Your Directors, therefore, decided to convert the Mill boilers from coal to oil firing and it is hoped that the conversion will be completed during 1962.

In addition to the space which will be gained by the release of the coal yard, the Company has obtained from the Corporation of Bangalore a promise to sell to the Company approximately six acres of the tank bed to the south of the Company's property. The Mill has for many years been severely handicapped by lack of space, and the additional area promised will prove invaluable in the Company's plans for reorganising and modernising the Mill.

I am sure you will wish to join with me in expressing thanks to all the Company's Officers, Staff and employees who have contributed to the satisfactory results.

Finally, I would like to express my very grateful thanks to my colleagues on the Board for their support and co-operation throughout the year.

NOTE: This document does not purport to be a report of the Proceedings of the General Meeting.

THE BUCKINGHAM & CARNATIC CO. LTD.

Chairman's Speech

Presiding at the Forty-first Annual General Meeting of the Shareholders held at the Company's Office at Madras on Friday, the 27th April, 1962, Mr. E. F. G. Hunter said :

GENTLEMEN,

It is my pleasure to welcome you to the Forty-first Annual General Meeting of The Buckingham & Carnatic Co. Ltd. You will have had an opportunity to study the Directors' Report and the Accounts for the year ended 31st December, 1961 and with your permission I propose to take them as read.

Trading conditions in India during 1961 were generally good but the improved results recorded in the accounts now before you are largely due to the maintenance of production at a satisfactory level throughout the year.

In the Directors' Report your attention has been drawn to the record sales figure achieved for the fourth year in succession. This fresh record is a credit to your Company's sales organisation and whilst I am hopeful that sales will continue to grow, other factors, particularly rising costs to which I will refer later, may make it difficult to maintain profits at the 1961 level.

For the first time since 1953, your Directors have recommended an increase in the dividend on the Company's Ordinary Shares. The final dividend proposed will bring the total for the year to 18 per cent gross, equivalent to 12.6 per cent net, which compares with the dividend of 10 per cent net declared for each of the eight preceding years. Your Directors feel fully justified in recommending the higher dividend which represents a modest 5 per cent return on the ordinary capital and reserves. Whilst it is of course essential in the interests of all concerned that a substantial share of the profits be retained to finance the heavy costs of modernisation, it is but equitable that shareholders should participate in the higher profits particularly as labour by way of wages, dearness allowance, bonus and other benefits, and Government by taxation, have annually secured an increasing share of the Company's revenues..

Your Company is at all times engaged in a drive to increase exports and 1961 was no exception. This is evidenced by the increase in your Company's export sales by 2½ per cent to approximately Rs. 2.02 crores, which increase was once more against the trend of India's sales of textiles in overseas markets which last year fell by nearly 19 per cent.

Many more countries have entered the field of cotton textile manufacture and this has resulted in keener competition for the narrowing fields open to exporters. India is at a disadvantage compared with many other producers due to the latter's superior equipment and higher productivity of labour. Quality has now become the key to success in overseas markets, but this alone is not sufficient and it is essential that quality is backed by higher productivity to ensure a low cost product.

Much has been said and written lately about incentives to export, and there is little I can add except to say that from your Company's point of view it is most important that these schemes continue thereby enabling your Company to obtain modern equipment from overseas, as well as cotton, dyestuffs and chemicals.

The indigenous dyestuff industry now provides your Company with a much larger proportion of its requirements and this trend will continue, but in my opinion unless imported dyestuffs are always available in reasonable quantities, the indigenous industry will suffer from lack of competition. Already most indigenous dyestuffs are more expensive than those imported, in spite of a heavy import duty, and if this duty is increased, as is rumoured, it will be still more difficult for Indian finished cloth to compete overseas. In fact now that India has increasingly to export finished goods, there is a case for a reduction in the import duty on dyestuffs and chemicals.

The restriction of production effected by the control of looms and spindles installed, to which I referred in my speech last year, has created a condition of shortage in the textile market in India. This is neither good for the consumer nor the industry and provides an unsatisfactory background for promoting sales in overseas markets where profits, due to intense competition, are negligible or non-existent.

The agitation for special incentives to export would lose much of its force if the industry could be carried on in a climate where the conduct of business was less subject to constant and disturbing alterations of policy, the most recent of which has affected the supply of cotton.

The 1960-61 Indian cotton crop was good and plentiful. Although the quota system introduced during the previous year was continued, Mills had no difficulty in securing their normal requirements of cotton. Unlike the cotton season ended August 1960 when the carry over was dangerously low, at the end of August 1961 the carry over of Indian cotton was around 18.5 lakhs bales, i.e. roughly 87 per cent more than the carry over of the previous year, and the Textile Industry had every reason to begin the 1961-62 season with confidence in so far as raw cotton was concerned, with the new crop estimated at around 50 lakhs bales. However, during the last four months of 1961, growing conditions deteriorated rapidly and it became clear that once again Mills would be faced with a cotton crisis. The 1961-62 crop is currently estimated at 43 lakhs bales, which is far below the annual requirements of the Textile Industry in India, and the Textile Commissioner introduced varietywise rationing with retrospective effect from 1st September, 1961. Apart from the fact that there is a serious shortage of most varieties of cotton, prices are now inordinately high and unless Government takes early action to import suitable short staple cotton with which to augment indigenous supplies, the Industry will later in the year be faced with an acute shortage of its primary raw material. All these factors cannot but have an adverse effect on the Textile trade, particularly on exports.

With a steadily rising Mill consumption, intensive efforts must be made, not only to increase acreage under cotton, but also to increase the yield of cotton per acre in this country, which unfortunately is the lowest in the world. I understand that the Indian Central Cotton Committee has made certain recommendations to Government in this respect and it is to be hoped that effective and prompt action will be taken. Unless this is done and a realistic approach to the problem is made, the country will have to grapple with cotton crises for years to come.

The increase by almost exactly Rs. 50 lakhs in the Company's overdraft loan from the Bank is mainly due to the increase in Stock-in-Trade, mostly raw materials and to the reduction in Creditors. Capital expenditure during the year amounted to nearly Rs. 56 lakhs and this was financed by the allocations to Depreciation and Reserves. The re-equipment, modernisation and rehabilitation of the Mills is a continuous process and an essential one if the Company is to maintain its trading position. The programme for the next three years, in pursuance of this policy, will involve further heavy capital expenditure and this, it is intended, will also be met from the Company's own resources.

As is noted in the Directors' Report, by the allocation of Rs. 6,50,281 to the Debenture Redemption Fund, there has now been provided for the redemption of the Debenture Stock Loan a total of Rs. 50 lakhs being 50 per cent of the original loan which still has half of its term to run to the latest redemption date, namely 1972.

I referred earlier to the record sales, but if you will turn to the other side of the Profit and Loss Account you will find that costs under almost every head of account are higher than for the previous year, many of the items of cost being unfortunately also record figures, despite every effort by the Management to economise and trim expenditure wherever possible. You will observe also from the Profit and Loss Account that charges in respect of Management have undergone a change in consequence of the relinquishment of the Managing Agency from the 1st January, 1961, and charges in respect of 'Managing Directors' Remuneration' and 'Directors' Commission' appear for the first time.

During 1962, there will certainly be further rises in costs as, apart from the general upward trend, which in January of this year was reflected in the highest monthly labour dearness allowance figure to date of Rs. 77.66 per head, the Company will be obliged to meet certain specific increases. The first of these is in respect of the increase of Rs. 2 per month in the wages of all workpeople from the 1st January, 1962 in accordance with the terms of the Textile Wage Board recommendations made in 1960 and this alone will cost over Rs. 3 lakhs per annum. Secondly, the Company's contribution to the Employees' State Insurance Scheme has been doubled from the 1st April, 1962 and this means a further increase of over Rs. 3 lakhs in a full year. Thirdly, in order to finance the Export Incentive Scheme, Government has imposed a special levy on all Indian cotton consumed from the 1st January, 1962, and it is estimated that this additional levy will also involve an increase in cost of over Rs. 3 lakhs per annum. Thus these three specific increases alone will cost your Company more than Rs. 10 lakhs a year and unless labour makes some extra effort in return for the further increase in wages, no compensating benefit will accrue to the Company. It is hoped shortly to initiate with the leaders of the recognised Unions, the questoin of greater productivity.

Towards the end of 1960 the Industry at the behest of Government entered into a voluntary price control agreement under which prices were fixed on the basis of those at which individual mills were selling their

cloth in August 1959. No provision was made in the agreement for the adjustment of prices to meet an increase in costs. It is obvious, therefore, that the pressure of rising costs will narrow margins and inevitably affect the industry's profit making capacity, unless a revision of the prices fixed can be agreed upon. The immediately future prospects of the Industry should, therefore, be viewed with the foregoing in mind. It is to be hoped that the report of the Tariff Commission appointed by Government to enquire into fair prices for cotton textiles and yarn will provide a satisfactory solution to the price question.

The Wage Board recommendations concerning rationalisation in respect of which substantial increases were awarded to labour, including the increase of Rs. 2 per month from 1st January, 1962 to which I have already referred, have yet to be implemented although the principles were settled by agreement between Management and labour in the previous year.

In the course of a speech I made last month as Chairman of the Employers' Federation of Southern India, I refered to the problem of absenteeism in industry in India which has increased in an alarming fashion in recent years and has resulted in expensive machines standing idle, due to workers helping themselves to leave to which they are not entitled. Unfortunately, your Mills have not proved immune to this new industrial disease which, experience shows, seems to thrive when higher wages and generous bonuses are paid. Your Mills, like many other factories, maintain a leave reserve of men but this reserve in recent months has frequently proved to be inadequate, as for example when on some working days total absence, including normal authorised leave, has exceeded 16 per cent. In case of your Mills an absentee figure of 16 per cent means that over 2,300 men are away from work.

The increase in absenteeism has to some extent been due to the manner in which the State Health Insurance Scheme, the Company's contribution to which as I have already mentioned has this year been doubled, is being implemented, and there is evidence that it is possible for fit men to obtain generous medical leave on proportionate wages. It will be apparent to you how this development, if allowed to continue, can result in a serious increase in costs, besides being a most disruptive element to production.

Industrial development during India's first two Five-Year Plans was marked by significant achievements, but the target for production of mill made cloth was set at a low figure by comparison with that fixed for other industries, and was exceeded without difficulty. The target of 5,800 million yards fixed for mill cloth in the Third Plan, which was launched during 1961, is also modest being only 13 per cent over the yardage achieved at the end of the Second Plan. This target, which I have no doubt will be reached provided adequate supplies of cotton are available, will barely keep pace with the anticipated population increase and will leave nothing for securing the progressive rise in living standards, one of the aims of the successive Five-Year Plans, and certainly no margin for increasing exports, so necessary if India is to reach the stage of self-developing growth. Perhaps this is why the limited scheme of expansion announced by Government last year has attached to it an obligation to export which if not met will involve heavy penalties. Such a condition is likely to inhibit growth rather than assist it, but growth and higher productivity are essential if India is to maintain its position in world markets.

The satisfactory results for 1961 could not have been achieved without the loyalty and sustained efforts of the Officers and Staff of your Company who continually have to face new problems, invariably accompanied by frustration and anxiety. I am sure you will wish to join with me in expressing sincere thanks to them for the devoted service they have rendered the Company throughout the year.

In the Directors' Report reference has been made to the resignation of Mr. Molyneaux who, for family reasons, has retired from India. Over the years, Mr. Molyneaux has rendered splendid service to your Company and it is hoped that we shall shortly be in a position to appoint Mr. Molyneaux as one of your Company's Technical Advisers and that he will make periodical visits to India.

Before concluding, I would like to record my very grateful thanks to my colleagues on the Board for their loyal support and co-operation throughout the year.

NOTE: This document does not purport to be a report of the Proceedings of the General Meeting.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

CHAIRMAN'S ADDRESS

Address by Shri H. S. Chaturvedi, Chairman and Managing Director, to the Shareholders of the British India Corporation Limited, at the Forty-second Annual General Meeting of the Corporation held in Kanpur on Saturday, 28th April, 1962.

GENTLEMEN,

I extend a cordial welcome to you on the occasion of the 42nd Annual General Meeting of the Corporation.

The Directors' Report, the Balance Sheet, and the Audited Accounts for the year ended 31st December, 1961 have been circulated as usual, and with your permission, I shall take them as read.

I am happy to report that 1961 was a good year for the B.I.C. Group as a whole. You will see from the Corporation's Profit and Loss Account that, after deducting all expenses, the profit before taxation amounts to Rs. 1,05,36,221 as compared with Rs. 90,93,242 for the previous year. After providing for depreciation and taxation, the surplus available is over Rs. 61 lakhs as against Rs. 53 lakhs last year.

The overall results have enabled your Directors to recommend a dividend payment per Ordinary Share, of 35 nP. less tax, which represents a gross return of 7 per cent per annum on capital invested by Ordinary Shareholders. The need to improve further and to build for the future, however, is obvious, and out of the available trading surplus, about 40 lakh rupees has been ploughed back into the business, as against a corresponding figure of about 31 lakh rupees last year.

I would like to draw your special attention to the increase in overdraft by over a crore of rupees during the year. This was partly on account of tax payments on the Corporation's income-tax assessments. The main factor however which necessitated higher borrowings in 1961 is reflected in our present production policy. The value of stocks to meet the requirements of work in progress has increased considerably, the stock-in-trade at December 31st, 1961 being Rs. 4.42 crores, showing an increase of Rs. 1.14 crores over Rs. 3.28 crores as at 31st December of the previous year. The current

year has started with a full order book for our Woollen Branches, and there is every indication that the high level of demand will continue.

WOOLLEN BRANCHES

Production, in our Woollen Branches has been satisfactory during the year. The market demand for our popular Lal-imli and Dhariwal products continues to be good, and the Branches were able to sell their entire production.

Import licences for raw materials were issued on the basis of 50 per cent of wool consumed during the period 1956-57. This amount is obviously quite inadequate for current requirements. A notable development in the Woollen Branches, however, has been the successful introduction, after considerable experimentation, of various blends of Indian and imported wools. I am glad to report that the market demand for these products has been favourable.

With regard to our programme for the rehabilitation and early modernisation of our plant and machinery, plans sub-divided into various phases and projects had been submitted to the Textile Commissioner, but no licences have yet been issued. We shall, however, continue to press this matter.

The problem of obtaining adequate spare parts to maintain our old machinery in running condition, still remains. In many cases we have been unable to execute urgent orders for the Defence Services, because machines have remained out of commission, due to the non-availability of spare parts. This is a situation which deserves special consideration by Government.

Our Woollen Mills have been recently called upon to divert substantial quantities of weaving yarn spun out of imported wool which is already in short supply, to small-scale weaving units in Amritsar. To do so is bound to effect seriously our pattern of production. It will also result in a number of weavers being thrown out of employment from the Lalimli and Dhariwal Mills, which have earned their high reputation as specialized manufacturers of cloth, blankets, hosiery goods and knitting wool, and not as wholesalers of spun yarn.

LEATHER BRANCHES

The Cooper Allen and North West Tannery Branches continued to face serious operating difficulties during the year. Until the plant and machinery of the Shoe Factory is modernized, it will remain a vexed problem to cater for modern markets in sufficient volume to produce profits. So far, unfortunately, it has not been possible to obtain the necessary import licences to take up any programme of rehabilitation.

The raw hide position remained substantially unchanged, the quality of hides having continuously deteriorated. Prices on the other hand have risen due to shortage of supplies.

Although the turnover increased during the year, it was not possible to realise the modest profit shown in 1960.

COTTON TEXTILE UNITS

The results of the Elgin Mills Co. Ltd., and Cawnpore Textiles Ltd., for which the Corporation is now working as Secretaries & Treasurers were very satisfactory. The sales and profits were substantially higher compared with previous years, due to better trading conditions, and the sustained efforts of the Management to achieve higher productivity. Bearing in mind market trends and consumer preferences, our production patterns were adjusted to ensure maximum results from the installed equipment.

I am also glad to report that rehabilitation and modernization programmes to replace old equipment and installation of up-to-date machines over the next five years, have been approved for both the Companies. During the past two years a sum of Rs. 26,50,000 has already been expended on other rehabilitation programmes at the Elgin Mills, and an approximate sum of Rs. 11 lakhs at Cawnpore Textiles.

SUGAR UNITS

A record was created in the quantity of cane crushed and sugar produced during the season 1960-61 in all the six sugar units of the Group. While this achievement may be considered satisfactory, it has been largely offset by losses suffered in respect of exports, increased wages imposed by the Sugar Wage Board, and high rates of interest paid on bank overdrafts necessitated by accumulations of sugar stocks. Other adverse factors were higher prices of consumable stores, and lower prices obtained for sugar as a result of price decontrol, in the wake of over-production and lower exports.

The machinery in most of our sugar factories is old, and requires rehabilitation and replacement. This is not yet possible chiefly for reasons of financial stringency and restrictions on large-scale expansion.

Another factor, which is causing considerable concern, is the deterioration of cane quality in East U.P. and North Bihar, where our Group factories have recorded a steep decline in recovery. The matter is receiving the attention of the Government authorities concerned, and it would appear that the only way to compensate factories for lower recovery, is to link the price of the sugarcane with the recovery.

LABOUR WELFARE

This year again, I am glad to report that our relations with labour continued to be quite satisfactory. The Board has recommended special payment of three annas in the rupee to all workers, on their basic earnings in 1961.

THE COAL POSITION

The coal situation, which has been very precarious during the past twelve months, still continues to be unsatisfactory. The Corporation's factories depend upon adequate supplies of coal to function effectively, and it is a matter of great concern that substantial cuts have been made in the basic allocations of railway wagons for transportation of coal. Production in the Lalimli Mills was stopped in January, 1962, when the factory had to close down for six days due to shortage of coal. We can only hope that the authorities concerned will not allow productivity to suffer through lack of co-ordination between coal suppliers and transport arrangements.

GENERAL

The total contribution of the B.I.C. Group of Companies to the Union and State Exchequers this year is 4.22 crores of rupees in various forms of taxation as against 3.73 crores last year. This increase by nearly half a crore of rupees is largely due to excise duty on woollen and cotton textiles to the tune of about 25 lakhs of rupees in excess of last year's figure. Cane Cess this year has also increased by about Rs. 7 lakhs, the other increases being in respect of income tax and sales tax.

Before I close, I would like to thank all my worthy colleagues on the Board for their invaluable support during the year under review. I would also like to express my appreciation of the harmonious working of the staff as a whole. The loyalty and enthusiasm of all categories of staff who have contributed so much to the year's achievements, deserves special mention, and I would like to place on record my thanks for the co-operation extended to me. If teamwork and efficiency are combined with courteous dealings in all contacts and circumstances, I have no doubt that the B.I.C. will continue to go from strength to strength.

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

Chairman's Speech

INDIAN ALUMINIUM COMPANY, LIMITED

The following is the address to the shareholders delivered by the Chairman, Mr. K. C. Mahindra, at the Twenty-fourth Annual General Meeting of Indian Aluminium Company, Limited held in Calcutta on Friday, April 27, 1962.

I have great pleasure in welcoming you to the Twenty-fourth Annual General Meeting of the Company.

The salient features of the Company's operations in 1961 are contained in the Directors' Report which has already been submitted to you along with the audited accounts for the year. You will no doubt have noticed that following the termination of the sole selling agency agreement with Venesta Foils Limited effective 30th June, 1961, sales of agency products for the year dropped to Rs. 17 million from Rs. 32 million in 1960. Production and sales of the Company's own products were however maintained at a satisfactory level during the year despite extensive dislocation by the construction work on the expansion programme at each of the plants.

The net profit for the year of Rs. 11.10 million shows an apparent decrease from the Rs. 11.98 million in 1960. During the year there were increased interest charges on borrowings, additional wage costs following new labour agreements, and exports, though small in quantum, at prices below total cost. But the major shift is due to the much larger allocation to Development Rebate Reserve (Rs. 4.55 million as against Rs. 263,000 in 1960).

During 1961 your Company entered the export sales market for the first time. Sheets and circles were sold to South Vietnam in the face of severe competitive conditions. Your Company's efforts in this direction are in conformity with the declared wishes of the Government of India and we will continue to search for overseas markets. Currently, your Company is looking into the possibilities of exporting aluminium extrusion and paste to South-East Asian countries.

In recommending a dividend of Rs. 1.50 to be paid on each ordinary share, your Directors proposed that to the extent as it may be possible, the dividend should be paid out of the Company's undistributed profits exempt from tax under Section 15C of the Indian Income-tax Act. It now gives me great pleasure to announce that the Income-tax Officer has certified that 78.1 per cent of the dividend on ordinary shares will be deemed to have come out from the undistributed profits of the Company exempt under Section 15C of the Indian Income-tax Act 1922. 78.1 per cent of the ordinary dividend will thus be exempt in the hands of the respective shareholders for payment of income-tax and super-tax. Dividends will be paid to the ordinary shareholders in accordance with the above instructions of the Income-tax Department.

The most satisfying aspect of your Company's activities during 1961 was the progress made in respect of the expansion programme. At Hirakud, the expansion aimed at doubling the capacity of the plant to 20,000 tonnes per annum, was completed five months ahead of schedule. At Alupuram, the additional extrusion press was installed on time and started operating in October 1961. The expansion of alumina producing facilities at Muri progressed satisfactorily and a portion of the new facilities was brought into operation in December, again ahead of schedule by approximately four months. In a few weeks' time the Company will have completed the integrated expansion programme undertaken during 1959. You will be glad to know that all the projects have been or will be completed within the capital expenditure figures originaly budgeted. This is specially heartening in view of, what appears to me, a chronic occurrence in inflationary conditions to exceed capital estimates. On behalf of all of you, may I take this opportunity of expressing our sincere appreciation of the efforts of all those within the Company who have made this remarkable achievement possible. I should mention at this stage that a few years back the Company commenced developing an engineering and design section, and the closeness between actuals and estimates are largely due to the meticulous preparatory exercises by our engineers. Our thanks are also due in very great measure to our technical consultants, Aluminium Laboratories Limited, under whose guidance and general supervision the expansion programme was conceived and carried out.

I have said it before, but it merits repetition, that your Directors are anxious that your Company continues to play its leading role in the development of aluminium industry in India. With this in view proposals consistent with sound business principles are constantly in review for further expansion of the Company's activities. In accordance with this policy plans were submitted in 1960 to the Government for the expansion of ingot capacity at Alupuram by 5,730 tonnes and for the establishment of a foil mill in Maharashtra State with an annual capacity of 2,500 tonnes of aluminium foil. Late in 1961 we received licences under the Industries (Development and Regulation) Act from the Government of India covering these projects, although financing terms still await Government's approval. While there have been unnecessary delays we hope we shall soon be able to start construction work which when completed will save the country approximately Rs. 8 million per annum in foreign exchange. Other forward-looking plans are also under study for further expansion of the Company's activities as and when market and other conditions justify.

Shareholders with a historic sense will have noticed that the Company has followed over the years a consistent and continuous policy of development; the thinking of your Board and the Management has no doubt been inspired by the philosophy of growth which Indian planners placed before us, but we have advisedly, and I am proud to say, deliberately planned to be a stage ahead of the targets and aims of the Planning Commission. The Third Five-Year Plan, which commenced last year, expressed a tentative but half-hearted hope that by the end of the Fourth Plan, i.e. 1971, India would reach the stage of a self-sustaining economy. In our own sphere of industrial operations, I make bold to state that the Indian Aluminium Company would reach this stage 5 years ahead; I mean that expectations are that your Company would by 1966-67 achieve sufficient strength to stand on its own and generate enough technique, enough management and enough resources to follow through further expansions.

Prof. J. K. Galbraith, the distinguished Harvard economist, and now the U.S. Ambassador to India, commenting on Indian planning in 1959, affirmed that:

> "In both capitalist and communist countries investment is in very large measure from the earnings of industrial enterprises. Something must happen in India like this. Industrial plants must take on their full job which is to be efficient producers and to accumulate surpluses which will provide for future expansion."

Your Company has taken on this full job.

Recently, the National Planning Association, a non-profit research organisation in Washington D.C., made a case study of the Indian Aluminium Company as an example of Indo-Canadian collaboration. Here is their recorded judgment:

> "...different aspects of the Company's growth reveal an underlying unity of approach, ...fitting current actions into a telescopic view of future objectives. This view encompasses an industrially developed economy in which aluminium will play an important role. It is enterprising business policy and enlightened self-interest to be in the vanguard of this development, which demands a many sided responsibility in investment, in technical and managerial efficiency and above all in willingness to share responsibility for the Indian community's development over and above the profit motive. Indispensable to this responsibility is a confidence in one's ability to assess and face the future. It is in this confidence in the future of the country, and in the rewards of doing progressive business there, that the basic motivation of Indian Aluminium Company's management philosophy may be discerned."

You will be interested to hear that after many years of benefiting through borrowing technicians and specialists from associate companies overseas, your Company was able in 1961 to make a small beginning in lending specialist Indian staff for overseas projects. I welcome this beginning and look forward to further opportunities for your Company to assist in the development of new projects overseas through the loan of Indian specialists, as such exchanges benefit not only the overseas porjects but also this Company and the men concerned through broadening of experience.

As we all know, aluminium industry is a major power consuming industry. About 2.5 KW/year of electric power is consumed in the production of every tonne of metal, the power cost forming approximately 20 per cent of the total cost of production. It therefore becomes necessary for all producers of aluminium to ensure a long-term supply at rates which are both economical and definite. Before setting up its Hirakud smelter and again, before its further expansion, your Company held protracted negotiations with the Government of Orissa to ensure long-term supply of power at fixed rates. These negotiations resulted in our entering into firm long-term contracts with the Government which formed the basis of our expansion.

In mid-October 1961 the Government of Orissa levied a 15 per cent 'ad valorem' duty on the consumption of electricity in the State. This levy of duty has considerably upset our future plans and put the Company to a serious competitive disadvantage through direct increase in the cost of metal produced at Hirakud. The Company does not claim that the imposition is 'ultra vires' the rights of the State, but submits that the levy will furnish a handicap to long-term planning, beside increasing the already high prices for aluminium products in the country. It is also a matter for consideration of the authorities that development in a comparatively underdeveloped country can proceed apace only if the contractual fundaments of industrial operations are not disturbed by the Government for the period of the contract. May I, in contrast, cite the case of Ghana where Volta River Authority has been set up for construction and operation of a dam and power generating plant and firm agreements have been signed with a consortium which proposes to set up an aluminium smelter. Guarantees have been given by Government of Ghana and that while the power contract is in existence, the Government will not impose any tax or other fiscal charge on the use of electric power by the Volta Aluminium Co. Ltd. The tenure of the contract is for 30 years, and rate for power is fixed 'firm' at 2.625 U.S. mills per Kilowatt-hour or Rs. 110 per KW/year (in contrast to Rs. 190 per KW/year at Hirakud—Stage II). This constitutes the linchpin of the entire project as the power contract forms the foundation for financing the hydro dam and power plant. I have cited the Ghana example in the hope that the Government of Orissa will reconsider the matter and exempt the aluminium industry in the State from the duty.

Another interesting feature of the Ghana project may be mentioned: Government of Ghana has agreed that for the first 30 years the Volta Aluminium Company's income taxes will be based on the tax laws in effect on January 2, 1961, including receipt of benefit of Pioneer Company relief. There is also provision for exemption from customs duties of imported construction materials and exemption from minerals duties in connection with the mining or processing of Ghanian bauxite.

I would like to draw the attention of the Government from this forum to another matter which is of some concern to both the present and the potential producers of aluminium in this country. It has often been said that India has plentiful supply of bauxite, the ore from which aluminium is produced. This is, perhaps, true but it is equally true that the deposits of bauxite ore throughout India have not yet been thoroughly field-tested for quality or reserves. Aluminium producers in India naturally desire to make geological surveys of areas known to possess bauxite and your Company has applied for prospecting licences for several of such areas. One difficulty which is being experienced in this exploratory effort is that a lot of bauxite-bearing areas are under the mining lease of persons whom I would venture to call "intermediates", i.e. persons who have no direct interest in the utilisation of ore for producing aluminium. Large areas are thus closed for any prospecting or exploratory effort and sometimes there is a scramble for obtaining mining leases by private negotiations for areas which are yet unproven. Whatever has been done over the past years probably cannot be undone; but I venture to suggest that State Governments should from now on exercise care in issuing prospecting licences or giving mining leases for bauxite properties to persons or companies who are not directly engaged in the production of aluminium. This would ensure more effective utilisation of the bauxite reserves in the country and greatly contribute to the establishment of new economic production units.

Speaking on this occasion last year, I had mentioned to you the transportation difficulties which the Company was experiencing on account of uncertainty of railway wagon availability. This difficulty continues, and representations made to the Railway Board have proved of little avail. The Company has been forced to use road transport in several instances, which has proved costly as well as unsatisfactory in other respects. But it would appear that we have no alternative until such time as the transportation situation in the country improves.

I had also spoken to you last year about the way in which excise duty regulations were being enforced resulting in serious disadvantage to your Company. Our application to the Central Board of Revenue for permission to move aluminium ingot in bond from the smelters at Alumpuram and Hirakud to the rolling mill at Belur has as yet produced no relief. This matter was also taken up with the Central Excise Re-organisation Committee. In the meantime, our losses on account

of blockage of working capital on metal in pipline and excise duty on melt loss are multiplying. This is an unfair burden which the rigidity of regulations has imposed on the Company.

Several years ago speaking from this forum I attempted a comparison between two kinds of growth—that in population and in productivity. Since then we in India have learnt in the bitter context of a population explosion that most of our efforts at 'national growth' have proved inadequate. We have still to comprehend the true meaning of productivity, its nature and content, for otherwise our development plans for growth would not so fumble and confound. Despite a plethora of productivity associations, seminars, numerous delegations abroad and published records of these trips, I remain skeptical in that the true measure and content of this co-ordinate of industrial activity is little understood. There is a personal factor which appears to be missing in such reportings—a factor of personal judicious assessment of the extent of application of a particular analysis in a selected industry. Is productivity a mere co-efficient of labour, of work done by the individual artisan? Does automation qualify the conclusions? Does the emergence of a professional managerial class, as distinct from financiers or even technocrats have any bearing on the classical concept of productivity as output per man-hour? This is a puzzling thesis.

The popular measuring rod for productivity is output per man-hour. But the President of U.S. Steel Corporation—the largest steel complex in the world—has recently raised a few broad queries:

> "What about the capital invested in more efficient equipment? What about the research which produced better production processes and the know-how which made available higher quality materials? What about the input of man-management, when directed and contributed to this effort?"

These are pertinent questions; practical difficulties emerge as one begins to frame an equitable distribution of gains in productivity over the various sectors—labour, management, machines, research, technology, capital employed, etc.

Searching for an appropriate definition of productivity, I have not come across anything better than:

> "an attempt to anticipate and solve man's major problems on earth by providing through the highest technology more and more of everything, for everybody, from less and less resources."

This does not however provide either a measure for gauging the actual quantum of increase in productivity, nor provide the base for any rational system of distribution.

But no matter what economic and industrial philosophy inspires national efforts, productivity increment is essential for growth and productivity is largely the result of social attitudes of the labour force—their attitudes to technology, to professional management, to work discipline. In our country under the stress of circumstances, over-burdened by extreme poverty, many of these attitudes have got perverted and frequently one witnesses drop in productivity with inexorable increase in wage costs. This is a spectacle which one should deplore and not applaud—as many of our labour and even political leaders do, without reason and without understanding. Whatsoever the measure of productivity one may adopt, no one will deny that it is the key as well as the handmaiden of prosperity. Witness Japan: her astounding industrial recovery is explained in large part by productivity-wages-prices relationship. Over the six years, 1955-60 productivity increased by 47 per cent, wages by 34.3 per cent and prices only by 2.8 per cent. As a recent survey in the London 'Economist' indicated, "the margin between productivity and wages makes possible a high rate of capital accumulation by companies, and thus a high rate of investment. In addition, personal savings are exceedingly high....these are probably the most important determinants of economic growth in Japan." There is a deep lesson to be learnt here.

An odd feature in the Indian planning firmament has been the comparative play-down of productivity in the agricultural sector—a field which contributes to more than 53 per cent of the gross national income of the country. An understanding of the perspective relationship between agriculture and industry, of the true meaning and content of productivity, of the measures which will quickly fructify and yield tangible results—these are essential virtues which we must cultivate along with discipline of mind and of habit. The latter is most needed in the context of our present development.

Goverment quite rightly has concerned itself over the last decade with a fair deal for industrial workers but, perhaps unwillingly, has created a climate of unenforceable and irrational demands which halt and do serious damage to the productive machine. With a larger and larger portion of the cake, the industrial worker, by and large, recognises no discipline and little responsibility for growth in results.

It may interest you, as it intrigued me, to know that a keen foreign observer mentioned to me the other day that perhaps what India needs is compulsory military training—to impart amongst the young a sense of discipline during the formative stages of one's character. A country need not become war-minded if there is compulsory military training—witness Switzerland; nor need it possess arms—as was successfully done in Germany a few years after the war ended. This is a commendable counsel coming from a friend of our country.

In the person of Mr. A. J. Zullig, the new Managing Director of the Company, you see a very wise and experienced head. It is fortunate that the Company has been able to secure the services of a man who has lived his life with aluminium and at the same time is conversant with social and industrial conditions in diverse climes and places. It is my hope that he will stay with the Company for many years and continue the tradition of sound business and forward look for which the Company has already made a name.

To the staff and workers I give our thanks on your behalf for their loyal and steady work throughout the year.

Perhaps you will allow me to conclude on a personal note. This will be the last occasion I will be addressing the Shareholders at their Annual General Meeting. I am aware of the calendar but indifferent health also has compelled me to seek retirement from active work. Let me say that I am deeply grateful to the Shareholders for their indulgence, to the members of the Board and the Staff for their confidence and to everyone connected with this great Company for the trust and loyalty they gave me throughout my 14 years' association with them. I have relished with them the dignity of shared confidence for I believe that faith and work alone do not always yield results: work is merely an expression of what man believes and does. To be enduring other men must feel and believe and work the same way. These years have been personally of great satisfaction to me. I feel happy that the Company is in good shape and that I will be entrusting the charge in the next few months into younger and abler hands.

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	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.0
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	109.9	120.0	145.4	130.6	122.8	123.9	124.9
1961-62	..	120.1	100.3	122.2	142.6	138.8	124.6	126.6	125.1
January	1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
February	" ..	116.3	111.2	121.7	159.4	134.2	128.6	129.3	126.8
March	" ..	117.5	113.4	121.9	159.1	137.3	128.4	129.7	127.5
January	1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
February	" ..	120.0	99.0	122.4	138.7	137.9	124.3	126.2	124.3
March	" ..	119.2	99.8	123.0	136.3	135.5	124.9	126.4	123.6
17-3-1962	" ..	119.2	101.0	123.0	136.5	135.3	125.1	126.5	123.7
24-3-1962	..	117.7	99.2	123.0	135.0	135.4	124.6	126.1	122.6
31-3-1962	..	116.5	98.8	123.0	134.7	135.3	124.8	126.3	123.0
7-4-1962	..	119.3	98.8	122.9	135.2	135.7	124.7	126.3	123.5
14-4-1962	..	121.5	98.6	122.9	134.8	136.2	124.9	126.5	124.6

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period		Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
		Bombay			Delhi				Central Provinces				
1939 (Aug.-Dec.)	..	103	—	—	—	—	105	104	—	106	—	—	—
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*	.. ..	412	431	300	167	400	486	495	168	478	173	170	173
1961 August	.. ..	419	438	302	171	410	491	501	167	481	171	171	177
September	.. ..	417	436	302	169	410	491	499	169	479	171	171	177
October	.. ..	415	434	302	168	417	499	501	172	480	176	177	177
November	.. ..	415	434	302	170	417	508	497	174	481	180	178	177*
December	.. ..	416	435	302	171	410	499	493	175	481	178	177	177*
1962 January	.. ..	417	436	296*	170	399	513	495	178	482	177	174	177*
February	.. ..	419	438	—	170	399	513	492	—	480	177	177*	175*
March	.. ..	420	439	—	170	—	—	493	—	480	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	27-4-1962			20-4-1962			13-4-1962			6-4-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (Per 10 gram)	121.60	120.05	120.73	121.85	120.75	121.24	121.45	120.15	120.82	120.35	118.85	119.45
Silver (per kilogram)	221.20	219.10	220.35	221.55	219.95	220.79	220.95	219.70	220.42	219.90	218.55	219.54

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: 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	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										
Jan. 1961 ..	1,911,58	16,83	1,928,41	117,76	128,01	245,17	12.75	124,35	1,558,29	1,928.41
Feb. „ ..	1,936,01	18,78	1,954,79	117.76	128,01	245.77	12,58	121.75	1,587.28	1,954 79
March „ ..	1,970,51	14,91	1,985,42	177,76	127,01	244,77	12.33	119,41	1,621,24	1,985,42
Jan. 1962 ..	1,981,87	17,71	1,999.58	117,76	126,86	244.62	12.23	121,17	1,633.80	1,999.58
Feb. „ ..	2,022,55	18,29	2,040,83	117.76	126,11	243.87	11.95	119.51	1,677.45	2.040.83
March „ ..	2,066,22	20,06	2,086,28	117,76	121,86	239,62	11.60	116,49	1,730,17	2,086,28
Week-Ending										
30-3-1962 ..	2,070,30	25,37	2,095,67	117,76	113,86	231,62	11.05	116,91	1,747,14	2,095,67
6-4-1962 ..	2,133,05	19,47	2,152,53	117.76	113,86	231,62	10.76	118,77	1.802,14	2.152.53
13-4-1962 ..	2,149,32	12,41	2,161,72	117,76	113.86	231,62	10.71	118,01	1,812,09	2,161,72
20-4-1962 ..	2,141,06	21,07	2,162,13	117,76	108,86	226,62	10.48	118,48	1,817,04	2,162,13

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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														
Jan. 1961 ..	53,48	19,71	79,57	93,82	246,58	110,37	441,93	16,91	57,41	19,54	41,17	145,25	144,11	17.55
Feb. „ ..	61,59	20,90	72,74	91,55	246,78	112.68	446.95	18,87	51.64	26.19	37.71	152.41	142.06	18 07
Mar. „ ..	61,88	20,34	72,56	91,25	246,03	122,10	456,13	15,00	33,81	26,22	44,51	168,25	148,97	19,38
Jan. 1962 ..	58,92	20,79	79,27	149,78	304,76	133,74	522,90	17,76	37,10	13,23	59,90	146.60	221,91	26.41
Feb. „ ..	57.52	16,38	77,10	147.85	298.75	137.30	521,05	18.34	31.16	10,68	61.15	162 63	207.44	29.64
Mar. „ ..	63,22	13,26	77,37	151,76	305,62	141,78	532,39	20,11	44,87	10,88	75,55	179,66	168,20	33,12
Week-Ending														
30-3-1962 ..	71,30	15,89	72,73	152,36	312,27	146,84	544,12	25,42	46,60	15,84	80,89	177,69	163,43	34,24
6-4-1962 ..	73,61	6,80	86,18	151,90	318.49	140,88	544,37	19,54	63.10	11.33	95.53	152.41	167.83	34,63
13-4-1962 ..	83,27	3,89	86,39	153,34	326,89	..	555.82	12,47	89,96	6,16	119,22	135,36	157,70	34,95
20-4-1962 ..	51,06	6,86	88,52	156,56	302,99	..	537,85	21,14	63,00	9,03	125,87	131,56	152,11	35,13

* 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

CENTRAL BUDGET

ANALYSIS OF EXPENDITURE ON SOCIAL AND DEVELOPMENTAL SERVICES

(ON REVENUE ACCOUNT)

(Rs. Lakhs)

	1951-52	1955-56	First Plan Total	1956-57	1957-58	1958-59	1959-60	1960-61	Second Plan Total	1961-62 Revised	1962-63 Budget
Industries	5,26	12,75	44,83 (25.18)	19,84	45,85	48,09	51,84	61,96	2,27,58 (33.13)	47,99 (31.17)	48,42 (29.66)
Scientific Departments	5,18	8,92	34,74 (19,51)	11,33	13,23	16,44	19,72	21,36	82,08 (11.95)	24,34 (15.81)	31,24 (19.14)
Education	4,08	14,23	35,36 (19.86)	19,44	20,98	27,89	36,69	43,82	1,48,82 (21.66)	27,45 (17.83)	32,10 (19.66)
Broadcasting	1,95	2,68	10,90 (6.12)	3,18	3,45	3,91	4,20	4,32	19,06 (2.77)	4,51 (2.93)	5,01 (3.07)
Medical	1,51	1,46	5,66 (3.18)	2,87	4,52	5,64	6,68	8,57	28,28 (4.12)	5,97 (3.88)	6,86 (4.20)
Public Health	80	2,36	6,23 (3.50)	3,65	8,69	7,77	8,06	5,11	33,28 (4.84)	4,97 (3.23)	5,45 (3.34)
Agriculture	2,21	6,57	16,63 (9.34)	7,46	10,61	12,37	13,85	13,60	57,89 (8.43)	8,28 (5.38)	9,24 (5.66)
Animal Husbandry	32	51	1,81 (1.02)	93	95	1,15	2,13	2,44	7,60 (1.11)	1,20 (0.78)	1,43 (0.88)
Co-operation	4	6	13 (0.07)	74	99	1,86	2,53	3,27	9,39 (1.37)	2,33 (1.51)	3,47 (2.13)
Rural Development	-2	30	33 (0.19)	48	72	88	86	84	3,78 (0.55)	1 (..)	1 (..)
Miscellaneous*	3,84	5,89	21,43 (12.03)	9,18	10,96	13,71	15,40	19,91	69,16 (10.07)	26,92 (17.48)	20,01 (12.26)
TOTAL	25,21	55,73	1,78,05 (100.00)	79,10	1,20,95	1,39,71	1,61,96	1,85,20	6,86,92 (100.00)	1,53,97 (100.00)	1,63,24 (100.00)

*Includes miscellaneous social service organisations; Community Development, National Extension Service and Local Development Works (for the years 1961-62 and 1962-63); capital outlay on industrial development (met from revenue) etc.

Note: 1. Figures in brackets indicate percentages to total.

2. Till 1960-61 expenditure on community development, National Extension Service, etc. was included under "Extraordinary items." As no separate figures are available, expenditure under this item is, however, being excluded from 1951-52 to 1960-61.

3. From 1961-62 all grants to States for Social and Developmental services are being booked under the head "Grants in aid to States".

CENTRAL BUDGET

ANALYSIS OF INTEREST PAYMENTS*

(Rs. Lakhs)

	1951-52	1955-56	First Plan Total	1956-57	1957-58	1958-59	1959-60	1960-61	Second Plan Total	1961-62 Revised	1962-63 Budget
I. Interest on Ordinary Debt											
(a) **Debt raised in India**											
(i) Permanent Debt	42,24	45,40	2,09,30	47,40	52,23	60,98	74,98	84,76	3,20,35	89,57	96,32
(ii) Floating Debt	1,70	12,31	33,27	16,46	25,60	29,57	33,05	31,18	1,35,86	27,75	29,40
(iii) Other Debts	1,93	1,42	6,62	1,40	1,93	2,20	2,85	2,82	11,20	3,07	3,29
(iv) Total (i+ii+iii)	45,87	59,13	2,49,19	65,26	79,76	92,75	1,10,88	1,18,76	4,67,41	1,20,39	1,29,01
(b) Debt raised outside India	1,38	3,33	14,06	3,31	3,42	6,31	18,42	23,87	55,33	34,72	49,05
II. Interest on Unfunded Debt											
(i) Post Office certificates	4,65	7,58	30,17	8,63	9,35	9,41	11,95	14,66	54,00	16,60	19,28
(ii) Post Office Savings bank	3,57	5,10	21,34	5,65	7,33	8,02	8,42	6,95	38,37	10,60	11,38
(iii) State Provident Funds	3,62	5,68	22,77	6,43	6,73	7,75	8,72	9,68	39,31	11,23	12,18
(iv) Other items	2,16	3,91	15,41	4,03	4,76	4,94	5,49	6,86	26,08	13,01	15,56
(v) Total (i+ii+iii+iv)	14,00	22,27	89,69	24,74	28,17	30,12	34,58	40,15	1,57,76	51,44	58,40
III. Interest on Reserve Funds etc.	5,26	5,45	28,10	4,37	5,40	4,73	4,77	4,03	23,30	4,74	4,92
IV. Interest on other Obligations	3,08	85	10,75	1,73	1,00	1,21	1,42	1,67	7,03	1,72	1,52
TOTAL	69,59	91,03	3,91,79	99,41	1,17,75	1,35,12	1,70,07	1,88,48	7,10,83	2,13,01	2;42;90

*Including the share of State Governments, Posts and Telegraphs, and Railways.

REVENUE FROM UNION EXCISE DUTIES: 1950-51 — 1962-63

(All figures in lakhs of rupees)

	1950-51 Accts.	1953-54 Accts.	1955-56 Accts.	1956-57 Accts.	1957-58 Accts.	1958-59 Accts.	1959-60 Accts.	1960-61 Accts.	1961-62 Revised	1962-63 Budget
Basic Duties										
Motor Spirit	2,08	2,47	23,05	25,23	30,85	32,52	35,40	40,46	43,50	46,66
Kerosene	28	33	2,43	3,29	3,06	4,15	6,81	8,29	13,20	14,34
Sugar	6,46	14,36	16,58	20,88	42,75	52,27	50,00	44,19	43,30	46,10
Matches	8,07	9,32	10,08	10,05	15,08	19,21	17,96	18,08	18,40	18,60
Steel Ingots	54	60	69	64	6,25	7,29	10,34	13,14	16,00	17,50
Tyres and Tubes	4,04	4,95	5,53	6,15	3,87	7,16	10,44	13,54	14,75	15,50
Tobacco	31,99	33,00	36,46	38,43	45,49	49,09	50,89	53,73	53,60	55,10
Vegetable products	2,19	2,79	3,82	4,35	3,92	3,86	5,49	5,63	6,05	6,25
Coffee	1,17	77	93	1,20	1,32	1,34	1,46	1,35	1,75	1,85
Tea	3,36	2,09	3,17	3,19	3,86	4,71	7,74	7,47	10,65	11,50
Cotton Cloth	9,26	21,67	28,18	51,86	64,60	57,40	46,75	45,94	44,35	44,35
Artificial Silk	—	11	2,18	1,03	1,69	1,96	2,07	2,05	2,40	2,50
Cement	—	10	2,22	2,55	11,17	13,91	16,76	18,45	18,65	19,00
Footwear	—	8	84	99	97	1,05	1,16	1,52	1,80	2,00
Soap	—	16	1,55	1,85	1,76	2,23	2,10	2,38	2,40	2,60
Woollen Fabrics	—	—	53	61	61	86	75	90	80	85
Electric Fans	—	—	27	32	46	53	72	1,17	1,15	1,25

REVENUE FROM UNION EXCISE DUTIES: 1950-51 — 1962-63 (CONTD.)

(All figures in lakhs of rupees)

	1950-51 Accts.	1953-54 Accts.	1955-56 Accts.	1956-57 Accts.	1957-58 Accts.	1958-59 Accts.	1959-60 Accts.	1960-61 Accts.	1961-62 Revised	1962-63 Budget
Electric Bulbs	—	—	25	28	30	33	40	68	85	90
Electric Batteries	—	—	73	89	80	98	1,16	1,88	1,80	1,90
Paper	—	—	2,68	3,27	5,39	6,78	7,97	8,38	11,20	11,75
Paints & Varnishes	—	—	1,01	1,17	1,20	1,27	1,37	1,40	2,10	2,25
Vegetable non-essential oils	—	—	29	5,30	9,80	10,02	13,35	11,69	10,50	10,50
Refined Diesel Oils & Vapourising Oils	—	—	16	2,53	7,01	9,60	24,50	36,38	43,25	45,69
Fuel Oils: Diesel Oil) Furnace Oil)	—	—	47	3,03	3,24	4,77	11,91	13,01	14,90	16,92
Rayon and Synthetic fibres & yarn	—	—	—	7	29	86	2,02	2,82	5,45	5,75
Motor Cars	—	—	—	5	32	20	63	8,03	10,00	10,50
Asphalt & Bitumen	—	—	—	—	—	—	—	2,93	2,40	2,34
Aluminium	—	—	—	—	—	—	9	1,17	1,00	1,05
Tin Plate	—	—	—	—	—	—	—	1,36	1,50	1,60
Pig Iron	—	—	—	—	—	—	8	97	1,35	1,40
Silk Fabrics	—	—	—	—	—	—	6	4	6	6
Cycles & parts thereof	—	—	—	—	—	—	6	91	1,25	1,40
Electric Motors	—	—	—	—	—	—	3	80	1,00	1,10
Internal Combustion Engines	—	—	—	—	—	—	4	1,53	1,35	1,45
Cinematograph films	—	—	—	—	—	—	3	75	70	70
Soda ash	—	—	—	—	—	—	—	2	30	35
Caustic soda	—	—	—	—	—	—	—	2	45	55
Glycerine	—	—	—	—	—	—	—	1	12	14
Dyestuffs	—	—	—	—	—	—	—	9	1,70	1,40
Patent or proprietary medicines	—	—	—	—	—	—	—	26	4,25	4,45
Cosmetics	—	—	—	—	—	—	—	7	1,05	1,15
Cotton yarn	—	—	—	—	—	—	—	13	4,35	4,35
Woollen yarn	—	—	—	—	—	—	—	2	1,20	1,30
Glass & Glassware	—	—	—	—	—	—	—	11	2,00	2,20
Chinaware	—	—	—	—	—	—	—	3	75	80
Copper	—	—	—	—	—	—	—	7	1,75	1,85
Zinc	—	—	—	—	—	—	—	1	12	15
Airconditioning machinery	—	—	—	—	—	—	—	1	35	35
Wireless receiving sets	—	—	—	—	—	—	—	6	1,35	1,45
Refrigerators	—	—	—	—	—	—	—	1	35	40
Plastics	—	—	—	—	—	—	—	8	95	1,05
Cellophane	—	—	—	—	—	—	—	6	30	35
Salt cess	—	—	—	—	—	—	—	73	62	55
Coal cess	1,62	2,54	2,38	2,18	2,68	3,25	3,16	5,40	6,05	7,00
Cess on Copra	—	—	—	—	12	13	10	9	10	10
Cess on Oils and Oilseeds	—	—	—	15	91	41	54	51	20	20
Cess on iron ore	—	—	—	—	—	—	—	—	—	25
Miscellaneous	44	72	76	1,21	4,74	1,73	5,12	4,88	75	75
TOTAL - GROSS REVENUE	71,50	96,06	1,49,24	1,92,75	2,74,51	2,99,87	3,39,07	3,85,69	4,32,47	4,54,35
DEDUCT — REFUNDS AND DRAWBACKS	—3,96	—1,08	—3,99	—2,32	—3,50	—3,05	—6,74	—2,94	—3,50	—4,50
TOTAL - NET REVENUE	67,54	94,98	1,45,25	1,90,43	2,71,01	2,96,82	3,32,33	3,82,75	4,28,97	4,49,85
ADDITIONAL EXCISE DUTIES										
Sugar	—	—	—	—	—	6,79	8,25	10.91	13,53	13,83
Textiles	—	—	—	—	—	5,22	14,89	17,01	20,33	20,38
Tobacco	—	—	—	—	—	4,11	5,18	5,68	8,12	8,22
TOTAL	—	—	—	—	2,61	16,12	28,32	33,60	41,98	42,43
GRAND TOTAL— UNION EXCISE DUTIES	67,54	94,98	1,45,25	1,90,43	2,73,62	3,12,94	3,60,65	4,16,35	4,70,95	4,92,28 (+30,80*)

*Effect of Budget proposals and exclusive of the sum of Rs. 3.08 crores payable to States.

RAILWAY FINANCES : 1950-51 — 1962-63

(Rs. Crores)

Heads	1950-51 (Accts.)	1955-56 (Accts.)	1956-57 (Accts.)	1957-58 (Accts.)	1958-59 (Accts.)	1960-61 (Accts.)	1961-62 (Revised)	1962-63 (Budget)
1. Capital at charge	827.04	968.98	1,071.71	1,222.44	1,356.59	1,520.87	1,707.43	1,903.93
2. Gross Traffic Receipts	263.01	316.29	347.57	379.78	390.21	456.80	501.24	545.36
(a) Passenger	97.84	107.71	116.38	119.10	116.74	131.58	154.00	166.46
(i) Upper	13.75	12.85	13.56	13.38	14.52	15.18	17.22	19.00
(ii) Third	84.09	94.86	102.82	105.72	102.22	116.40	136.78	147.46
(b) Other Coaching	16.64	20.87	21.09	24.23	23.59	27.21	29.00	29.00
(c) Goods	148.01	180.28	202.96	229.67	240.82	286.14	305.25	337.55
(d) Other Earnings*	5.52	7.43	6.19	6.78	9.06	11.86	12.99	12.35
3. Total Expenses	215.45	265.95	289.19	321.99	330.89	368.93	409.06	440.29
(a) Ordinary Working Expenses	180.23	212.95	233.94	264.17	276.33	313.15	330.39	356.80
(i) Administration	23.36	31.52	34.74	32.17	34.30	37.51	38.37	41.83
(ii) Repairs and maintenance	57.11	78.67	86.00	90.62	91.59	99.75	104.05	113.82
(iii) Operating staff	35.41	49.73	52.80	53.82	57.14	63.45	64.85	71.64
(iv) Operation (fuel)	30.72	23.58	27.28	48.03	52.47	62.80	67.77	72.18
(v) Operation (other than staff and fuel)	13.35	10.19	10.65	14.86	15.65	18.30	18.83	20.96
(vi) Miscellaneous	19.39	14.97	16.47	18.29	19.14	23.85	26.51	24.90
(vii) Labour Welfare	3.19	5.03	5.83	6.96	7.94	9.68	10.77	12.07
(viii) Suspense	—2.30	—0.74	0.17	—0.58	—1.90	—2.17	—0.75	—0.60
(b) Depreciation	30.00	45.00	45.00	45.00	45.00	45.00	65.00	67.00
(c) Payments to Worked Lines	0.25	0.26	0.33	0.26	0.11	0.09	0.16	0.14
(d) Miscellaneous Expenses	4.97	7.74	9.92	12.56	9.45	10.69	13.51	16.35
(i) Open line works	3.93	5.97	8.05	10.42	10.76	11.50	11.65	12.50
(ii) Others (net)	1.04	1.77	1.87	2.14	—1.31	—0.81	1.86	3.85
4. Net Revenue (2—3)	47.56	50.34	58.38	57.78	59.32	87.87	92.17	105.07
5. (i) Dividend to General Revenues	32.51	36.12	38.16	44.40	50.39	55.86	63.20	69.35
(ii) Dividend to General Revenues in lieu of tax on railway passenger fares	—	—	—	—	—	—	12.50	12.50
6. Profit for the year (4—5)	15.06	14.22	20.22	13.38	8.93	32.01	16.47	23.22
7. Ratio of net revenue to Capital-at-Charge	5.8	5.2	5.5	4.7	4.4	5.8	5.4	5.5
8. Operating Ratio**	80.0	81.6	80.3	81.5	82.4	78.4	78.9	77.7

* Includes suspense.
** Defined as the ratio of total expenses (excluding miscellaneous expenses) to gross traffic receipts.



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THE EASTERN ECONOMIST

MAY 11, 1962

The President

THIS week Dr. Rajendra Prasad has said goodbye to New Delhi and, with the deep affection of all the people of India, has entered on his retirement appropriately in an Ashram in his beloved State of Bihar. It is difficult at this moment to evaluate the place that Dr. Rajendra Prasad will occupy when the story of India's first Presidency is being written. The biographies of him that have appeared have been fulsome and, in many cases, quite uncritical. This is hardly the way in which history will look upon the office in which he may be said to have built the first conventions. Dr. Rajendra Prasad no less than the Constitution built the Presidency of the Indian Union into a constitutional monarchy. Whether or not he was entirely wise to do this, seeing the possible need for India to use President's Rule as a guard against instability is questionable, but, all in all, the verdict of the country has been one of approval. During these twelve searching years in which he exercised the office of the Head of the State, he has been, so to speak, in the background of power. Jawaharlal Nehru with his central place in the political life of the country was naturally able to subtract from the Presidency some of the powers which otherwise the office might have assimilated. It is extremely unlikely that the future Presidents of the Indian Union will ever, falling away from Dr. Rajendra Prasad's example, attempt to capture power in any form in that office. Dr. Rajendra Prasad was a hero of the Revolution. His distinguished successor, Dr. Sarvapalli Radhakrishnan, is, perhaps, the first amongst India's scholars but still lacks the political stature to claim on party grounds any portion of the power of the Indian Union. Dr. Zakir Hussain, the Vice-President, also a scholar, has stepped appropriately into a tradition set by Dr. Radhakrishnan with the outlook of the campus rather than the hurly-burly of the political arena.

To argue that scholarship is a great virtue in both offices is by no means to fall into the confusion which some papers have already done by attempting to argue that the Indian succession is now literally in the line of the recommendations of Plato's philosopher-king. It is wholly wrong to equate the power of Plato's philosopher-king with the power of a constitutional monarchy in any country in the world. Philosophy was designed as an element in the restraint of individual ambition when power was uncontrolled. Since the office of the President of the Indian Union is not the residue of power, obviously his philosophy is not designed to produce self-content. India's President can never exercise substantial power unless he is raised to that office on the basis of a coup d'etat. This, it is fervently hoped, will never happen in India. Perhaps it is some guarantee with philosophers in that high office that they will never be tempted to employ crude military means for the wresting of the power which the Constitution has denied to the office.

While the country rejoices at the eminence which has now been placed at the head of the State, and the recognition given to the high scholarship of its present incumbent, it must also take note of the fact that opportunity for now creating conventions in which the influence of the President can be dominant in the political decisions of the Cabinet is relatively small. This is largely because the President is no longer a Congressman, at least in the old tradition of the Gandhian Age. But he has other virtues which come from the accidents of birth. As a Southerner and one widely travelled abroad, Dr. Radhakrishnan opens his account as an elder statesman of the highest rank. Everyone will wish that his talents will find opportunities in the highest of all offices in the country.

The Kashmir Debate

THE Security Council has adjourned the debate on Kashmir *sine die*. It is not very difficult to guess why Pakistan insisted upon the debate. Political expediency seems to have made it necessary for her to keep the Kashmir issue keenly alive. In the absence of really weighty developments holding a threat to peace, Mr. Sanjeeva Reddy's speech, asserting India's determination to liberate the Pakistan-occupied territory, was picked up as one convenient justification. An immediate debate was sought in January last, but it was postponed until after the general elections in India. The postponement was an indication of the significance attached to the strength of the plea. Many things are said in the heat of the hustings and if wild statements are made they need to be discounted on that score.

Sir Mohammed Zafrullah Khan had to labour hard in this situation to make out a case for the immediate intervention of the Security Council. Nevertheless, it was of little use to rake up the dead past by invoking memories of the atrocities committed in the immediate wake of the partition of the Indian sub-continent. Members of the Security Council knew too well that these atrocities, committed in a mood of frenzy, were not perpetrated unilaterally. Mr. Krishna Menon, on the other hand, expounded India's case in a manner which does credit not only to its merits but to his

talents as a skilful advocate. He refrained from indulging in acrimony and was quite brief and precise. He could bring force and lucidity to bear on his exposition just because he wisely practised the virtue of moderation. So persuasive was his advocacy that Mr. Adlai Stevenson could not resist the spontaneous urge to offer him warm congratulations. How far the purpose in convening the Security Council was achieved is best epitomized in the meaningful observation of Sir Patrick Dean: "Time had made the dispute no larger."

This debate is to be judged not merely by the points scored or the manner in which the representatives of the two countries argued their briefs. The implications of the speeches made on behalf of the big powers are more important than what the spokesmen of the two countries urged. One of the major issues which has been invariably thrashed out before the Security Council is India's obligation to hold a plebiscite in Kashmir. This obligation is contained in the UN Resolution of June 5, 1949. Convenience may seek to blur the genuine character of the resolution as an integrated whole and manoeuvres may be employed to focus attention on the plebiscite. But the fact cannot be obliterated that the earlier three parts of this resolution lay down positive conditions. Among them, a major condition precedent is the vacation by Pakistan of the territory she has occupied in Kashmir. The plebiscite clause can hardly be detached from the rest of the resolution and an impression created that the holding of the plebiscite is an unqualified and absolute stipulation.

More significant than this inherent spirit of the resolution is the fact that over the past twelve years material changes have occurred and the point has been reached when the question could be posed whether it is practicable to cling to a solution which was conceived in a situation that has ceased to exist. A constituent assembly has framed the constitution for Kashmir and two general elections have been held, based on direct vote. It is in the interest neither of India nor of Pakistan to cause any upsets now to the stability that has been achieved after the partition. India will not be a party to reversing the position only to plunge both the countries into a holocaust, which it would be extremely difficult to avoid, in a repetition of territorial division on the principle of religious alignments. Pakistan, too, can hardly envisage this prospect.

Basically India and Pakistan are fully conscious that their final interests lie in peaceful and friendly relations as good neighbours. Both the countries are aware that a settlement imposed by a resort to war or violence cannot succeed in establishing stability. India gave an unequivocal expression at the Council's meeting to her pledge not to take the initiative in using violence in the settlement of the dispute. A similar statement has been made on behalf of Pakistan and it would have strengthened the confidence of the friends of both the countries had it been unqualified. Unhappily it was not so. Sir Mohammed Zafrullah Khan warned the Council that the tribesmen were threatening to get out of hand and the citizens of Pakistan, too, were growing more and more restive over this issue. The reference to the tribesmen was nothing but a veiled threat of war. In 1948 the alleged religious zeal of the tribesmen was used to explain the attack on Kashmir. This is familiar history. The warning, therefore, could not fail to detract from value of the declaration of no resort to war or violence made by Pakistan's able delegate. In fact, Mr. Platon Morozov was quick to highlight the fact that the only new development in the Kashmir issue was this threat of war.

Pakistan's agreement with China to negotiate a settlement of the boundary between Kashmir and Sinkiang was presumably a diplomatic move to cause serious embarrassment to India and perhaps to exert pressure on her Western allies. This diplomacy was, however, ill-timed and it would appear that it was also ill-conceived. China played her cards shrewdly in making it clear that the agreement on the border, if reached, would be provisional and the final agreement would have to be concluded with the sovereign power. The implication of this condition is clear. But it revealed the extent to which Pakistan chose to proceed in an unexpected direction in an effort to influence her friends and to scare away India. The real repercussions of this agreement, however, do not appear to have been properly weighed by her.

If anything, this new move has gratuitously disturbed America and Britain. It is likely to be construed as a calculated thrust at her Western allies for what she considers as their default in not extending full support to her in this issue. Mr. Menon, though perturbed by this fresh development carrying the sinister potentiality of further strains and complications for India, would have committed a serious lapse of duty if he had omitted to lay bare the duplicity involved in this diplomatic game. While Pakistan chose Western alliance for military and economic aid, she had no hesitation to court China for political gain. This agreement may have been conceived in a spirit of expediency, but it is the kind of expediency which is bound to cause some serious heart-searching on the part of America in particular. Undoubtedly, this agreement weighed with Britain and America in agreeing to an adjournment of the debate. Pakistan's contemplated move to seek reference of this question to the General Assembly was thus foiled by her own action.

An essential lesson of this debate is the recognition of the fact that the complexion of the Kashmir issue has changed. This is not the same thing as to maintain that the controversy may be taken as set at rest. A solution to that end will have to be devised. If contingent plebiscite has now become obsolete and the Security Council finds itself in no confident position to take the initiative, it is in the interest of both the countries to hold direct bilateral talks. Mr. Manzur Qadir, Pakistan's Foreign Minister, has hinted that a third party acceptable to both the sides should be present at the talks—when they are held. But the presence of the third party is more likely to prejudice a frank exchange than to facilitate the course of the bilateral talks. It should be obvious that third party presence offends against mutual trust which is the basis of bilateral negotiations. The third party's good offices would certainly be useful in exploring the ground for agreement and attempting to enlarge it to the maximum possible extent. But the stage has been reached when both the parties should sit side by side and evolve a mutually acceptable solution. That appears to be the only way to establish permanent harmony between the two.

Burmah-Shell's Offer

WITH the announcement by Burmah-Shell of its readiness to abrogate voluntarily the controversial Refinery Agreement entered into by it with the Government of India in 1951, getting registered Burmah-Shell Refineries Limited under the Industries Act and its decision to offer to the Indian public "substantial and widespread" equity participation in both its marketing and refining enterprises, the momentous developments on the oil front have started unfolding themselves. If this move of Burmah-Shell speaks volumes for the progressive outlook of this company and a commendable grasp on its part of the "wind of change" that has been blowing in India in respect of foreign investments in oil, it also does great credit to the Union Minister for Mines and Oil, Mr. K. D. Malaviya, who has been the principal architect of the oil policy of this country, which, according to discerning observers, paved the way for his elevation from the status of a Minister of State to that of a full Cabinet Minister in the Union Government after this year's General Election. The harmonious and successful operations of Oil India Limited in which the Burmah Oil Company, one of the two partners in Burmah-Shell, and the Government are equal shareholders, appears to have played a great role in bringing about this healthy re-orientation in the Burmah-Shell management's policy of operations in India.

The offer naturally is subject to an understanding being reached between Burmah-Shell and the Government on "certain basic points". But what these basic points are has not been divulged in the statement issued by the company to the Press. Some of the issues on which an understanding will have to be reached prior to the implementation of these proposals probably are the pattern of management of the new rupee company to be formed, the percentage of its capital to be thrown open for Indian participation, expansion of Burmah-Shell's Trombay Refinery, the question of crude supplies and repatriation of the sterling capital which will become surplus as a consequence to Indian participation in the equity shares of the new company. Some of these issues are apparently such that an agreement on them can be reached without any difficulty. The effective control of the new company, for instance, will have to be allowed to remain in the hands of the present incumbents since they would be holding majority shares. Similarly, the surplus sterling capital will have to be allowed to be repatriated if it is not to be permitted to be invested in some new fields of activity. On more or less similar footing stands the issue of crude supplies. Any industrial unit has a right to secure its raw material supplies from any source it desires, but if imports are involved they can be effected only at competitive prices. Burmah-Shell would not be averse to securing its crude supplies indigenously if they are available, but if they are to be imported, it will naturally like to secure them from its own traditional sources instead of being forced to draw them from the Soviet Union, especially when its own suppliers would be able to meet its requirements at prices competitive with Russia.

The most intractable issues involved in the negotiations probably will be the pattern of Indian participation in the equity capital of the new company and the permitting of Burmah-Shell's Trombay Refinery's expansion at least to 3.5 million tons, which capacity it has attained through improvement in its operations and minor adjustments in its plant at a little or no extra expense in foreign exchange. According to the announcement, Burmah-Shell would like the Indian public to subscribe to the new company's capital in the proportion to be decided upon. But the present oil policy of the Government by its implications seems to rule this out. Any future refining capacity to be created, Mr. Malaviya has been emphasising, has to be in the public sector. This should imply that on behalf of Indians, it is only the Government that can undertake oil refining business and not the Indian public.

The Government's oil policy, however, does not preclude expansion of the existing private sector refineries, provided the controversial clauses of the Refinery Agreements are abrogated or suitably modified. Burmah-Shell's latest proposals should help in breaking this deadlock. And it is necessary too. The demand for petroleum products in this country, which is expanding at a very fast rate and is estimated to rise to 14 million tons according to the Planning Commission's estimates and about 16.2 million tons according to Burmah-Shell's estimates by 1965-66, would require the creation of additional refining capacity even after the contemplated expansion of the Noonmati and Barauni refineries to 1.25 million tons and 2.75 million tons and the setting up of a 2-million ton refinery at Koyali. The easiest and inexpensive way to do so is to allow the existing private sector refineries to increase their output through full utilization of their recently expanded capacity.

Expansion of the oil refining capacity in the country incidentally will help in solving the issue of the imported petroleum products prices which after the enforcement of the Damle Committee's report has created not a little estrangement between the Government and the oil companies. With augmented production here, the need to import middle distillates, which are in short supply, will be obviated to a considerable extent.

Given a pragmatic approach by the Union Ministry of Mines and Oil, it is hoped that an amicable settlement on all these issues will be arrived at at none-too-distant a day. The thoughtful and wise gesture on the part of the Burmah-Shell management needs reciprocation by Mr. Malaviya. If these negotiations prove successful, it can reasonably be expected that the Esso Standard Eastern and Caltex, as also the Assam Oil Company, will follow suit and form new companies under the Industries Act. Repatriation of foreign capital that becomes surplus as a sequel to Indian participation in the equity capital of these companies even to the extent of 20 to 25 per cent will undoubtedly put a great strain on our foreign exchange resources. But that can be avoided to a considerable degree by enabling its re-investment in new lines such as setting up of petro-chemical and lubricating oil projects.

THE WEEK'S NOTES

Laos

THE FALL OF NAM THA

THE REPORTS about the fall of Nam Tha, the capital of the north west province of the rightist Government in Laos, which first emanated from Peking, are no longer held in doubt. The Pathet Lao forces captured Nam Tha on May 6. Long before that the civilian population was practically evacuated as the fall of the city (which is of strategic importance to the defence of the province) became imminent. Earlier military engagements had made this fate of Nam Tha practically clear. It was certainly no casual coincidence that the Pathet Lao forces seized Muong Sing, which holds the key to the defence of the capital city of Nam Tha, on the first anniversary of the cease-fire in Laos. The day was purposely selected for the seizure since the Pathet Lao forces were quite confident of their victory with the massive support of the Chinese forces and the deployment of the 43rd division of the Chinese army on the Sino-Laotian border. China had two main objectives in precipitating this grave military engagement calculated to throw the cease-fire into jeopardy. In the first place, she wanted to send out a feeler how far America would be willing to get involved in a military action likely to be dragged on indefinitely. In the next place, knowing fully well that Russia is interested in the formation of the neutralist government, China took the opportunity to make an exhibition of her dominating influence in the South-East Asia in the present state of the rift between herself and Russia. But it must not be overlooked that the right wing General Nosavan Phouma's army light-heartedly indulged in provocative acts to foment a breach of the cease-fire. It looks at the moment as if the entire good work done after great patience and forebearance stands threatened to be undone. If the breach of the cease-fire is allowed to be completed the inescapable consequence will be to plunge the country into one of the bloodiest civil wars.

During the year that has passed, Pathet Lao has consolidated and strengthened its position. By contrast, Prince Boun Oum's rightist government is badly shaken by the withdrawal of American economic aid. America had no alternative but to apply this sanction as an instrument of pressure to give the strongly needed shake-up to Prince Boun Oum. It was his government which foiled all attempts to form a neutralist government in Laos with Prince Souvanna Phouma as the Premier in charge of the two key portfolios of Defence and the Interior. But Prince Boun Oum maintained his opposition to a coalition to which Prince Souphanouvang would be a party. A neutralist government in Laos, however, could not be neutralist unless it included Pathet Lao despite its red colour.

Prince Boun Oum has foolishly played with fire and has not cared to ponder over the consequences of his government's intransigent opposition to a coalition. The redeeming feature in the fast deteriorating situation is that Russia, Britain and America are interested in installing a neutralist government and holding aloof from a partisan attitude. But there is the counterbalancing factor that the new developments have given China and Pathet Lao an accretion of strength and to the latter greater negotiating power. The main hurdle seems to be how for Russia will go to induce Pathet Lao to agree to the restoration of the cease-fire in this complicated situation.

Hooghly Pilots

THE PARALYSIS OF STRIKE

THE STRIKE of the pilots of Calcutta Port had reached a highly critical point at which all activity has been paralysed. It is now over a week that 40 out of 46 Hooghly pilots resigned their offices. It is elementary commonsense that the port cannot function without the pilots and matters ought not to have been allowed to reach such an extraordinary impasse. Not only have incoming ships been stranded, but there is now a mounting threat to the flow of essential goods in the Eastern region, where the Calcutta port holds a unique position as the heart of the line of communications for internal as well as external flow of freight traffic. Coastal traffic has also been practically brought to a standstill and this would immediately hit the movements of coal by shipping. The alternative is by no means easy and its feasibility is open to serious question. With their capacity already stretched, the railways can hardly take the extra load of freight traffic without striking at the urgent requirements of other users.

The pilots, as responsible officers, owe a duty as much to themselves as to the public undertaking of which they should be proud to be the members. Whatever the force of validity behind their grievances, it is their first duty to place their service to the community above the vindication of their personal rights. But the Port Commissioners of Calcutta are perhaps to be blamed more than the pilots for a grievous failure to tackle this delicate problem with at least some degree of humanitarian consideration. And it would appear that the position taken by the Port Commissioners is vulnerable. Their attitude towards the striking pilots is unrealistic and considerations of prestige appear to have pushed them into this position of unrealism. A blunt refusal to accept conditions for compromise, to withdraw recognition from the Association of Pilots and to secure the machinery of the Essential Services (Maintenance) Ordinance when resort to it could have been postponed tactfully — these are all among the outmoded techniques to deal with strikes which are not groundless.

The central grievance of the pilots is about the breach of an assurance alleged to have been given by the Port Commissioners in 1951 for the restoration of the status and conditions of service of the pilots to the 1948 situation. Whether such an assurance was given or not has become a matter of controversy. While the Port Commissioners have denied it, the new Chairman is inclined to lend his support to its truthfulness. It was in 1948 that the Hooghly pilots were removed from the administrative control of the Central Ministry of Transport and placed directly under the Port Trust Authority. This would mean their likely reduction to a position of parity with the Harbour Masters and other categories of the Marine Services. The pilots who enjoyed higher emoluments and superior conditions of service could not envisage the prospect of being pushed to such a parity. Their major demand is restoration of the Central control as before. This has now become an issue of prestige. The pilots are prepared to call off the strike if this condition is agreed to. This may seem to amount to giving way to tactics of coercion, but it is likewise true that notions of prestige ought not to be asserted at such a grave cost. Discretion would lie in making a concession which cannot be wholly regarded as made under duress.

Naga Hostiles

REFUGE ACROSS THE BORDER

WHERE THE border is infested with a thick jungle and the entire terrain is difficult for communications, it is easy for the Naga hostiles to retreat behind it for safety and respite to redouble their activities of violent attacks in Nagaland. The hostiles first sought refuge behind the Indo-Burmese frontier. But Burma acted with promptitude and a great sense of duty to her friendly neighbour in making the hostiles evacuate her territory. Now they have turned to the East Pakistan border, exploiting the possibility of the fact that the attitude displayed by the Burmese Government had no chance of being repeated there.

An intriguing point that has emerged in the course of information on this latest development relates to the extensive nature of the territory on the Indian side over which the Naga hostiles effected their escape. This would show that they made a surprise move. The Prime Minister has rightly stated that it would be difficult at the present stage to be positive that the arms and ammunition seized from the fleeing hostiles belonged to a particular source. But as the Press reports show the hostiles have been well received on the other side of the frontier. To extend asylum to people who are admittedly indulging in violent subversive activity against a neighbouring State is certainly highly objectionable. With what face can Pakistan assail Afghanistan's position of lending support to the Pakhtoons? It is for the Government of India to exercise the greatest vigilance at the border points. The fact that the core of the Naga hostiles has disintegrated and they are operating in an unorganized manner from widely dispersed points is an encouraging indication of their tottering position. To seek refuge across the border and to function from there by means of sporadic attacks is a sign of a last ditch battle, when the majority of the Nagas are in no mood to respond to them. Nevertheless, firm action must be taken against such attacks by plugging the points of entry into India. The difficulties that confront the security forces in this task cannot of course be underestimated.

The latest development is the release of the four Indian airmen by the Naga hostiles and their return to the Burmese military officials. The timing of this release with the adoption of the new tactics to operate from the Indo-Pakistan border is intriguing. While the release is to be welcomed, it would be unwise to read into it a desire on the part of the hostiles to come to a compromise. Maybe, it is a ruse to mislead the security forces into a sense of lull.

Public Administration

EXPANSION OF CADRES

THE PARADOX of the operation of Parkinson's Law in the public administration of India and the dearth of officials at several points in the administrative machinery is more apparent than real. The problem, seen in its proper setting, is one of orderly growth with speed where the complex and rising volume of work demands it, and a firm brake on expansion, where the temptation is great to multiply the administrative personnel under a false or exaggerated sense of growing loads of work. The demand for administrators at the higher executive level is difficult to satisfy for the obvious reason that the obligations imposed by the acceptance of the ideal of a welfare state, planned development of the economy and the fast expansion of the public sector are making incessant calls for personnel of the necessary calibre. This demand is mounting so rapidly that the painstaking and able reports prepared on this knotty problem by Mr. A. D. Gorwalla in 1951 and by Mr. Paul Appleby in 1953 do not provide straight solutions to current problems. Mr. V. T. Krishnamachari's report, a product of an industrious and exhaustive probe into the problem, is expected to be submitted to the Government and the Planning Commission this week. Speculation on the nature of his recommendations appears to be in vain. The release of the report must be awaited.

The numerical aspect of this problem — in particular the scale of recruitment to the IAS — is less material than the nature of the qualities expected in these administrators and the capacity for adaptation to new situations in which the officials have to function. This has a particular reference to the administration of the community development projects, the decentralisation of administrative responsibility at the levels of the Panchayat, the Panchayat Samitis and the Zila Parishads. Decentralisation may sometimes demonstrate the bitter results of haste or impatience, but by and large, the real problem is flexibility and readiness on the part of the higher officials for adopting changed attitudes before frictions are created. The expansion of the public sector of the economy at an admittedly rapid rate is bringing to the surface the inadequacies of the requisite talent for positions of higher responsibility. Frequent shifts and transfers of top officials have made the problem more acute. And no less an important factor is lowering or shaking the morale and decision-making capacity of official executives of public enterprises by criticism (not infrequently loose) in Parliament where they cannot explain the correct position or defend their actions. We have to imbibe that respect for the administrative services and to develop aloofness from intermeddling with matters on which information available to outsiders is generally insufficient or one-sided — qualities which are so abundantly displayed in mature countries.

NATO

EFFECTIVE NUCLEAR CONTROL

IT IS unquestionably a matter for gratification in the present strained international situation, created by the positions taken up by the nuclear powers on the ban on tests, that the Ministerial Council of NATO did not make a complicated situation more complex. One of the major subjects on the agenda at the Council's meeting was about effecting a radical change in the policy of control over the use of NATO's nuclear arms. NATO has already a good stock of nuclear weapons, supplied by America as a reserve solely confined to use for retaliation. But these nuclear arms are strictly under American control and the power to authorise their use is vested in the American President. This is just in consonance with the American law which does not entrust the authority to any other agency. It was least expected that America would yield to the pressures of some of her NATO allies to deviate from it.

The argument put forth for transfer of effective control was that in case there was a near certainty of a nuclear attack by Russia on Europe, no time would be left for consultation with Washington to invoke the authority for a counter attack. It was, so the argument ran, vitally essential that the power to sanction use of atomic weapons should be delegated to the authority on the spot. Superficially this argument has a semblance of validity. But in reality its potential consequences would have been quite dangerous. No one can conceal the fact that complete unanimity on nuclear defence is lacking among the NATO members. The European members have diverse interests which deeply touch their national security. Precisely for this reason it would have been a serious error to transfer the control under auspices which might exercise the power under mistaken notions. The status quo has been maintained rightly. But it does not remove the tensions created by the nuclear race. The right course is to negotiate with Russia with a determination to reach a reasonable agreement.

The World Abroad

PROBLEMS OF FORMING A CONSORTIUM

By

ODYSSEUS

I WAS SAYING here last week that Indian industry might be well advised to look into the possibilities of forming consortia for the joint selling of exports, because it may be feasible for several companies, which are in competition in their homeland, to create either a joint overseas selling organisation, or even to set up a single jointly owned factory abroad. I draw your attention to a clearly and concisely written new book "Business Consortia" (Sweet and Maxwell. London. 30sh.) by Mr. A. Harding Boulton. This is the first book ever published on this new development in industry.

This week we will take a closer look at the underlying problems of forming a consortium. These are: (1) the possibilities of conflicts of interest between the member companies of a consortium, (2) the need to distinguish between conflicting and basically separate functions of the different members, (3) the unequal need for, and loyalty to, the consortium, and (4) the effect of the consortium's "severable" personality.

That two or more companies have decided to form a consortium implies that they have some community of interest. In some circumstances, it is, however, simpler for one company to act as main contractor and for the others to be sub-contractors. One of the advantages of this is that a main contractor constitutes an authority when there is a conflict of interest between himself and a subcontractor, or between two subcontractors. A consortium is, on the other hand, the answer when no company is able to act as main contractor. Its success depends on reasonable confidence that there will be no conflict of interest inside the consortium. Mr. Harding Boulton insists, therefore, that it is vital that any possible conflict of interest should be recognised and resolved at the time that a consortium is in course of formation.

Although, for example, a hydro-electric scheme is divisible into civil, hydraulic, and electrical engineering, there may be demarcation disputes between constituents. The manufacturing range of two constituents may overlap, so that they are competitors for parts of the work. Again, in a large project there may be fringe items, which are barely remunerative and something of a nuisance. Who is to be responsible? In relation to the customer, the consortium itself has accepted the responsibility. If the members quarrel, all will suffer.

There are friendships and antipathies between companies as there are between individuals. It is important that if the customary friendship and co-operation with a dominant member of a consortium brings two antipathetic members into the new organisation, this should be faced and understanding reached. It is at the consortium's board table that the business of living together begins. It is important, therefore, that the representatives who meet there should be given a considerable degree of freedom. They must not be given by their own managements directives which will disrupt the consortium. They must be able to take a decision. Nothing provokes conflict more than when one representative has to refer back for instructions while all the others are able to take decisions.

CONTRASTING AIMS

Discussing the need to distinguish between different functions, Mr. Harding Boulton points out the difference between the way an ordinary industrial company works, and that in which a consortium works.

An industrial company manufacturing and selling a product buys from its outside suppliers and sells to its outside customers. A company which buys components wishes to buy at the best possible price. The members of the board may disagree about the merits of alternative sources, but their disagreement is concerned with means, not ends. Similarly, in selling, board members may disagree about price advances or reductions, but their common aim is to sell the maximum quantity at the best price. The other party to any contract is in the outside world, whether he is a supplier or a customer.

The position in a consortium is different. The chief purposes for which consortia are useful are those in which the consortium buys from its constituent members for resale to a single customer (as in a construction consortium), or to the world at large (as in a selling consortium), or in which it manufactures for sale to, or through, its constituent members (as in the case of joint factory).

In each of these examples the constituent members are either sellers to, or buyers from, the consortium.

It follows that the director who represents one constituent on the board of a consortium is so placed that, while he sits as a member of a board which, as a board, is concerned with consortium affairs, half of his mind is occupied with the interest of the member company which has appointed him, whose concerns retain his long-term loyalties. While that member company is interested in the success of the consortium as a whole, it is even more interested in its own relations with the consortium, since in participating in the consortium at all it has done so in its interests. The directors of the consortium are there as representatives of their own companies who are buyers from, or sellers to, the consortium. Each will be anxious to influence the consortium so as to secure the best for the company that he represents. If some concession is made to one, the adverse effect will be borne by other members in their capacity as shareholders. The only solution is to recognise these facts before forming the consortium and to uphold fairness and equality of dealing and to lay it down that concessions must not be made in favour of one company save only with the understanding and approval of all.

A consortium is most likely to work satisfactorily if the member companies are of approximately the same size and are thus represented on the board by men of approximately equal status. It is, however, more likely that some members are much larger than others, and that the larger members may be much less vitally concerned with the success of the consortium than are the smaller members. If the consortium's project is likely to provide a substantial proportion of a member's turnover for a number of years, he will be enthusiastic. If the consortium provides a relatively small proportion of the member's business, his enthusiasm may be less. If the business is at unremunerative prices, enthusiasm may evaporate and the consortium come to be regarded as a nuisance.

PRICING PROBLEMS

Mr. Harding Boulton emphasises that it is essential to recognise that these differences in the relative importance of the consortium as between one member and another, and the different levels of profitability between different industries and, indeed, between sections of the same industry, constitute problems which must be thought out beforehand. He offers the following hypothetical example. The technically advanced, specialist manufacturer A, concerned with an individually engineered product, normally looks for a wider margin between costs and selling price than B, the manufacturer of a less specialised, more competitive and repetitive product, which has a recognised market price. A knows that he will incur severe loss if designs prove faulty, and he must allow a safety margin for the uncertainties of forward costing. B looks for a continuous turnover in which he can calculate costs narrowly in order to maintain his global profits.

Suppose manufacturer A produces a specialist product, and expects a profit of 15 per cent on cost, whereas manufacturer B's product is a competitive one with a recognisable price level which normally yields 7½ per cent. Suppose they are members of a consortium. Manufacturer A expects the project to fill his factory with important orders for a long time. Manufacturer B, however, may in any event be sure of a steady flow of business. To him, therefore, the consortium business, while welcome, is not vital. The first estimates are prepared:

	Cost	Profit	Quoted Price
A ..	100	15	115
B ..	100	7½	107½

The price quoted is 222.5, but owing to severe competition it is recognised that this must be reduced by, say, 5 per cent. It will seem common sense to A, who in any case knows nothing of B's costing, to press for the reduction and to think that it should be made by each party. The price becomes 211.375 and B, under pressure, agrees. But B's profit has now become a mere 2.125 per cent while A's is still nearly 10 per cent, and as the work goes on B will increasingly resent the occupation of his factory time in unremunerative work, especially if, when the consortium job is passing through his factory, he has to refuse other business because of the consortium's claims on his capacity.

There is no quick solution to such problems, but half the battle is won if they are squarely faced and discussed with mutual understanding before the consortium is finally formed.

Discussing what he calls the "severable personality" of the consortium, Mr. Harding Boulton stresses that the consortium's separate existence, its severable identity, has been created to further the common interests of its members. While for contractual purposes, and for convenience of accounting, it is a separate entity, it has no real existence apart from that of its members. It should therefore be remembered that to enter into acrimonious argument with a consortium, of which one is a member, is to quarrel with oneself and with one's colleagues and partners. The special relationship created by the consortium must be recognised at every executive level.

This is the second and final article on the problems of forming a consortium.—ED.).

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The European Scene

COMMON MARKET AND POLITICAL UNION

From Our Special West European Correspondent

PARIS, May 5.

THE failure of the Six of the Common Market to reach agreement on a treaty of political union might seem to indicate that the movement of European integration has run into serious difficulties. Indeed, it has arrived at a crossroads, and at the present moment it is not clear which course it will take. But it needs to be emphasised that this uncertainty concerns solely Europe's political future, as distinct from the process of economic integration. That is, it relates to the institutions the union should have, the connection between them and national governments, and the degree of independence a united Europe should show in matters of defence and foreign policy. It is perfectly possible for economic unification to continue without such issues being settled and in fact it is continuing during the period of disagreement and uncertainty. Of course, economic unification poses political problems; some central organism will have to take important decisions on economic matters with far-reaching political implications. Yet such decisions could be taken now by the Council of Ministers, now by the supranational administrations in Brussels, or even on occasion by the European Parliament. In other words, Europe could resolve pragmatically all the political problems posed by economic unification without settling on a doctrine about permanent central institutions. One could go further, and guess that it would make very little difference to the form of the economic union whether Europe were an alliance of states or the embryo of a unitary nation. For the time being, at least, the quarrel about Europe's political institutions is irrelevant to the progress of the Common Market—and it is this that most interests and affects outsiders.

Nor was the political crisis something brought on inevitably by the success of the economic union to date. On the contrary, most consider that it was brought on artificially by President de Gaulle's impatience to give political shape to a union that was still engrossed with the first steps toward economic unity. France's five partners, and for that matter a majority of politicians in France, would have been content to let this process take its course without anticipating on the political issues, because it is their comfortable belief that suitable political institutions will grow up naturally out of the Common Market. Not sharing that belief, President de Gaulle asked them to settle on Europe's political constitution right now and he put forward a plan which, when modified by their criticisms, seemed a practical and realistic way of promoting European unity. However, several capitals are suspicious of de Gaulle's nationalism and his too great independence of Washington, and thought they found sinister intentions behind his haste to give Europe a political constitution; so they have insisted that nothing further be done until Britain's voice be heard, after she has become a member of the Common Market.

These facts are recalled to show that the political crisis may have its interest and importance but it is no symptom of a breakdown in the process of economic unification. Those of us who are primarily concerned with the growth of the Common Market and its impact on world trade and investment will attach little importance to the negotiations about a political treaty of union, and will continue to keep our eye on Brussels, where the association's economic future is being determined. The terms of an arrangement with Britain, the concessions the Six consent to make to Commonwealth exports toward Europe, the trading arrangements they make with the European neutrals, the exchange of tariff reductions with the USA and their own efforts toward harmonisation of economic policies—these are the vital questions for foreign economies like India, and it does not appear that the answers they will receive will depend on which political doctrine the Six choose for their central institutions. For example, the Parliamentary Assembly in Strasbourg (which has just changed its name, portentously it hopes, to The European Parliament) is at the centre of the debate between Gaullists and supranationalists, but its status is of less concern to outsiders than the proposal it made the other day for a European central bank holding gold and foreign exchange reserves in a common pool. That the idea should be launched in the midst of the political crisis shows that the drive toward economic unification continues unabated, and some progress could be made toward its implementation quite independently of the solution to the political debate.

Some suspect that the price Britain is asked to pay for admission to the Common Market will depend on her attitude to de Gaulle's plan for a political union. If this were true, then the wrangling about Europe's institutions would be of concern to us all since it would have an influence on the reorganisation of Commonwealth trade with Europe that must follow Britain's entry into the Common Market. But it needs to be noticed that London supports de Gaulle's proposal, which coincides with British ideas about the most suitable form of European co-operation; so there is no question of Paris raising the economic price of Britain's entry. On the contrary, it is the small powers, Belgium and Holland, who have very different notions of European integration, that have insisted that nothing be done until Britain is a member. There is no evidence that the negotiations in Brussels have been affected by the political crisis, or will be in the future. Sinister hints appear frequently in the Press about behind-the-scenes bargaining between Paris and London which will mightily affect the outcome of the negotiations, but they are contradictory and unsubstantiated. As far as one can know, those complicated talks are progressing purely in terms of the commercial and economic issues involved. It may well be that de Gaulle is prepared to make certain concessions in exchange for an agreement between France and Britain about nuclear weapons, but nothing sure can be learned on that subject.

Besides, there has to date been no dissension between the Six on the question of the economic arrangement with Britain and the Commonwealth; in other words, the negotiations are being handled from the Continental side by the Common Market Commission jointly on behalf of the six capitals, and that fact is proof that political issues are not causing complications at this stage. Similarly, the Six have found in the Commission an excellent spokesman on the question of President Kennedy's proposal for freer trade across the Atlantic. M. Walter Hallstein, president of the Commission, was able to speak on behalf of them all in the U.S.A. lately on the Kennedy plan, and it was notable that his open criticism of it echoed precisely the earlier remarks of the French Finance Minister. If the political disagreements that led last month to the suspension of talks on a treaty of union were having an effect on the economic enterprise represented by the Common Market, this unity of views would not occur. Everything indicates that steady advance is being maintained at the economic level, unperturbed by the controversy about political institutions—which is just what one would expect if, as suggested, the political trouble started when de Gaulle raised issues that were not yet ripe in the minds of his partners.

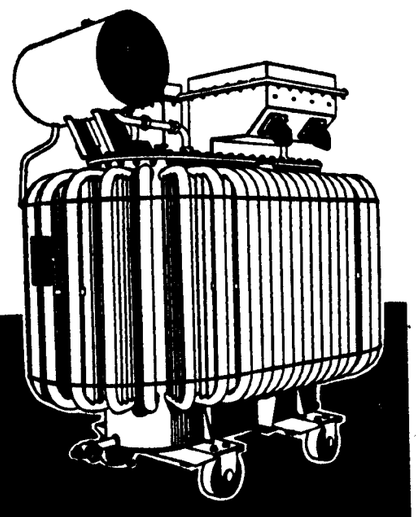
One of his reasons for asking the Europeans to think about their political constitution, instead of waiting for it to grow "naturally" out of the Common Market, was that he felt that a strong executive was needed to prevent Europe evolving into a ward or dependent of the USA. If the only representatives of united Europe were the bureaucrats of Brussels, de Gaulle said, they would tend to leave basic decisions to Washington, because administrators with no popular support shrink from independent action; united Europe would thus become a sort of headless giant, as powerful economically as the USA but subservient to Washington under the pretext of loyalty to NATO. So he considered that heads of the six States should take over the active political direction of united Europe, for they would have the courage to give European policy an independent colour. The argument has its force, especially in matters of defence and foreign policy; it is not a question of being loyal or disloyal to the Atlantic alliance, but simply that Europe must have political thinking at the top proportional to its re-found vitality, and supranational bureaucrats would seem less fitted to provide such leadership than a council of elected national leaders. However, recent events indicate that the argument does not obtain in the economic sphere: the staunchest defenders of Europe's economic interests have been the ECM Commission and they have not hesitated to be independent and critical in the face of American and British demands.

Whatever one may think of the line the Commission has taken on British requests for favoured treatment of Commonwealth trade, it surely does not suffer from the weakness or lack of decision that the Gaullists ascribe to supranational bureaucrats as against politicians. Similarly, I refer again to M. Hallstein's highly significant comments on the Kennedy plan—which amount to its rejection on the grounds that there can be no free trade without equality of conditions of competition. On both these points (as well as on the subject of concessions to the European neutrals, who want the benefits of the Common Market without any of its political responsibilities), the Common Market administration has shown vigour and frankness that would not be exceeded by a political directorate such as de Gaulle has demanded. It might well be different in questions of defence and foreign policy, where two decades of dependence on US might have bred a mentality of docility and subservience toward Washington which it would be ridiculous, degrading and dangerous to carry over to the emerging European Union. But that only proves, once again, that the process of Europe's economic integration has a logic and a mometum of its own which place it beyond the effect of acute disagreements about how to integrate defence and foreign policy. So, however grave or dramatic these disagreements may become in the months ahead, one should not make the mistake of thinking that the Common Market is encountering serious difficulties.

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Economic Report from the U.S.

BUSINESSMEN MEET

By

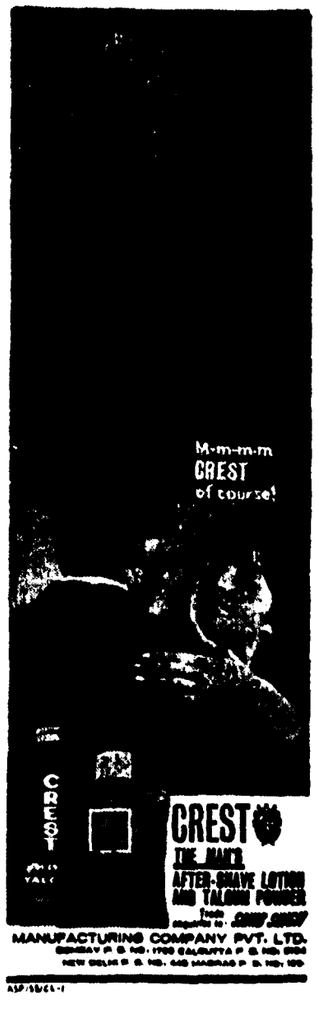
GUY SIMS FITCH

WASHINGTON, May 1.

PRESIDENT KENNEDY took the occasion of a major meeting of businessmen here this week to propound his economic policies. It was only fitting that he should use this forum — the 50th anniversary meeting of the U.S. Chamber of Commerce, the largest business organization in the country. It is in the ranks of business that his policies seem to have met their most determined domestic criticism — a criticism that appears to have become particularly outspoken in the past few weeks, since the Kennedy Administration registered its strong dissatisfaction with a rise in steel prices, and through its influence was instrumental in having the price increase rescinded.

In effect, the President was assuring the 4,000 Chamber of Commerce delegates, and through them all American businessmen, that his administration is not anti-business, but is as much concerned with the welfare of the business community as with that of any other economic group. To this extent, his speech can be described as conciliatory. At the same time, his tone was far from appeasing. His offer of heightened government-business understanding and co-operation was accompanied by a firm and consistent insistence on policies designed to promote the public interest — an interest he promised his administration would continue to "invoke whenever it believes it to be threatened". Pursuit of the national welfare, in its totality, he stressed, will best contribute to the welfare of each national element. In speaking to his business audience, Mr. Kennedy stressed the proposition that adequate business profits are essential to the effective functioning of "a free enterprise system," and that a growing and fully employed national economy is the best road to profitable business. In an apt metaphor, he pointed out that "our primary challenge is not how to divide the pie but how to enlarge it." This reflects the conviction that when an economy grows and its resources are fully utilized, every segment of the population shares the benefits — in higher profits and wages, increased job opportunities, bigger government revenues. In this kind of an economic climate, business should be able to modernize its facilities without major price increases, just as labour should be able to enjoy better wages and other benefits without exceeding the bounds of rising productivity. A stable price level and modernized plants can help the nation expand its foreign markets and cope with its international balance of payments problem — a problem which Mr. Kennedy described as at the "heart of the issue," for on its ultimate solution depends the ability of the United States to maintain unimpaired its international economic and security commitments.

Mr. Kennedy reminded his audience that his administration will soon authorise faster tax write-offs on machinery to spur investment, and has proposed giving business an eight per cent tax credit on modernisation outlays — citing these as evidence of administration's concern with business problems. This incentives, he noted, are limited at present primarily by the nation's fiscal requirements, with a balanced Federal Budget a principal administration goal. Even vigorous prosecution of the nation's anti-trust laws was defended as a form of business assistance, in that it makes sure that "the realities of competition exist." This is not to be regarded as an attack on bigness in enterprise as such, but rather as a recognition that competition is a traditional and time-tested spur to industrial efficiency. In a further explanation of his attitude, the President pointed out that his administration has expected no more from business than it has from labour. This includes co-operation in moderating wage demands, eliminating waste in the use of manpower, and supporting cost-cutting technological advances. To the extent that labour and management conduct their affairs with appropriate regard for the national interest, there would be no occasion for the kind of White House intervention that caused such a stir in the steel situation. This is a point the President emphasised in noting that his administration does not want the task of setting prices — a task which is regarded as best handled by private enterprise and the competitive process in a free society.



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Special Article

SOME QUESTIONS OF FOREIGN POLICY OF THE SOVIET UNION

BY HIS EXCELLENCY, I. A. BENEDIKTOV, AMBASSADOR OF THE USSR IN INDIA

THE basic principles, purposes and aims of Soviet foreign policy have long been settled; on that basis the key and fundamental tasks of the foreign policy that face the Soviet Union in the present phase have been determined and worked out in detail. They have been approved by the peoples of the USSR, by the highest organs of Soviet power and are being implemented by the Soviet Government.

The fixed, unswerving and main aim of ensuring peaceful conditions for a further rapid and untrammelled development of its national economy guides the Soviet Union in all its activities in the international sphere. It is indeed the main aim, the central purpose, of Soviet foreign policy. We want not only to avert a world war, but also to save the mankind for ever from a destructive world war. In its striving to preserve peace on earth, Soviet foreign policy expresses the supreme and the most solemn desire of millions and millions of people all over the world. It expresses the belief of the Soviet people, as of people everywhere, that if mankind is to progress and world civilization to develop, a nuclear war must be prevented.

The Soviet Union believes that it is not only desirable but also possible to prevent another war. Soviet foreign policy proceeds from the premise that there already exist and grow further forces in the world today which are capable of maintaining and consolidating peace. Gone are the days when only the voice of the Soviet Union alone was heard at the League of Nations, calling for peace and an end to the armaments race. The Soviet Union is no longer alone. Shoulder-to-shoulder with it stand the other socialist countries which together form a mighty bulwark of peace. The newly independent countries of Asia and Africa are likewise in most cases following a policy of peace, friendship and co-operation among nations. Their refusal to participate in military blocs, their determination to follow a neutral and non-aligned policy have helped immeasurably the cause of peace. The emergence of these countries has in fact changed the correlation of forces in favour of peace.

A vast zone of peace has thus taken shape. It comprises the Soviet Union and other socialist countries together with many other states which are basically opposed to war. And as the number of countries, which shake off foreign bondage or tutelage and lingering foreign influence over their policies, increases the peace zone too expands and develops; it begins to embrace new territories and new peoples.

Even in those countries of the world which are not yet part of the peace zone, the people are exercising a more and more active influence on basic policy issues affecting peace. Now-a-days politicians alone could not decide the question of war and peace without taking into account the will of the people. Today all over the world there is a vast movement uniting people from all starta in the single cause of preserving peace. Mass demonstrations in favour of peace and nuclear disarmament have taken place even in the citadels of militarism. All this is evidence of the fact that in the world of today it has become possible for people to actively and decisively intervene in international affairs. This is another factor vital to the cause of peace.

In view of these factors — the existence of a powerful camp of socialism and peace, the growing role of the newly independent countries and the growth over the years of an organised peace movement capable of exerting a powerful influence on the governments — it has become possible today to check the drift towards war. The combined forces of socialist and neutral countries and progressive people all over the world are strong enough to avert a world war. But for this purpose it is necessary to intensify the struggle for peace and for the prevention of war. We consider that one of the most important features of the present epoch consists in the fact that it has become possible for the first time to banish war from the life of society.

The radical way to maintain a lasting peace is general and complete disarmament under the strictest international control. The fact is undeniable that disarmament is the most pressing and urgent task of the day; it is the key to stable peace on earth. It is for this reason that the Soviet Union has worked patiently and indefatigably for an international agreement on general and complete disarmament, under the most rigid international control.

Our government openly declared that we were prepared in advance to accept any proposals of our partners at the disarmament negotiations for the most rigid international control, provided they accepted our proposals for general and complete disarmament. The basic difference in approach to this problem lies in the fact that while the Soviet Union is firmly for the strictest international control over disarmament, the other side is still insisting on control over armaments. The latter's approach cannot be judged otherwise than as a manoeuvre aimed at establishing an espionage network on our territory and on the territories of other countries. This in turn will understandably lead to the apprehension that information thus collected can increase the possibility of a sudden attack by a potential aggressor. In any case this will not lead to the cessation of the arms race.

On the contrary the Soviet proposals provide for the control over the disarmament measures, actually carried out according to the mutually agreed treaty. Besides no side will be put in an advantageous position over the other one.

The purpose of strengthening world peace will help such steps and measures as, liquidation of colonial yoke in all forms, effective help to countries which have won their independence, removal of the remnants of the World War II, settlement of the German problem, restoration of the rights of the People's Republic of China in the UNO, betterment of the UNO mechanism, and development of business international relations between all countries. Foreign policy of the Soviet Union is aimed first of all at carrying out these tasks.

War cannot and must not serve as a means of settling international disputes — this has been the keynote of Soviet foreign policy. The Soviet Union has declared again and again that instead of threat of war, pressure, blackmail and incitement of tension — weapons which have been far too often used against it and its allies — the nations of the world should base

their mutual relations on the principle of peaceful co-existence, namely rejection of war as a means of settling controversial questions between states, strict regard for the sovereignty and territorial integrity of a country, non-interference in its internal affairs and economic and cultural co-operation on the basis of equality and mutual benefit. All the controversial world problems must be settled only through negotiations.

The Soviet Union has consistently stood by this principle—the principle of peaceful co-existence of states with different social systems which was and remains the general line in Soviet foreign policy. The concept of peaceful co-existence of states with different social systems lies at the very foundation of the foreign policy of the Soviet Union.

In our time with the growth of nuclear weapons, with two opposite systems confronting each other, this concept has acquired added significance and urgency. Peaceful co-existence is no tactics or manoeuvre but a basic tenet of Soviet foreign policy.

In its relations with countries with different social and political systems, countries like India for example, the Soviet Union has set an example of peaceful co-existence. It is a new type of international relationship, based on friendship, mutual understanding and co-operation, which offers a contrast to the methods of domination, subordination and intimidation, of oppression of the weak by the strong, methods which have been followed for centuries by the imperialist countries in relation to weak and backward nations.

With the growing strength of the Soviet Union and other socialist countries and the growing influence of the newly independent countries, the new type of international relations is increasingly gaining sway and is superseding and supplanting the colonial and semi-colonial patterns of international behaviour. In fact in the new situation, with the new correlation of forces that has been established, it has become possible for even the small and backward states, which would have been in an earlier era at the mercy of the imperialist powers, to resist effectively all pressure and blackmail and successfully pursue an independent foreign policy. So far as the Soviet Union is concerned, it is one of the cardinal principles of its foreign policy to help and support these countries to strengthen friendly relations and close co-operation with countries of Asia, Africa and Latin America, who are struggling for maintaining and consolidating their political and economic independence. At the same time the Soviet Union is in favour of establishing better relations with all capitalist countries.

The Soviet Union has always, from the very day it came into being, held aloft the banner of peace and friendship among nations. Today, when the question of war and peace has become the main question affecting the fate of every country and every individual, overriding every other question, it is making every effort at ensuring a stable peace, so that every people on earth should have an opportunity to develop freely, according to its own genius, without the threat of war suddenly engulfing it and interrupting the peaceful course of its development.

Indeed, the foreign policy of the Soviet Government, approved by the entire Soviet people, is aimed at implementing these goals.

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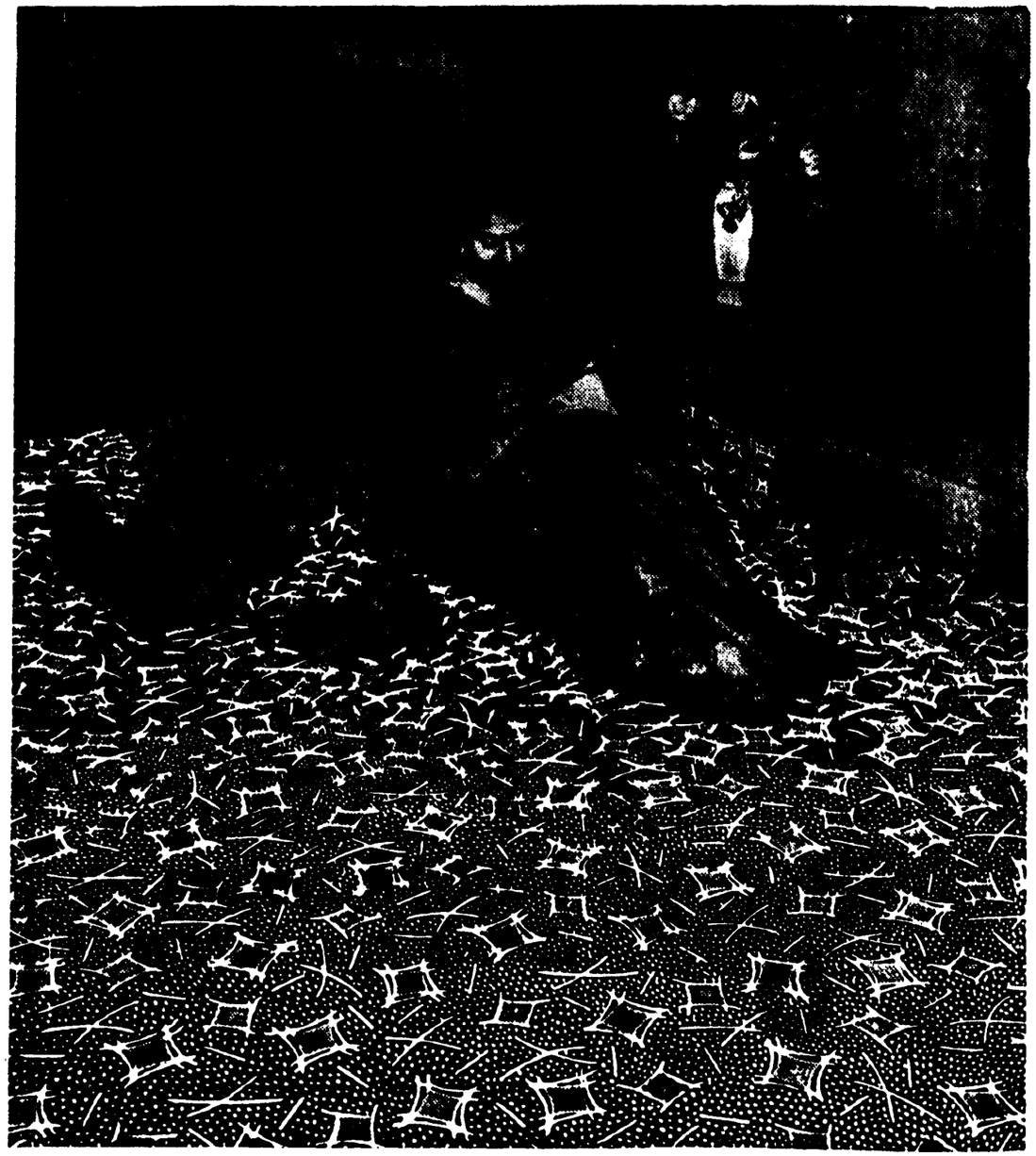
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THE BUSINESS WORLD

A Constructive Criticism

By CROESUS

THE economic progress of any country makes fascinating study, more so the economic progress of a developing country, and especially so if it relates to the progress of a country that has become independent only lately. Perhaps this explains the interest of so many people in our plans for economic development. As Mr. G. D. Birla, India's leading industrialist, remarked, when addressing a meeting of the Commerce Graduates' Association, last week, the people of this country have never been more conscious of their economic conditions than they are today. Almost every one has become Plan-conscious although, as he significantly added, the man in the street seems to have hardly any responsibility, except it be to pay taxes, and more and more taxes every year. While the authorities lose no occasion to make the claim that the Plan is the people's Plan—and it suits them to do so if only as a pretext to to levy more taxes—they do not seem to be equally concerned about assessing the achievements of the Plan or telling the people about how the money to finance the Plan has been raised and how it has all been spent. It is this lapse on the part of the authorities that necessitates free thinking and free speaking on the subject. In a democracy particularly, the need to think aloud and to speak and act with courage is at once the right and the responsibility of every citizen. What a thinking citizen in a democracy says may not always be palatable to the powers-that-be, but it would be to the peril of the latter to ignore these warnings or remain complacent.

> **When necessary, and only to the extent necessary, they (the Americans) favour restrictions upon the individual in his economic behaviour in the interest of achieving two important goals: a greater equality of opportunity for all citizens, and a more productive economy for the benefit of society as a whole. In this enterprise, the role of the Government is that of a traffic policeman, directing and guiding, but not trying to drive everybody's car.**
>
> **— Leon Herman**

Now, the authorities get the reactions to the plans and the results of the plans from different sources both from within the country and abroad. These reactions cannot be expected to be and, indeed, are not always as objective as they should be, for obvious reasons. The reactions of a foreigner who visits this country as the guest of our Government, for example, cannot be anything but appreciative, call it a sign of culture or sophistication. On the other hand, the reactions of political parties within the country are bound to be tinged with their own pet ideological predilictions and prejudices. Fortunately, however, there is a third category of critics who may not be opposed to the party in power or to the Plans or to the ideology underlying the plans being pursued by the powers-that-be, but whose only object is to ensure that the country should derive the maximum benefit from all the outlays that go in the name of planning. It is when such people speak out that the authorities must not only shake off their complacency but be alert and take prompt note of the criticisms and suitably re-orientate their approach to, and implementation of, the Plan. This is precisely how Mr. Birla prefaced his observations on the Third Five-Year Plan in the light of the present fiscal policies of the Government. At the outset, it must be pointed out that he took care to make it very clear that he had nothing against the Government, nor against the socialistic policies of the Government; indeed, he went so far as to say that, in the twentieth century no one could afford to ignore socialism or social justice. But what is socialism, as he asked, without production? Nor can there be social justice without production; socialism without production would only be the "socialisation of poverty". The whole of Mr. Birla's speech, therefore, was a plea for more production and still more production.

In order to bring home his thesis, Mr. Birla did a sort of rapid stock-taking of the progress since Independence, that is the progress made under the first two Plans. There has, of course, been tremendous progress after Independence, he said, and pointed in support, to such visual evidences as more food, more cloth, more houses, more cycles, more cars and more facilities for education and health. There have also been remarkable increases in steel (2½ times), machinery (5 times), Chemicals, electricity and cement (3 times), diesel engines (8 times), and coal (75 per cent). To the naked eye, undoubtedly, these are impressive, but the crucial test lies in: how far these have contributed to the consumption of the average man? Or what dent they have made in his standard of living? Viewed thus the net effect, viz. the increase in the 'per capita' income over the past ten years, from Rs. 250 to Rs. 292 or a bare 17 per cent, cannot be considered to be satisfactory at all. Mr. Birla described this as hardly any improvement when 'per capita' income has nearly doubled in Germany and Japan and has gone up by 75 per cent in Italy since 1951. In other words, our performance compares very unfavourably with those of Germany, Japan or Italy or even with those of most developing countries in Asia. According to a recent United Nation's study, Mr. Birla recalled, the name of India stands as the 28th country in the matter of economic progress. Clearly then, there can be no room for complacency.

If this is the position, how can it be improved? What are the causes of the slow progress? According to Mr. Birla, the two main contributory factors to the present state of affairs are administrative inefficiency and unhelpful fiscal policies. He was extremely critical of a policy which has resulted in imposing the twin burdens of high prices and heavy taxation, thereby leaving the middle classes, who constitute the backbone of the country, with little to save and much less to invest. Accordingly, he characterised the fiscal policies of the Government as "anti-saving, anti-investment, anti-production and consumption, and, therefore, anti-progress."

Elaborating these remarks, Mr. Birla referred to some of the investments of the Government. Saying that he was neither against the public sector nor against more production in steel, he instanced the investment of Rs. 1000 crores on steel plants by the Government and draw attention to the loss of about Rs. 60 crores on this investment, after providing depreciation and interest on loans. This is by no means a solitary instance. According to the Explanatory Memorandum

itself, the Government does not expect a net return on its investments of more than 0.4 per cent in 1962-63! Contrast this with the provision in the Third Plan of Rs. 450 crores which the Government proposes to raise from public undertakings during the Third Plan period. No further comment is called for to confirm the point made by Mr. Birla that some of the country's investments have turned out to be unremunerative. It is such wrong-investment policy, coupled with inefficient administration, that hindered both sound investment and striking progress.

It is difficult to make an estimate of the real investment, although the Planning Commission has given certain figures. Mr. Birla, therefore, chose to rely on the investment in the organised industries to give an idea of the effect of the Government's wrong investment policy. He mentioned the following figures of capital raised in the form of equity capital, preference shares and debentures during the years 1959, 1960 and 1961:

(Rs. in crores)

	New Capital	Total, including profit ploughed back
1959	43	137
1960	63	165
1961	36	144

It is thus seen that the peak was reached in 1960 and that a downward trend had already set in even in 1961. The position has become worse since. In other words, by giving these figures, Mr. Birla exploded the myth of the general impression in certain official circles that there is plenty of money about. Actually, he declared, if anybody wants to raise a capital of Rs. 5 crores, he would find it extremely difficult.

In order to encourage investment, Mr. Birla suggested that proper incentives should be given. The term "incentive" may be unpopular with some, he said, and wanted such people to remember that even Russia was now for providing incentives for more production. In this connection, he appealed for a progressive approach by employment of scientific methods as was urged the other day by the Prime Minister. He whole-heartedly endorsed Mr. Nehru's condemnation of anything that threw a premium on idleness and stupidity. His quarrel was not with the Government, but with bad and inefficient administration; not with planning, but with lack of adequate decentralisation in planning. In fact, he said, the greatest enemies of socialism and planning were inefficiency and overcentralisation. Averring that planning was necessary, he asserted that it should not be a property of a few, as it has now become. The Planning Commission has become a temple and its members the high priests and, as such, it has failed to create the urge required on the part of the people. Planning should be shared by the people; it must be simple and appealing to the man-in-the-street and release his pent-up energy. In short, he wanted scope for the free play of the energy of the millions, not of a few only at the top; in the hands of a few, planning has degenerated into a negative and preventive instrument.

From the remarks of Mr. Birla as above, one should not assume that he has become a pessimist. Far from it. He continues to have the same robust faith in the inherent strength of this country, and in its inevitable bright future. Reaffirming this faith, as also his unfailing belief that the future of the country is safe in the hands of the younger generation, he concluded with an appeal to everyone to work hard and march ahead. He exhorted the business community, in particular, not to be unnerved by the teething troubles but to expand.

As expected, Mr. G. L. Mehta, who presided on the occasion, struck the right note by reiterating the suggestion that he had made earlier that the Government should publish a balance-sheet of the achievements and failures of the Plans. This was necessary, he said, not so much to blame anybody as to profit by past experience which would be helpful in eliminating the shortcomings and plugging the loopholes. He also made the pertinent point that any failure, be it in the public sector or in the private sector, would be a national failure and, as such, had to be guarded against.

Business Notes

Taxation

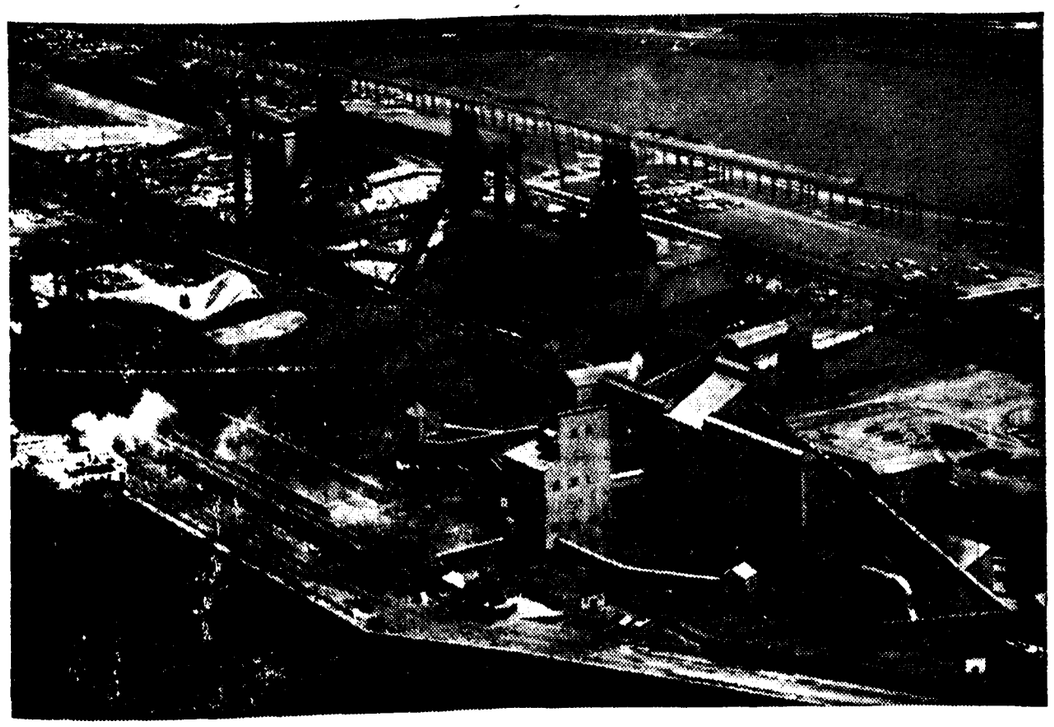
NEW I.T. RULES GO BEYOND I.T. ACT

THE UNDULY belated publication of the Income-Tax Rules, 1962, and the Income-Tax (Certificate Proceedings) Rules, 1962, has, not unnaturally, evoked strong criticism from the Indian Merchants' Chamber, Bombay, for the Chamber feels that, in respect of a number of rules, the provisions go beyond the ambit of the Income-Tax Act itself. In other words, it is afraid that the Government has expanded the scope of the Act by making provisions of an over-riding character through these rules.

One of the rules that is outside the ambit of the Income-Tax Act, according to the Chamber, for example, is Rule 7, which artificially defines agricultural and nor-agricultural income, thereby offending the substantive provisions of section 10(1), and so this should be deleted. Also offending the fundamental provisions of the Act, according to the Chamber, are rules 10 and 11 relating to the determination of income of non-residents and from transactions with non-residents. These rules also give arbitrary power to the assessing Income-Tax Officer, inasmuch as they lay down that the Income-Tax Officer may determine the income in the case of non-residents "in such other manner as he may deem suitable". Similarly, arbitrary powers are given to the Income-Tax Officer to determine profits and gains in respect of activities laid down in Section 92. Accordingly the I.M.C. Committee has requested the Government to delete all these rules.

Among others, the I.M.C. has particularly objected to Sub-rule (5) of Rule 12 relating to the giving of a certificate by an authorised representative. Here, it feels the rule goes beyond the provisions of the Act; indeed, the Act makes no reference to any such certificate being granted by an authorised representative. It notes, in this connection, that the rule has been inserted without a basic legal justification and despite the positive decision taken by the Government not to introduce a scheme of compulsory audit. As the Chamber opines, the requirement concerning audit by Chartered Accountants is prescribed by law for certain definite purposes and the Rules should not seek to make the audit of accounts obligatory on a wider scale. The Chamber feels—and it is right—that a Chartered Accountant cannot give a certificate of the nature visualised, since his duty is 'only to audit the accounts and not to investigate the affairs of an assessee.' Besides, it would be difficult for any representative to assess the real position of an assessee where an assessee chooses not to disclose all the material particulars to the representative. Furthermore, the suggestion about the granting of a certificate by an authorised representative had been linked up with the provisions for compulsory audit and, in the absence of a compulsory audit provision under the Income-Tax Act, the case for the provision of a certificate by an authorised representative does not hold good. The Chamber has therefore objected to this Rule; it also objects to it on the ground that it would involve additional expense.

In the same way, the I.M.C. has protested against Rule 62 of the Income-Tax (Certificate Proceedings)



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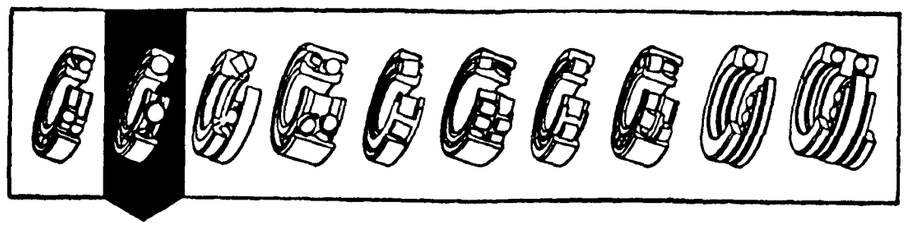
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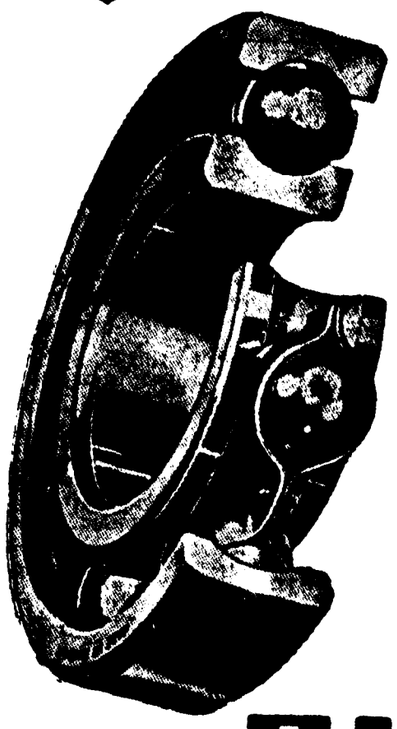
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Rules which disentitle authorised representatives, other than a legal practitioner, from appearing before the Recovery Officers, although each of the authorised representative is so entitled under the Act itself and has a right of practising before any Income-Tax Authority. It has been pointed out by the Chamber that the Recovery Officer is clearly defined as an authority under the Income-Tax Act, and that as recognition has been given to each such category to appear before any Income-Tax Authority, it follows that every such authorised representative or employee can appear even before the Recovery Officers. The I.M.C. Committee has accordingly urged the deletion of this Rule or, alternatively, the extension of the provision entitling Chartered Accountants and Income-Tax Practitioners, as also the employees of assessees, to appear before the Recovery Officers for all purposes.

Finally, the Chamber has requested the Government to afford it an opportunity to comment on the draft and the suggested rules before these are put before Parliament, if only to ensure that the views expressed by it are taken note of in good time.

Industrial Licensing

AMENDMENT OF RULES

THE FEDERATION of Indian Chambers of Commerce and Industry has communicated to the Ministry of Commerce and Industry its views regarding the proposed amendments to the registration and licensing of industrial undertaking rules. It is now an established fact that the licensing procedures are cumberous and various types of delays are written into them. It is beyond doubt, therefore, that the need today is that of a simplification of these rules. It appears, on the other hand, that the draft proposes to extend in one of the rules the period for grant or rejection of licence from three months to four. It may be observed that even now the period of three months is not being strictly observed and considering that it is sufficient period for the officials to weigh the case from all angles, there is hardly any justification for extending the period to four months. The Committee that considered the subject on behalf of the Federation of Indian Chambers of Commerce and Industry is strongly of the view that while retaining the period of three months, the officials should call for any additional information required within a period of one month from the date of receipt of the application. This would leave sufficient time for them to consider the case. Moreover the information should not be called for in a piecemeal manner. This proposal seems to be very sound in view of the fact that time-saving devices have to be developed so as to gear up the administration in the licensing bodies.

The Committee has raised objection to the unreasonable restrictions imposed on the applicants about the location of units in particular States or areas which could upset the calculations of the entrepreneurs. Broadly speaking wherever the needs for location are considered very essential the applicant should have the freedom to establish the undertaking in any place within that particular State. There is also the provision of housing and other amenities to workers which have to be fulfilled by the applicants. The Committee indicates that these are the subjects usually decided by the State Governments. It would be advisable therefore, that the final grants of applicants are not delayed on grounds which are properly checked up by the State Governments.

Another rule demands complete information about certain facts which are not likely to be decided before the actual launching of the unit. For instance, the foreign collaborators would not feel committed unless the Indian party had obtained industrial licence. It therefore becomes quite difficult for the applicants to give complete details about the foreign collaborators. Moreover, it may not be possible for the applicant to specifically mention at the time of the application the nature of his interest in the industrial undertaking such as that of a promotor, managing agent, major shareholder etc. The exact nature of shareholders can be determined only when the company has entered the market for raising capital. It would therefore be advisable on the part of the government to simplify the rules as far as possible and eliminate such clauses which might cause confusion and consequent delays.

Woollen Industry

MODERNISATION NEEDED

THE IMPROVEMENTS made in the woollen industry, thanks to the adoption of the latest techniques, have made the products of this industry very popular in the West. If Indian woollen goods are to compete with these foreign products in the world markets and to hold their own in the domestic market as well, it is necessary to effect a number of improvements in the industry, and it is just as well that, bearing this in mind, several recommendations were made by Mr. R. K. Birla, Chairman of the Development Council, at its meeting held recently in Bombay.

The Indian woollen industry today has an outmoded machinery which has seriously impaired its export chances and the first pre-requisite therefore is to modernise the machinery. For this purpose, Mr. Birla recommended that individual mills be asked to submit plans for the rehabilitation and modernisation of their units. As regards exports, he had a number of suggestions to offer. First, he urged a suitable revision of the incentives available under the Export Promotion Scheme for Woollen Goods. He wanted that the exporters of these products be allowed incentives similar to those available to the manufacturer exporters. According to him, at least 10 per cent of the incentives should be compulsorily earmarked for the import of machinery. Urging that the stepping up of exports should be the objective of the industry, Mr. Birla recommended to the authorities that there should be no quota restrictions for exports of raw wool to various countries; nor should there be any ceiling on exports of individual exports, he added.

A further recommendation made by Mr. Birla was that the allocations of import quotas for raw material should in future be made on the basis of the number of spindles installed, subject to some adjustment in respect of worsted spindles producing a larger percentage of hosiery and knitting yarn or weaving yarn, and, in this connection, he also pleaded for a revision of the pattern of production of different kinds of worsted yarns so as to ensure an adequate production of all weaving yarn, hosiery yarn and knitting yarn out of imported raw material. He further, recommended that a limited number of woollen spindles be allowed to spin shoddy yarn, provided the units concerned had the necessary equipment for doing so and no imports of additional machinery, accessories, etc. were involved.

Jute Industry

ADDITIONAL BROAD LOOMS

AFTER A considerably long time, the jute mill industry is being allowed to expand its installed capacity. The expansion, of course, is not to be in the traditional lines of manufacture, but in the new fields— the manufacture of carpet-backing cloth and similar other products—in which demand is growing in the world. Jute mills have already been permitted to install about 1,500 broad looms. The Union Ministry of Commerce and Industry, however, considers that it can allow installation upto 9,000 such looms in view of the expected increase in demand for carpet-backing cloth. An indication to this effect has been given by Mr. K. C. Reddy at the first meeting of the Informal Consultative Committee of Parliament for the Ministry of Commerce and Industry, held in New Delhi on Monday. Since the manufacture of these looms, which, of course, has begun in the coun-

try, is not likely to meet the requirements fully, some broad looms may even be allowed to be imported.

The step is obviously in the right direction and should help in boosting exports of jute goods which have assumed a new significance owing to our difficult foreign exchange situation as also due to abundant supplies of raw jute, some of which may even have to be exported after about a decade's time. But more important steps to help fostering jute goods exports are maintenance of raw jute prices at a reasonably low level (in the interest of keeping cost of jute manufactures at a competitive level) and enforcement of quality control by the mills. The Buffer Stock Scheme recently drawn up by the Indian Jute Mills' Association, in consultation with the Government, should help in ironing out wide fluctuations in raw jute prices both to the benefit of the jute-grower, who has been ensured a minimum price for his product, and the industry. The minimum price of raw jute may have to be lowered gradually, but a prerequisite to that is helping the grower to produce more per acre through making available to him adequate quantities of improved seeds and chemical fertilizers. The implementation of the measures designed to this end would be watched with interest.

New Issues

PAPER PRODUCTS LTD. TO RAISE RS. 16 LAKHS

THE PAPER PRODUCTS LIMITED, a joint stock company incorporated in Delhi in 1950, is entering the capital market on May 14, with an offer of 16,000 equity shares of Rs. 100 each to be subscribed for cash at par. The list closes on May 22 or earlier at the discretion of the directors, but not before May 17. The issue, if fully subscribed, will raise the issued and subscribed capital of the company to the full amount of its authorised capital of Rs. 50 lakhs.

The proceeds of the issue are to be utilised for financing the import and setting up of a plant by the company for the manufacture of rotogravure printing cylinders and also for making available more funds for working capital which is warranted by the expansion in the company's activities and its enhanced turnover.

The company is engaged in the manufacture of flexible packaging from printed and unprinted paper, cellulose film and boards. It also provides, amongst numerous other things, cellulose film heatseal strip packaging for various tablets, transparent cellulose film and waxed paper for the twist-wrapping of confectionery and sweets, waxed paper packaging for bread, biscuits and other articles, paper and cellulose bags, pouches and wrappings for all types of goods, including textiles, ready-made clothes, hosiery, food articles, tobacco, soaps, umbrellas, razor blades, etc., and is producing drinking straws, paper bags, cartons and various other packagings for commercial and retail trades.

During the past five years, its turnover and profits have gradually increased and sizeable dividends (26 per cent, free of company's tax but subject to tax at source, in 1959 and 1960 and 24 per cent, also free of company's tax but subject to tax at source, in 1961) have been declared. The slight fall in the dividend in 1961 was accounted for by the increase in the paid-up capital of the company from Rs. 9,38,500 to Rs. 16,00,000. The company raised its paid-up capital further from Rs. 16 lakhs to Rs. 34 lakhs last year by means of issuing 8,000 bonus shares by capitalising the General Reserve and through issue of another 10,000 equity shares for open subscription. The General Reserve of the company after the issue of bonus shares now stands at Rs. 4.80 lakhs. There is also a sum of Rs. 2,06,925.43 in the Development Reserve Fund. The company's turnover in the first eight months of its current financial year amounted to Rs. 1,00,37,223.13 nP. (subject to audit), as against Rs. 72,34,119.60 nP. during the corresponding period of last year and Rs. 1,18,71,558.46 nP. for the whole year 1960-61. In view of the rising tempo of industrial activity in the country and gradually improving standard of living of the people, the demand for the company's products is bound to increase.

The company has entered into technical consultation arrangements with Messrs. Milprint Overseas Corporation Milwaukee, Wisconsin, U.S.A., one of the leading producers of flexible packaging in the United States, having associates in almost all parts of the world.

GLOBE MOTORS TO RAISE RS. 12.5 LAKHS

GLOBE MOTORS, a private limited company converted into a public limited one in November last, is offering for public subscription, at par, 12,250 shares of Rs. 100 each. The list opens on May 9 and will close on May 12 or earlier at the discretion of the directors, but not before May 11. This issue, if fully subscribed, will raise the issued capital of the company to Rs. 50 lakhs, out of an authorised capital of Rs. 100 lakhs, consisting wholly of equity shares of Rs. 100 each.

The proceeds of the issue are to be utilised for setting up a factory at Ballabhgarh, Punjab, for the manufacture of alloy steel for Silco manganese spring steel flats (capacity 6,000 tons per annum on single-shift basis) and malleable castings of various categories (capacity 1,200 tons per annum on single-shift basis) for which the company has secured licences from the Government. A third unit to manufacture laminated springs for automobile industry (capacity 1,200 tons a year on single-shift basis) will be added to this factory when the requisite licence for it is received. The company has also plans to go in for the manufacture of 5,000 tons of steel castings and 5,000 tons of railway laminated and helical springs per annum. Applications for the grant of these licences have been made to the Government.

The total capital outlay on the projects for which the company has already received licences is estimated to be around Rs. 75 lakhs. The share capital will be making available Rs. 40 lakhs. Two loans of Rs. 10 lakhs each have been secured from the Punjab Financial Corporation and the National & Grindlays Bank. The remaining sum of Rs. 15 lakhs and any additional amounts required are envisaged to be raised through loans from the company's bankers, the Punjab Financial Corporation and other sources.

In view of the increasing demand for the products to be manufactured by Globe Motors, the company is likely to encounter little difficulty in marketing its manufactures; the present production of Silco manganese steel and malleable castings in the country only meets about 25 per cent of the total demand. Production by Globe Motors Ltd. is expected to start during the current year.

Globe Motors has also made an application to the Controller of Capital Issues, seeking permission to issue more capital to enable it to have controlling share in Messrs. Luk Auto Ancillary (India) Private Limited which has got a licence for the manufacture of clutch plates, pressure plates, clutch cover assemblies and clutch thrust bearings. The Luk Auto Ancillary (India) Private Limited has entered into collaboration arrangements with Messrs. Luk Lamellen and Kupplungsbau August Haussermann, Stuttgart, West Germany, for the establishment of the first factory in Northern India to produce all types of automobile clutches as well as clutches for scooters, motor bicycles, three-wheelers, tractors and industrial machinery.

Kohinoor Mills

INCREASED EFFICIENCY AND NEWER PRODUCTION

PARTLY BECAUSE of the increased efficiency and partly because of fuller utilisation of machine capacity run on a rationalised basis, and the change in the pattern of production, the Kohinoor Mills Company Limited seems to have attained a tremendous increase of 130 per cent in profits. This was revealed by Mr. A. N. Haksar at the 67th annual general meeting of the company. While there has been only a modest rise in the gross turnover by about Rs. 45 lakhs in 1961 as compared with the previous year, the net profit, after depreciation, development rebate and taxation, increased by over Rs. 10 lakhs. It is not only on the profit front, but in producing newer and better varieties of cloth that the Kohinoor Mills Company has been earnestly endeavouring to meet with the ever-changing pattern of consumer demand and has recently introduced terylene shirting, terylene suitings and full-voile shirtings and ladies' blouse material known as Rubayat. A comprehensive programme of rationalisation and modernisation has also been undertaken during 1961 and machinery to the value of Rs. 33,21,647 was erected during the year under review. Side by side with the programme of rehabilitation and modernisation the company has also been able to take further steps towards rationalisation and fuller utilisation of main capacity.

So far as exports are concerned, the company has spared no efforts towards trying to push its goods in the world markets. Its own deliveries in exports of cloth were higher by 24.93 per cent in 1961 as compared to 1960. This increase in exports is all the more creditable as far as the company is concerned in view of the total of Indian cloth exports having come down from 692 million yards to about 600 million yards showing a drop of 10.5 per cent on last year's performance. The principal reasons for this fall in Indian exports has been increased demand for processed cloth and the Indian mills' inability to meet the world demand at competitive basis, the setting up of textile mills in the under-developed countries in the East and West Africa, Burma, South Vietnam and intensive competition from Hong Kong, China, Japan and Pakistan.

There is no doubt that the company has been faced with many difficulties in regard to certain raw materials and availability of electric power at higher charges, still it must be said to the credit of the Kohinoor Mills that it has all along faced the difficulties with courage and confidence. The result is that it has been making a steady progress and is likely to continue making this progress in the years ahead.

Madras Rubber

UNIQUE PROFITS AND TREMENDOUS PROGRESS

FROM THE speech of Mr. K. M. Cherian, the Chairman, Madras Rubber Factory, it is evident that the company has made unique profits and the Indian rubber industry in general has made tremendous progress. As to when the Madras Rubber Factory Ltd. would commission its entire plant for the manufacture of Mansfield car and truck tyres is also now made clear and we know that it will be commissioned within three months.

It is a matter of pride that the profits for the year 1961 were Rs. 23,51,764.94 before depreciation and Managing Agents' commission. After adjusting these it is found that there is a net profit of Rs. 18,30 487.37. This entire amount was earned from the existing business of the Madras Rubber Factory's Tread Division. Sales in general have also fared better and came to Rs.. 1,64,47,976.30. The greatest satisfaction is that the products of the company continue to enjoy the confidence of the public and this is simply because of the good quality of its products.

Foreign collaborators are Messrs. Mansfield Tire and Rubber Company, U.S.A., a very well-known and reputed firm throughout the world. This company has placed the best technical know-how at the disposal of the Madras Rubber Factory. The result is that it has helped the company to lay firm roots and thereby come out as the foremost company in the commercial production of tyres. The expansion plans of the company are also well laid-down and erection of the machinery and building has been so well taken care of that the factory can be expanded by several times its present size without interrupting production. Besides, there is sufficient land for its expansion. The company has applied to the Government of India for an early consideration of their request for the increase of the capacity and it is hoped that this will be granted as there is likely to be increased demand for tyres during the Third Five-Year Plan.

On the growth of the Indian rubber industry in general, Mr. Cherian made the remarks that the production of natural rubber be encouraged for which a bolder policy was required. Mr. Cherian was of the view that the exisung low yielding plantations should be replanted and a directive be issued to the State Governments to release suitable areas for rubber planting so that such areas may be cultivated according to latest scientific methods. Finally, he urged that immediate steps be taken to open up the Nicobar and parts of Andaman islands for rubber cultivation. Regarding the other important raw materials, it, of course, goes without saying that we still will have to depend on imports and there is a feeling that by the end of 1963 or 1964, we might become self-sufficient as several new factories have been licensed for manufacturing the articles like carbon black, rubber chemicals, rayon cord and tyre valve tubes etc. That the Indian rubber industry has a bright future in the years ahead need not be stressed as it is obvious that the demand for tyres is likely to grow in the years to come.

Co-operation

STEADY PROGRESS IN 1961 - 62

THAT THE co-operative movement in India in general is making a steady progress is evident from the 1961-62 report of the Department of Co - operation in the Ministry of Community Development and Co - operation.

The number of primary agricultural credit societies and service co-operatives, which had increased from 2.03 lakhs on June 30, 1960, to 2.13 lakhs on June 30, 1961, is expected to go up to 2.21 lakhs by June-end this year. Short-term and medium-term loans advanced by these societies during 1960-61 increased from Rs. 169 crores to Rs. 208 crores. During the current year they are estimated to go up to Rs. 240 crores.

As a sequel to liberalisation of rules by the Reserve Bank of India regarding the credit limits of co-operative banks, medium-term loans upto Rs. 500 may now be available without obtaining mortgage of land as security and loans between Rs. 501 and Rs. 1000 may be granted on the borrower creating a charge on his land. With a view to giving adequate finance to the weaker units of primary societies and Central Co - operative Banks, provision has also been made in the State Plans for 1962-63 for direct grants to them.

The value of agricultural produce marketed by co-operatives during the year ending June 30, 1960, was estimated at Rs. 153 crores. The distribution of chemical fertilizers has been entirely taken over by co-operatives in almost all the States and distribution of improved seeds, agricultural implements, pesticides and spraying equipment and also sugar, kerosene and the agricultural quotas of iron and steel, is being progressively taken over.

Co - operative processing units continued to make further progress. The number of co-operative sugar factories in production increased from 24 in 1959-60 to 30 in 1960-61; total sugar produced by them rose from 2.86 lakh tons in 1959-60 to 4.42 lakh tons, increasing the share of co-operatives in the all-India production from 11.5 per cent to 14.7 per cent. As against 378 co-operative processing units established under the Second Plan, 109 units are expected to be set up in 1961-62.

Co-operative movement has yet to go a long way in India and whatever little progress it has made with the help of the Government demonstrates that its role is by no means insignificant. One would wish the spirit of co-operation did not wane.

HINDUSTAN ALUMINIUM CORPORATION LIMITED

Registered Office:

'Industry House', 159, Churchgate Reclamation, Bombay-1.

NOTICE OF MEETING

NOTICE is hereby given that the Third Annual General Meeting of the Shareholders will be held at the Registered Office of the Company, on Friday the 15th June, 1962, at 3-30 P.M. to transact the following business:

(1) To consider and adopt the Directors' Report, the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st December, 1961.

(2) To appoint a Director in place of Shri M. P. Birla who is an 'Associate of the Managing Agents' and who retires from office by rotation, but being eligible, offers himself for re-election, and to consider and if thought fit to pass the following resolution as a Special Resolution of which special notice has been received by the Company.

As a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 261 and relevant provisions, if any, of the Companies Act, 1956, Shri M. P. Birla, who is an 'Associate of the Managing Agents' be and is hereby re-elected a Director of the Company."

(3) To appoint a Director in place of H.H. Maharaja Jam Shree Digvijaysinghji Ranjitsinghji of Navanagar who has attained the age of 66 years, and who retires from office by rotation, but being otherwise eligible, offers himself for re-election, and to consider and if thought fit to pass the following resolution of which Special notice under Section 281 of the Companies Act, 1956 has been received by the Company.

"RESOLVED that pursuant to the provisions of Section 281 and other relevant provisions, if any, of the Companies Act, H. H. Maharaja Jam Shree Digvijaysinghji Ranjitsinghji of Navanagar who has attained the age of 66 years be and is hereby re-elected a Director of the Company and that the age limit prescribed in Section 280 of the Companies Act, 1956, shall not apply to him."

(4) To appoint a Director in place of Mr. A. N. Mafatlal who retires from office by rotation in accordance with Article 146 of the Articles of Association of the Company, but being eligible, offers himself for re-election.

(5) To appoint Auditors in place of Messrs. Singhi & Co., Chartered Accountants, who being eligible, offer themselves for re-appointment, to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By Order of the Board
K. N. SRIVASTAVA
Secretary

Dated the 16th April, 1962.

N.B. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

Notice is also given that the Register of Members and Transfer Books of both Equity and Preference Shares of the Company will be closed from 28th May, 1962 to 15 June, 1962, both days inclusive.

The relevant explanatory statement pursuant to Section 173 of the Companies Act 1956 is being posted to all the shareholders individually along with the notice of the aforesaid meeting.

K. N. SRIVASTAVA
Secretary.



THE EASTERN ECONOMIST

Premier Economic and Financial Weekly

RATES OF SUBSCRIPTION

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Yearly ..	Rs. 65.00	Rs. 70.00
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FROM THE CAPITAL'S CORRIDORS

PETRO-CHEMICALS

THE Committee, set up last year to prepare a plan for the development of petro-chemicals in India during the Third and the Fourth Five-Year Plans has recommended the setting up of a refinery in South India and four steam cracking units in the country to meet the requirements of ethylene, propylene, butylenes, butadiene, benzene, tail gases etc.

It adds that from economic consideration it is essential to establish steam-cracking units near a refinery. This is so because such a step would avoid the need for transport of naphtha over long distances. Secondly, some of the uncracked liquids from the steam-cracker as well as certain other products, which cannot be utilised for production of chemicals, could be returned with advantage to the refinery for proper utilisation. It is considered necessary that steam-cracking units be set-up in the Western, Eastern and Southern zones of the country in order to meet the requirements of organic chemicals and finished products in these regions.

A steam-cracked, it is proposed, should be established near the refineries in Bombay. Similar consideration would hold good with regard to a second steam-cracker to be established in conjunction with the Barauni refinery in the eastern region. A third steam-cracking unit could be established in Gujarat when the refinery is set up there. A fourth steam-cracker would have to be set up somewhere in South India in conjunction with a refinery in that region.

It is explained that by the end of the Third Plan period while there would be a surplus of motor gasoline, there would be heavy deficit in respect of middle distillates such as kerosene, high-speed diesel oil, light diesel oil, fuel oil etc., and also of other products. This deficit could be met by undertaking additional refining of indigenous or imported crudes in South India. It would make available motor gasoline and surplus naphtha for the Petro-chemicals Industry. It is recommended that a refinery of economic size in South India be planned from now and based on imported crudes. The refinery could switch over to the use of indigenous crudes if additional quantities of oil were found in South India.

A steam-cracker would provide essentiallity olefine and a certain quantity of aromatics. Utilising these starting materials it should be the endeavour to build up a petro-chemical complex involving the manufacture of diverse products keeping in view the estimated demands indicated by the end of the Third and the Fourth Plan periods.

The estimated surplus naphtha likely to be available each year from 1960 to 1966 is as under:

Year		Surplus Naphtha
1960	..	209,000 tons
1961	..	152,000 tons
1962	..	270,000 tons
1963	..	503,000 tons
1964	..	553,000 tons
1965	..	973,000 tons
1966	..	899,000 tons
1. Surplus at the end of the Third Plan		899,000 tons
2. Additional surplus which would result during the Fourth Plan. (2.00 m. tons — 0.74 m. tons)		1,260,000 tons
Total		**2,159,000 tons**

The demand for naphtha by the end of the Fourth Plan for manufacture of chemicals might be of the order of 2.15 million tons:

	Tons.
1. Naphtha required for the manufacture of nitrogenous fertilizers in factories already licensed/approved as well as under consideration	396,000
2. For production of town gas for the city of Bombay (approved projects)	95,000
3. For captive steam-cracker of M/s. Union Carbide (licensed)	60,000
4. For four steam-crackers each having a capacity of the order of 200,000 tons naphtha through-put	800,000
5. Special naphtha-cracking unit for production of C4s.	300,000
6. For production of nitrogenous fertilizers during the Fourth Plan	500,000
	2,151,000

The Committee adds that the demand and supply of naphtha by the end of Fourth Plan appears to be very close to each other. If the rate of increase in motor gasoline consumption increases at a faster rate than 10 per cent per annum assumed during the Fourth Plan and more than 50 per cent of additional production of nitrogenous fertilizers during the Fourth Plan is based on naphtha, there would be a deficit and this would have to be bridged by either imports of naphtha or by increasing the refining capacity in the country beyond 20 million tons.

BURMAH-SHELL: A NEW BASIS

The Chief Representative in India of Burmah-Shell, Mr. H. A. Eccles, outlined to the Union Minister for Oil, Mr. K. D. Malaviya, his Company's broad proposals and intentions. He added that following discussions with the Government, Burmah-Shell are planning to put their marketing activities in India also into a rupee company, to offer substantial and widespread equity participation in both their marketing and refining enterprises to the Indian public, and to discuss with the Government immediate termination of the current Refinery Agreement and the basis of operation in future under an Industrial Licence similar to that for other Industries subject to an undertanding on certain

basic points. After discussions with various government departments, the final shape to these proposals willl be given.

The lead given by Burmah-Shell, it is expected, may be followed by the other two Oil Companies. Provided there was equal response from the Government, the Western Oil Companies have opened a new chapter in their trade relations with India. Burmah-Shell Company, it may be added, has a large investment of sterling in its two enterprises. There never has been any intention to take any part of this investment out of India. The only point for discussion could be the taking out of India profits earned on this investment. It may be added that such outgoings of foreign exchange are normally permitted by the Government. Another issue could be to import crude from Burmah Shell's normal sources. As indicated sometime back the Government does not seem to have any objection to this scheme, provided the price of crude was competitive.

The third point could relate to the expansion of Refineries. The Government's stand, so far has been not to permit any expansion of refinery capacity or even the utilization of the expanded capacity under the existing refinery agreement. So long as it did not involve any additional outlay in foreign exchange, the Government may not have any such objection.

Lastly, some understanding shall have to be reached on the pattern of distribution. As the Indian Oil Company, a Government of India Undertaking, is extending its field of operations, understanding should have to be reached to avoid any rate war.

Then again, there is the question of profits. The Damle Report, it may be added, had considered that a return of 12 per cent on the capital employed in the marketing organisations of the three oil companies should be regarded adequate. This 12 per cent profit recommended by Damle Committee is gross suject to 63 per cent income tax and minus bonus paid to the employees. This was on the basis of estimated capital requirements of ESSO and Burmah. Shell for the increased volume of business for the future, after taking into account the discount on the posted prices at Rs. 7,536 lakhs or Rs. 106.36 per kilolitre.

EXPANDED CABINET

The appointment of two more Ministers of State and 10 Deputy Ministers was announced on May 6, 1962. Mr. O. V. Alagesan and Dr. Ram Subhag Singh are two Ministers of State who will be attached respectively to the Ministry of Irrigation and Power and the Ministry of Food and Agriculture.

The 10 Deputy Ministers and the Ministry to which they are attached are as follows:

Mr. D. R. Chavan—Deputy Minister in the Ministry of Defence;

Mr. C. R. Pattabhiraman—Deputy Minister for Planning;
Mrs. Maragatham Chandrasekhar—Deputy Minister in the Ministry of Home Affairs;

Mr. Jagannath Rao—Deputy Minister in the Ministry of Works Housing and Supply;

Mr. Sham Nath—Deputy Minister in the Ministry of Information and Broadcasting;

Dr. D. S. Raju—Deputy Minister in the Ministry of Health;

Mr. Dinesh Singh—Deputy Minister in the Ministry of External Affairs.

Mr. Bibhudendra Mishra — Deputy Minister in the Ministry of Law.

Mr. B. Bhagwati—Deputy Minister in the Ministry of Transport and Communications;

Mr. Shyam Dhar Misra—Deputy Minister in the Ministry of Community Development, Panchayat Raj and Co-operation.

The total number of Ministers, after these appointments, in the Central Government is: 17 Cabinet Ministers, 12 Ministers of State and 21 Deputy Ministers.

ASSISTANCE FROM THE AID - INDIA CLUB

An important meeting is scheduled to be held in Washington on May 28, where the consortium of the aid-to-India countries is meeting. The principal item for discussion is the raising of more finances for the second year of the Third Five-Year Plan and to ensure continuity of financial support for the remaining years of the Plan. The United States, it may be recalled, offered one billion dollars to India during the first two years of the Plan provided the other aid-giving countries, excluding World Bank, promised to raise a matching amount. It may however be added that at India's request aid amounting to $45 million each already committed by the U.S.A. and W. Germany was excluded from the offer. For the first year of the Plan Canada offered to advance $28 million, France $15 million, W. Germany $225 million, Japan $50 million and United Kingdom $182 million. This makes a total of 500 million dollars: an equivalent amount of $500 million offered by the United States. The World Bank offered $250 million.

For the second year the commitments so far are Canada $28 million, France $15 million, Germany $139 million, Japan $30 million and United Kingdom 68 million dollars. These put together make a total of $280 million. World Bank has already offered $150 million and U.S. $500 million. The U.S. offer, it may be added, is subject to the approval of the Congress and also is subject to the matching offer by other countries. It is quite likely that United Kingdom would be prepared to come forward with a little more assistance. Some other European countries like Belgium may join the consortium at its next meeting and Australia may also join. It is gathered that Norway, Denmark and Italy not likely to come forward. Sweden and Switzerland too are planning to give assistance to the under-developed countries through the IDA, and a part of this assistance might be earmarked for India.

FOREIGN COLLABORATIONS

As many as one hundred and twenty-three cases involving foreign collaboration were approved during the quarter, ending March 31, 1962. These included thirty instances of British collaboration, thirty-one of the U.S.A., fifteen of West Germany, three of East Germany, eight each of Japan and Switzerland, seven of France, five of Holland, three each of Italy and Austria, two of Sweden, and one each of Denmark, Australia, Canada, Czechoslovakia, Finland and Hungry. Some of these are a newsprint project (Canadian), a project for sanitaryware (French), making timepieces (Japanese), Polyethylene, Polystyrene aircraft parts and ball bearings (U.S.A.), frozen foods and ice cream (British).

INDIA TO SIGN WHEAT AGREEMENT

India being a member of all International Wheat Agreements since 1949, is likely to sign a new agreement in Washington by May 15, 1962. This agreement was drawn up at the United Nations Wheat Conference in Geneva early this year. The agreement follows the pattern of the existing (1959) agreement except that the maximum and minimum prices have undergone a change. The maximum price for the basic quality of wheat (No. 1 Manitoba Northern Wheat) under the 1959 agreement was $1.90 per bushel; under the new agreement this has been raised to $2.02½. Likewise the minimum price has been raised from $1.50 to $1.62½. The increase is of the order of 12½ cents, per bushel.

India's imports of wheat are mainly from the United States under the P.L. 480 agreement of May 1960, for which the payments are made in rupees. Under that agreement, India has to import every year 4 lakh tons of wheat commercially. These commercial imports would be governed by the International Wheat Agreement. About 3.2 million metric tons of foodgrains costing about Rs. 120 crores were imported during 1961-62 including about 324 thousand metric tons of rice costing about Rs. 15.61 crores. 2.86 million metric tons of wheat, 686 thousand metric tons of rice and 34 thousand metric tons of other foodgrains were issued from Central stocks during the financial year 1961-62. The value of the quantity of wheat issued was approximately Rs. 107 crores and that of Milo issued about Rs. 1 crore. The Government of India held a reserve stock of about 2.1 million metric tons of foodgrains at the end of March, 1962. Imports during the financial year 1962-63 are expected to be about 4 million metric tons.

INDO-U.S. AGREEMENT UNDER PL 480

The Governments of India and the United States concluded recently an agreement providing for the sale to India of tobacco and yellow corn (maize) valued at $11.1 million (Rs. 5.3 crores) under U.S. Public Law 480. India will pay in terms of rupees. The United States will make available to the Government of India 85 per cent of the sales proceeds to be utilized in economic development projects.

The United States will supply 2.8 million pounds (1.27 million kilograms) of high quality leaf tobacco which will be used as a constituent of the blend mixture in the manufacture of top quality Indian cigarettes. The agreement will also make available to the Indian starch industry 125,900 metric tons of yellow corn (maize). This agreement brings the total of commitments under the six U.S.-PL 480 agreements between the two countries to $2,348.4 million (Rs. 1,118.3 crores).

SUGAR OUTPUT

Sugar output during the season 1961-62 (for the period November 1, 1961 to April 15, 1962) was to the extent of 22.6 lakh tons, out of which 10.96 lakh tons was sold and despatched and 0.89 lakh tons was exported. Off-take of sugar for internal consumption was to the extent of 10.30 lakh tons. The closing stocks of sugar with factories on April 15, 1962 were 23.53 lakh tons. Sugar exports were directed mainly to U.S.A., Canada, Malaya and Middle Eastern countries. It may be added that the loss on exports of sugar could be estimated from the fact that every maund exported to U.S.A. carried a loss of nearly Rs. 8.87. The loss was Rs. 15.80 per maund on exports to other markets.

IRON AND STEEL OUTPUT

Against the target for output of 4.8 million tons of steel ingots in the first year of the Third Five-Year Plan, the actual output for 1961-62 was of the order of 4.19 million tons. The table below gives the details in respect of various steel plants:

	Pig iron for sale	Steel ingots
Bhilai Steel Project	446,000	789,000
Rourkela Steel Project	117,000	354,000
Durgapur Steel Project	290,000	463,000
TISCO	—	1,650,000
IISCO	240,000	930,000
TOTAL	**1,093,000**	**4,186,000**

IMPORT OF OIL

In terms of an agreement made on 11th November, 1961 by the Indian Oil Company Ltd. with the USSR Export Organisation named SOJUZNEFTEEXPORT, a consignment of about 11,000 tons of furnace oil arrived in Cochin on March 16 this year. This oil will be utilized by industries and other bulk purchasers in the region. The oil is of high quality and its power point and viscosity are better than the Indian Standard specification.

IOC'S INCREASED STORAGE CAPACITY

The State-owned Indian Oil Company (IOC) now has a total storage capacity of 98,000 tons (over 100 million litres) at main ports and in the hinterland for storing and distributing all types of refined oil products throughout the country. It is stated that IOC started its nation-wide operations a year ago with only 45,000 tons of storage capacity at Bombay, Cochin and Vishakhapatnam which was leased to it by the Union Ministry of Defence. Within a year, IOC has increased its capacity by over 100 per cent. IOC has designed, constructed and is operating all its facilities without any kind or foreign technical assistance. IOC is now working on plans to increase its storage capacity to over 135,000 tons within the next six months. According to an IOC spokesman, IOC is now constructing new port storage installations at Okha, Calcutta and Madras and at sixty other inland cities also, in addition to further expanding the five main port installations and 22 inland relay depots already commissioned.

TRANSPORT FOR COAL

Mr. K. D. Malaviya, Union Minister for Mines and Fuel, today emphasised the urgency of the development of alternative modes of transport, including inland waterways, for moving coal to various regions in the interest of the speedy industrial advancement of the country. Mr. Malaviya told the members of the Informal Consultative Committee of Parliament for the Ministry of Mines and Fuel that the Government had already taken some steps towards solving the complicated problem of coal transport by way of importing additional quantities of furnace oil to meet the energy requirements of industries in the western region of the country. The area-wise allocation of wagons in specific regions of coal production was also being made in addition to movement of coal by road wherever it was possible in those areas. A decision to move 2 million tons of coal by sea had already been taken. The Minister added that the Government were reviewing the order of priorities fixed for the allocation of coal in order to meet the demands of industries such as brick kilns which were now low in order of priority. The Minister felt that the scheme, when implemented, was likely to satisfy a larger section of consumers in the country.

Some members referred to the reported intention of the Government to increase the price of coal and felt that such a step was not in the interest of the consumers. The Minister agreed that the mere increase in the price of coal, without taking into account other factors, was not going to solve the problem. Reference was made to the expansion of the Singareni collieries in Andhra Pradesh at the meeting and it was explained that an allocation of Rs. 20 crores had already been made for the Snngareni Collieries Company for its coal production programme during the Third Five-Year Plan. The expansion programme of the collieries envisaged the production of 6 million tons per annum at the end of the Third Plan period.

COTTON TO COST MORE

The Government has decided to raise the ceiling prices for the basic quality Mugllai Jarilla 25/32" staple length by Rs. 35 per quintal or Rs. 125 per candy according to the old description of weight units. The

floor prices which were raised last year by Rs. 106 per candy remained unchanged. Corresponding to the rise in the ceilings for the basic quality there would be increases in prices for other varieties of cotton too.

HIGHER OUTPUT OF MESTA

The production of mesta in the country touched a record figure in 1961-62. Production during the year is estimated at 1,705,000 bales of 400 lbs. each as against 1,131,000 bales in 1960-61. The acreage under mesta this year is estimated at 951,000 acres as against 689,000 acres in 1960-61. The increase in production is thus estimated at 50.8 per cent as compared to an increase of 38 per cent in the area under mesta. The yield per acre in the current year works out to 717 lbs. as against 657 lbs. for the last year.

IN BRIEF...

Hindustan Machine Tools Ltd., Bangalore, proposes to set up two new machine tool plants in the public sector during the course of the Third Five-Year Plan. One of these will be located in Pinjore in the Punjab. Orders for plant and equipment have been placed.

*

Mr. Posthuma's recommendations on the Dock Modernisation Scheme have been broadly accepted by the Bombay Port Trust. Based on his recommendations, the Port Trust has prepared a revised scheme. This scheme was approved in principle by the Trustees of the Bombay Port. The International Development Association has been approached for a loan for the foreign exchange required for executing this scheme and other Bombay Port Trust schemes covered by the Third Five-Year Plan.

The amount earmarked in the Third Five-Year Plan for the development of Paradip Port in Orissa is Rs. 1.54 crores to cover the first and second priority works recommended by the Intermediate Ports Development Committee. This is intended to enable Paradip to handle a tarffic of 5.5 lakh tons per annum, consisting of 5 lakh tons of iron ore and 0.5 lakh tons of other cargo. No further sums have been earmarked for the development of Paradip to handle larger quanties of iron ore, pending the results of the studies which the Planning Commission had considered necessary.

*

With the recent merger of Goa with Indian territory and the consequent resumption of the steamer service to Goa, a new factor has been introduced which necessitates a review of the recommendations of the Konkan Coastal Shipping Services Committee for increase in fares and subsidy to the Company. One of the important reasons given by the Company for its losses was the suspension of the service to Goa in 1955.

*

There is a scheme to produce two prototype motor coaches. Each coach is estimated to cost Rs. 9 lakhs. The prototype electrical equipments will be fully imported at a cost of Rs. 6 lakhs of which Rs. 5 lakhs would be the element of foreign exchange. The cost of imported components for the vehicle portion may be about 40 to 45 per cent.

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S. T. SADASIVAN
GENERAL MANAGER

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Directors

Dr. Rajah Sir M. A. Muthiah Chettiar of Chettinad, Kt. B. A., D. Litt.,
Kumararajah Sri M. A. M. Muthiah Chettiar of Chettinad, B. A.
Dr. P. V. Rajamannar D. Litt., LL. D.
Sri K. Balasubramania Aiyar B. A., B. L., M. L. C.
Rao Bahadur T. S. Kachapikesa Mudaliar B. A.
Sri A. Nagappa Chettiar
Sri Ramdas Purushottamdas
Sri P. V. RM. Kulandayan Chettiar
Sri L. Alagusundaram Chettiar
Sri R. K. Venkatachalam
Sri O. M. SP. L. M. Meyyappa Chettiar

G. S. SUNDARAM, *Secretary.*

SISTA'S-IB-2

COMPANY AFFAIRS

BRITISH INDIA CORPORATION

The British India Corporation Ltd. during the year to December 31, 1961 recorded a profit of Rs. 1.05 crores which was over 15 per cent more than the previous year's profit. The sale proceeds during the year, however remained nearly the same as last year's — Rs. 7.82 crores during the year under review as against Rs. 7.86 crores a year before. The Directors have approved the appropriation a sum of Rs. 8.50 lakhs towards depreciation, Rs. 1.29 lakhs towards development rebate reserve and Rs. 48 lakhs as provision for income-tax. The Directors have further recommended the transfer of Rs. 26 lakhs towards rehabilitation reserve. They have recommended the payment of a dividend on ordinary shares at the rate of 35 nP. per ordinary share of Rs. 5 each, which will absorb Rs. 52.75 lakhs.

The Directors have reported that the working of woollen branches of the Company was satisfactory. The total value of production during the year was greater than in 1960 and the Directors have pointed out that licences for the import of wool were not issued promptly which resulted in considerable dislocation of the factories. The Directors further pointed out that the two woollen mills after expensive experiments had succeeded in introducing various blends made of Indian and imported wools which were popular in the market. The Directors had under consideration a scheme for the rehabilitation and modernisation of two branches. Unfortunately due to shortage of foreign exchange it was not possible for the Government of India to grant import licences. The matter, however, was being pursued because the installation of modern machinery was considered vitally necessary for the efficient working of the mills.

The working of the Cooper Allen branch of the Company did not show the desired improvement. This the Directors pointed out was largely due to numerous uncertain factors on which the organised leather industry was still compelled to be heavily dependent. The operational efficiency of the branch continued to receive the active consideration of the Directors.

SEN RALEIGH

The sale proceeds of Sen-Raleigh Industries of India Limited for the year to September 30, 1961, improved by Rs. 39.85 lakhs to Rs. 3.98 crores as compared to the previous year. A large production of components helped to achieve this result. The Directors indicated that anticipated levels of production could not be reached because of shortfalls in semi-finished components occasioned partly by cuts in import licences ceilings and partly by failure of indigenous supplies to meet commitments. The profit during the year was Rs. 21.56 lakhs. The Directors recommended the transfer of Rs. 1.28 lakhs towards development rebate reserve, Rs. 3.75 lakhs towards payment of loan and Rs. 10.08 lakhs towards the provision for taxation. The Directors recommended the payment of a dividend at the rate of 6.5 per cent on cumulative preference shares. They also recommended the payment of a dividend at the rate of 8 per cent on ordinary shares which will absorb Rs. 5.60 lakhs.

The Company applied for and obtained permission to issue 6,50,000 Ordinary Shares. The issue was sanctioned at a premium of Rs. 4 per share. The Company's plans for expansion of bicycle production and diversification call for large foreign exchange resources and it is proposed that part of this new issue be offered to Raleigh Industries Ltd. to finance the foreign exchange component of these schemes.

SIMCO

Mr. S. Narayanaswamy, Chairman of a newly established Company, SIMCO METERS LIMITED, explained recently at Madras, the scope of the new venture. Some of the saliant features of this new venture are that all the meters produced by the new factory will be automatically absorbed by the South Madras Electric Supply Corporation who are an electricity distributing company of the Seshasayee Group in Madras; there are very good export possibilities for the polyphase meters to be produced and under their collaboration agreement, there are no restrictions over export to any country in the world. The collaborating firm are the well-known Denish Ferranti Meters Ltd. of U.K. and have themselves agreed to purchase 5,000 meters annually from the Indian company. The Indian factory will, to start with, produce 60,000 single-phase and 20,000 polyphase meters annually. This will be the first factory for electric meters in Madras State and they also hope to be the first to make polyphase meters in India though many others have also been licensed for their manufacture. The Maharaja of Mysore is one of the sponsors of this issue and has subscribed Rs. 2 lakhs towards equity shares; L.I.C. has agreed to purchase Rs. 3.5 lakhs worth equity shares, Managing Agents and their friends take Rs. 5 lakhs. A new managing agency organisation in the name of South Madras Industrial Development Co. (Private) Ltd., will be incharge of this venture and this managing agency house will function under the guidance of Seshasayee Bros.

PHILIPS INDIA LIMITED

At a meeting of the Board of Directors of Philips India Limited held in Calcutta on May 2, 1962, it was decided to recommend to the shareholders at the Annual General Meeting fixed for June 14, 1962, a dividend of 12 per cent subject to tax, for the year ended December 31, 1961.

GOODYEAR

Goodyear announced recently that its newly-built Rs. 6 crores tyre plant near Delhi is to be expanded immediately from the present capacity of 213,000 tyres to 513,000 tyres a year. Plans for expansion are well in hand, and it should be possible to complete installation of additional facilities within 12 months. The announcement was made by Mr. R. E. O. Carey, Managing Director at the annual generol meeting held recently. The new plant, which started trial production in August 1961 was still handicapped by an uncertain power supply, but the position had lately improved. The number of outages had come down from 110 a month to about 25 because of the "effective measures" taken by the Punjab State Electricity Board. Daily production was now approaching the current licensed capacity. He welcomed the official policy of keeping licensed capacity in the tyre industry ahead of demand to encourage competition. He felt sure that the demand would rapidly increase with the additions planned to India's fleet of trucks, buses, cars and jeeps, and also as a result of the new road mileage to be added under the Third Plan.

Commenting on the passing over the dividend this year, Mr. Carey hoped that shareholders would agree that this was a prudent decision because of the requirements of expansion immediately ahead. The larger scale of production would help the plant to achieve economies, he expected. The Company's sales were 4 per cent higher in 1961 than in the previous years. Rs. 100 lakhs were being set aside from the year's profits into a general reserve to take care of working capital requirements and other contingencies.

THE GANESH FLOUR MILLS COMPANY LIMITED, DELHI

REGISTERED OFFICE, SUBZIMANDI, DELHI

NOTICE

NOTICE is hereby given that the 70th Annual General Meeting of the Shareholders of the Ganesh Flour Mills Co. Ltd., Delhi, will be held at the Company's premises at 64-65, Najafgarh Road (Industrial Area) New Delhi, on Wednesday the 30th May, 1962, at 10.30 A.M. or soon after the separate meetings of different classes of Shareholders are over to transact the following business:

(1) To receive, consider and adopt the Directors' Report and the Audited Balance Sheet and Profit and Loss Account of the Company for the year ending 30th September, 1961;

(2) To declare dividends:

(a) On Ordinary/Equity Shares and 7 per cent First Cumulative Preference Shares,

(b) On 2nd, 3rd, 4th and 5th Cumulative Preference Shares (taking into account the Special Resolution No. 5 in this respect).

(3) (a) To appoint a Director in place of L. Bal Raj who retires by rotation under the Articles of Association of the Company and being eligible for re-appointment, offers himself for re-appointment as a Director of the Company.

(b) To appoint a Director in place of L. Brij Lal who retires by rotation under the Articles of Association of the Company and being eligible for re-appointment, subject to exemption of age limit as prescribed for a Director under Section 280 of the Companies Act, 1956, offers himself for re-appointment and to consider, and if thought fit, to pass the following resolution of which special notice as required under Section 281 of the Companies Act, 1956, has been received by the Company from a Shareholder:

"Resolved that L. Brij Lal who has attained the age of 69 years be and is hereby re-elected a Director of the Company and it is hereby specially declared that the age limit for a Director as prescribed under Section 280 of the Companies Act, shall not apply to him."

(4) To apoint Auditors for the financial year 1961-62 and fix their remuneration. Messrs. A. F. Ferguson & Co., Chartered Accountants the retiring Auditors being eligible for re-appointment, offer themselves for re-appointment as Auditors of the Company for the year 1961-62.

PECIAL BUSINESS

(5) To consider and if thought fit to pass with or without modification the following as a **Special Resolution:**

"Resolved that so long as the Company is required to make deductions of tax at source from dividends the rate of dividend on 2nd, 3rd, 4th and 5th Cumulative Preference Shares be increased from 4 per cent to 5.71 per cent per annum."

(6) To consider and if thought fit to pass with or without modification the following as a **Special Resolution:**

"Resolved that in Clause 5(c) and (d) of the Memorandum of Association of the Company the words and figures 4 per cent and 'free of Income Tax' wherever they occur in these sub-clauses of clause 5 be deleted".

(7) To consider and if thought fit to pass with or without modification the following as a **Special Resolution:**

"Resolved that:

(i) In Article 3(c)(i) of the Articles of Association of the Company the words and figures "4 per cent per annum" be deleted;

(ii) In Article 3(d)(i) the words and figures "of 4 per cent per annum" be deleted;

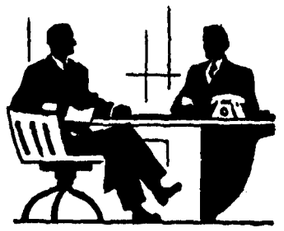
(iii) In Article 3(e)(i) the words and figures "4 per cent per annum" be deleted;

In Article 3(e)(ii) the words and figures "4 per cent per annum" be deleted;

(iv) In Article 3(f) (1) (ii) and (iii) the words and figure "4 per cent per annum" and and '4 per cent' wherever they occur be deleted."

(8) To consider and if thought fit to pass with

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or without modifications the following as a **Special Resolution:**

"Resolved that L. Satya Narain Gupta, Director of the Company be paid ¾ per cent commission per annum on the amounts guaranteed or securities provided by him in connection with any loans or advances obtained by the Company from time to time from Bankers and other parties for purposes of its business in India and Pakistan. The commission to commence from the date such guarantees or securities are provided".

(9) To consider and if thought fit to pass with or without modification the following as a **Special Resolution:**

"Resolved that, subject to the approval of the Central Government and to such modifications, if any, as the Government might make Lala Kirpa Narain, Secretary and General Manager of the Company be paid ¾ per cent commission per annum on the amounts guaranteed or securities provided by him in connection with any loans or advances obtained by the Company from time to time from Bankers and other parties for purposes of its business in India and Pakistan. The commission to commence from the date such guarantees or securities are provided."

(10) To consider and if thought fit to pass with or without modifications the following as an Ordinary Resolution:

"Resolved that the Board of Directors of the Company be and are hereby authorised, in consultation with the Company's Auditors, to appoint persons qualified to act as Auditors for audit of the accounts of Branches of the Company, where such audit is not done by the Company's Auditors, as the Board of Directors may decide from time to time and on such terms, conditions and remuneration as they think proper."

(11) To consider and if thought fit to pass the following with or without modification as an Ordinary Resolution:

"Resolved that the Company hereby approves of the appointments and consents to the continuance, as the case may, of the following as Dealers of the Company for a period not exceeding five years commencing from the dates of such appointments and for the products and the Area respectively mentioned subject to any variation that may be made in the terms of their appointments including changes in Area and Products and subject also to the conditions that the arrangements may be terminated earlier by one month's notice on either side".

Note: (This list of all such dealers is being sent to the Shareholders alongwith the Balance Sheet).

By Order of the Board of Directors
FOR THE GANESH FLOUR MILLS CO. LTD.
Sd./- KIRPA NARAIN
Secretary & General Manager.

DELHI,
Dated 30th April, 1962.

N.B. (a) The Share Transfer Books of the Company will remain closed from 17th May, 1962 to 30th May, 1962, (both days inclusive).

(b) Members unable to attend are requested to send their Proxy Forms, sent alongwith the notice, duly stamped, signed and completed in favour of a person attending the meeting. Forms not properly signed and/or completed or received less than forty-eight hours before the meeting wil be treated as invalid;

(c) A member entitled to vote is entitled to appoint a Proxy to attend and vote instead of himself and that a Proxy need not be a member of the Company;

(d) A copy of the existing Memorandum and Articles of Association of the Company as well as copies of the proposed amendments to the Memorandum and Articles of Association of the Company, duly signed by the Chairman, for purposes of identification shall also be available for inspection of members during business hours at the Registered Office of the Company on all working days from 17-5-1962 to 30-5-1962;

(e) The terms of appointment of Dealers as mentioned in item 10 above will be open for inspection of the members at the Registered Office of the Company on any working day between 17-5-1962 to 30-5-1962, during working hours.

(f) Explanatory statements as required under Section 173 of the Companies Act are being sent to the Shareholders alongwith the Balance Sheet by post.

(g) All Shareholders of the Company are also requested to send their present addresses to the Company before that date of the Meeting so that Dividend Warrants for the year ending 30-9-1961 may reach them at their correct address.

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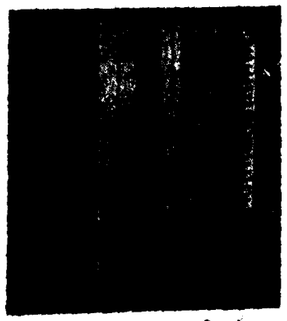
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Company Meetings

THE KOHINOOR MILLS COMPANY, LIMITED

Chairman's Speech by Mr. A. N. Haksar

Ladies & Gentlemen,

It gives me great pleasure in welcoming you to this Sixty-seventh Annual General Meeting of the Company.

As the working results of the year, which are already with you, show, the year 1961 has been a successful one for the Company. Whereas there has been a modest rise in the gross turnover by about Rs. 46 lacs as compared with the previous year, the net profit after depreciation, development rebate and taxation has increased by over Rs. 10 lacs, i.e. an increase of about 130 per cent over the previous year. Those of you here, who might have been present at the last Annual General Meeting, will perhaps recollect the indulgence I had sought from you in permitting the management just two years more to restore the Company to the same position of prosperity it had previously enjoyed, and you will perhaps agree with me that the working results of the year have justified the forecast made last year.

The principal reasons for the increase in profits are overall increased efficiencies, fuller utilisation of machine capacity run on a rationalised basis, and the change in the pattern of production to suit consumer demand. With regard to the last factor, the Company is earnestly endeavouring to put on the market newer and better varieties of cloth in order to meet with the ever changing pattern of consumer demand and has recently introduced in the market Terylene Suitings, Terylene Shirtings, Full Voile Shirtings and Ladies' Blouse material known as "Rubaiyat" all of which have become very popular.

A comprehensive programme of rehabilitation and modernisation as undertaken in the last year was further implemented during the year. Machinery to the value of Rs. 33,21,647 was erected during the year. Machinery worth about Rs. 43 lacs was on order as at the close of the year. By installing the various machines on order it is anticipated that the Company will be able to effect further rationalisation and also further improvement in the quality of its products.

Side by side with the programme of rehabilitation and modernisation, your Company has taken further steps towards rationalisation and fuller utilisation of machine capacity by working the Spinning Section of No. 2 Mill all three shifts on a rationalised basis. Cloth production has also been stepped up by running a section of the weaving shed in No. 2 and No 3 Mill for the third shift on a 4-looms-to-a-weaver basis.

The cotton position was easier during the early part of 1961 and almost all varieties were available at or below the statutory ceiling prices but the position was completely reversed during the latter part of the year.

The cotton season 1961-62 started with a carry over of about 22 lacs bales and the position was then considered to be comfortable in view of the anticipated production of 53 lacs bales. Unfortunately these expectations were not fulfilled because of adverse weather conditions in the cotton growing centres and the estimate has now been reduced to not more than 40 lacs bales. In order to improve upon the cotton supply position, the Government of India has been negotiating with several cotton producing countries and has also requested the U.S.A. Government to render some assistance under PL. 480. Although vigorous efforts are being made in this direction, the prospects of obtaining the Industry's full requirements of cotton appear to be bleak in view of the country's tight foreign exchange position.

To rectify the imbalance between the supply and demand position of cotton, the Textile Commissioner devised an elaborate system of quality and quantity controls to ensure equitable allotment of available supplies of cotton at ceiling prices. These measures, however, fell short of achieving their desired effect, with the result that cotton prices have shot up, and it is difficult to obtain the requisite cotton within the limits of ceiling prices. It appears that a section of the community has suggested a decontrol of cotton prices. It will be very difficult to foresee the effects of decontrol of cotton on the prices of cloth and yarn, both for the local and for the export market. In order to ensure adequate supplies of cotton to maintain the present level of production and also to meet rising demand, I am of the view that it is imperative to increase the cotton yield per acre substantially and also to raise the statutory ceiling prices so that the prices of local cotton are more in parity with prices prevailing in other cotton growing countries.

As already mentioned in the Directors' Report, cloth stocks during the first half of the year were higher than usual on account of the confusion created by the price stamping scheme and the increased incidence of excise duty on all fabrics. As the year progressed, the movement of cloth stocks improved and at the close of the year stocks were lower than in the previous year.

The stocks of yarn were also higher during the early part of the year. The budget for the financial year 1961-62 for the first time introduced an excise duty on cotton yarn excepting certain counts in hank form. The levy and its assessment at first created some difficulty and also met with some resistance from the consumers. Matters, however, smoothened out later, and the yarn started moving gradually. At the close of the year, yarn stocks were also lower as compared with the previous year.

In its endeavour to earn as much foreign exchange as possible for the country as well as to secure the maximum benefits for the Company by way of import of long staple cotton, terylene, dyes, chemicals, machinery etc., your Company has spared no efforts towards trying to push its goods in the world markets. Our own deliveries for export of cloth were higher by 24.93 per cent as compared to 1960. This increase in exports is all the more creditable as far as your Company is concerned in view of total Indian cloth exports having come down from 692 million yards to about 600 million yards, a drop of 10.5 per cent on last year's performance. The principal reason for this fall in Indian exports has been increased demand for processed cloth, the Indian Mills' inability to meet the world demand at competitive prices, the setting up of textile Mills in the under developed countries in East and West Africa, Ethiopia, Burma, South Viet-Nam and the intensive competition from Hong Kong, China, Japan and Pakistan. Your Company hopes to continue and if possible to increase its exports during the current year also.

You will have observed from the Profit and Loss Account that the value of stores consumption has increased by about 6.53 per cent over 1960. The principal reasons for this increase have been the non-availability of caustic soda at the prices fixed by the Government of India in view of the limited indigenous production and the inadequate supply of hydrosulphite of soda, both of which are consumed in large quantities. These

chemicals are mainly imported by the State Trading Corporation, and had the imports of these Chemicals been regulated by a consistant rather than a haphazard policy, periodic shortages would have been much obviated. There was also an upward revision of import duties on other chemicals, dyes and machinery spare parts.

Electric power and fuel charges were also higher than last year. This was principally due to more machinery having been worked during the year as also the inevitable conversion of boilers from coal to oil-firing on account of the stringent and uncertain coal supply position.

As already mentioned in the Directors' Report, Nahalchand Laloochand Private Ltd., and V. S. Apte & Son, the Company's Yarn and Cloth Selling Agents respectively, relinquished their selling agencies on terms mutually agreeable to themselves and the Board of Directors of the Company. They have been of great assistance to the Company especially in tiding over difficult times, and I am sure you will join with me in placing on record our appreciation for their long and faithful services to the Company for over 58 and 50 years respectively.

In accordance with the Central Wage Board's recommendations, a wage increase of Rs. 8 per worker per month and the merger of 75 per cent D.A. with the basic pay were also implemented during the year. A further increase of Rs. 2 per month per worker is being paid from 1st January, 1962 and this will cost your Company about Rs. 2½ lakhs more each year.

With regard to bonus for the year 1959, 1960 and 1961, negotiations between the Millowners' Association, Bombay, and the Rashtriya Mill Mazdoor Sangh having failed, the Sangh has filed its demand for the year 1959 with the Industrial Court, Maharashtra, before whom the matter is pending.

In order to achieve peaceful working conditions for the Industry, the Government of India have appointed a Bonus Commission to go into this vexed problem of the concept of bonus, the limits of the minimum and maximum amounts payable and the mode of payment and to make suitable recommendations to Government. Whatever their recommendations may be, I feel that bonus should essentially be linked with productivity.

During the year 166 employees were retrenched by paying them retrenchment compensation and gratuity amounting to Rs. 5,62,000. While retrenching, advantage was also taken of the natural separation of workers wherever possible.

In this regard I would like to state that before effecting retrenchment, your Company made all possible efforts to absorb displaced labour consequent upon introduction of rationalised processes by starting additional shifts and only those workers who were unwilling to accept alternative employment were paid compensation as required by law. I must mention that the introduction of rationalized processes could not have been possible but for the excellent co-operation extended by the R.M.M.S.

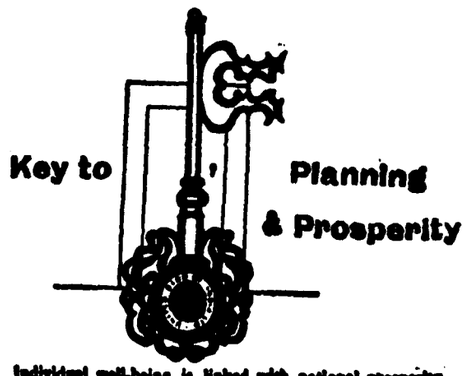
During the year Mill workers gladly responded to the call of the Chief Minister of Maharashtra, Shri Y. B. Chavan, for voluntary donations in order to give relief to the flood affected people in the city of Poona and other parts of the State of Maharashtra. About 90 per cent of our employees worked on 20th August, 1961, although it was a holiday, and the total contribution from their earnings was Rs. 39,914 which was the second highest contribution amongst all the Textile Mills in Bombay.

You will observe from the Profit and Loss Account that your Company donated a sum of Rs. 45,470. The principal donations were for the relief of people affected by cyclone in Ratnagiri District and by the floods in Poona and Bihar.

What does the future hold for us? We had every hope that, other things being equal, the current year would prove to be even better than the year 1961, as the results of the first three months have shown a definite improvement over the corresponding period of 1961. However, as you know, only a few days ago the budget has been announced, and once again the powers that be have thought fit further to increase the imposts levied on your Industry. Although as stated, it is the intention of the Government to recover Rs. 12.1 crores from the Textile Industry—which in itself is a very high figure—in actual fact on a very conservative estimate it is felt by the industry that the recovery which will be made by Government by these imposts will not be less than Rs. 25 crores and may even be as high as Rs. 30 crores. This latest burden, together with the scarcity of cotton this season and the difficulty of making up this shortfall by imports from other cotton growing areas not to mention the overall rising costs, are all bound to make a serious inroad into the profits of your industry. Furthermore, as far as the shareholder is concerned, although the Finance Act 1962 had given the corporate sector relief in Income Tax and Super Tax by a reduction from 51.5 per cent to 45 per cent, this tax levy has again been increased by 5 per cent (making it 50 per cent) and this will mean that your Company's tax liability for the year 1961 will be increased by about Rs. 1,75,000. Strong representations are being made by the Industry to try and persuade Government to reduce these imposts, particularly the excise duties. I sincerely hope that something substantial will come out of these representations.

As far as your Company is concerned, your management will make every effort to try and neutralise the extra expenditure to which I have referred above, by further economies and improvement in efficiency. I started saying that we had hoped the current year would be much better than the last. I am afraid the original hopes may not, in view of what I have said before, be fulfilled but I think I can say with reasonable confidence that comparatively speaking your Mill will do equally well again if not better this year.

N.B.: This does not purport to be the report of the proceedings of the General Meeting.



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Trivandrum Water Supply Augmentation Scheme		
48" dia. Vertically Cast Pipes	—	42,240 Rft.
Madras State Third Five-Year Plan Water Supply and Drainage Scheme, Madras		
3" dia. to 24" dia. Spun Pipes	—	48,02,000 Rft.
Thippegondanahalli Water Supply Scheme, Bangalore		
36" dia. Vertically Cast Pipes	—	89,760 Rft.
Ajmer Water Supply Scheme, Rajasthan		
21" dia. Spun Pipes	—	3,69,000 Rft.
Manjira Water Supply Scheme, Hyderabad		
16" dia. to 24" dia. Spun Pipes	—	8,760 Rft.
36", 40", 42" & 45" dia. Vertically Cast Pipes	—	53,585 Rft.

THE INDIAN IRON & STEEL CO. LTD.

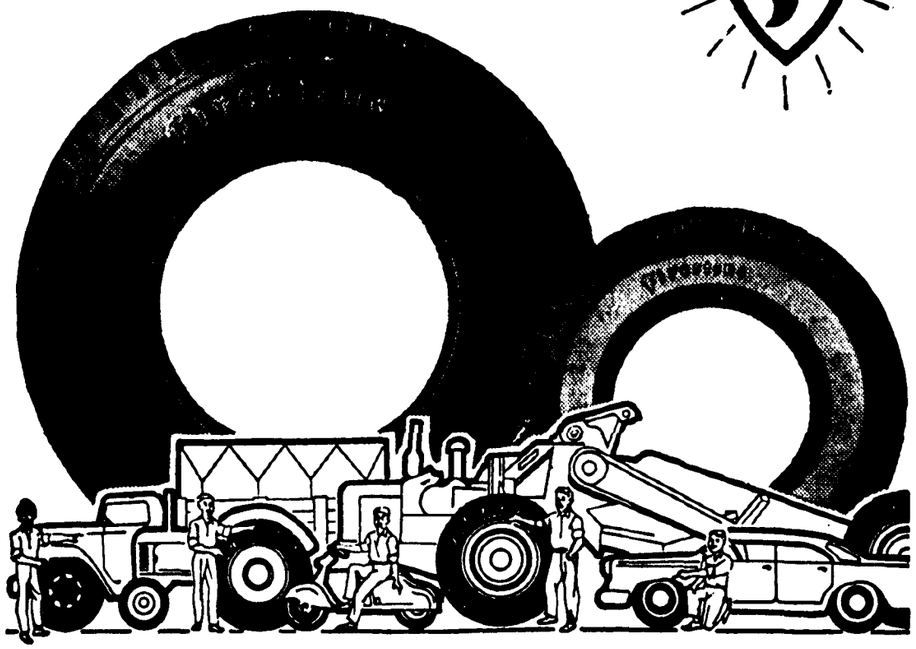
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Firestone BEST TODAY—STILL BETTER TOMORROW

Commercial Production of Tyres to Start in Three Months

MADRAS RUBBER FACTORY CHAIRMAN EXPLAINS EXPANSION PLANS

The Madras Rubber Factory Ltd. hopes to commission its entire plant for the manufacture of Mansfield car and truck tyres within three months, according to Mr. K. M. Cherian, the Chairman.

Addressing the shareholders at the first annual general meeting of the company held in Madras on May 4, he informed that the erection of the tyre factory was proceeding according to schedule. The entire building of the new factory was complete and the major part of the machinery had arrived, he said.

During the course of his speech, Mr. Cherian said:

I do hope, you have had an opportunity to study the Balance Sheet and the Directors' Report and, therefore, I do not propose to go into its details except to draw your attention to certain salient features of the company.

As you are all aware, the private firm of Madras Rubber Factory was acquired by your company for a total consideration of Rs. 25 lakhs. The public company was floated in 1961 and shares worth Rs. 75 lakhs were allotted on June 6. The first and second calls were made during August and October 1961 and these shares became fully paid up a few weeks before the close of books on December 31, 1961.

UNIQUE PROFITS

The profits of the year were Rs. 23,51,764.94 before depreciation and Managing Agents' commission. After adjusting these, we have a nett profit of Rs. 18,30,487.37 and this entire amount was earned solely from the existing business of the Madras Rubber Factory Tread Division. The total sales come to Rs. 1,64,47,976.30. The products of the company continue to enjoy the confidence of the public and there is every reason to believe that the sales and profits in the existing lines of business will continue to grow.

I am sure, you will like to jo'n me in paying tributes to the management for these excellent resul's and to the previous owners of the concern for their magnificent contribution to the growth of this undertaking.

FINE GESTURE

It may be pointed out here, that no payments were to be made to the promoters or to the Managing Agents for expenses incurred or for their services in the promotion of the company. The entire expenses thereof had been met by the promoters. Up to March 31, 1961, this was a private company in the sole ownership of the Managing Agents and when the company was converted into a public company on April 1, 1961, the accrued profits of the private company, which came to Rs. 5.31 lakhs, were also given away to the public company.

I have no doubt you will appreciate this fine gesture from the Managing Agents as an expression of their abundant confidence in the future of this new enterprise.

I am also happy to report to you today that the erection of the tyre factory is proceeding according to schedule. Orders for the entire machinery required for the tyre factory were placed with our collaborators in October 1961, barely 45 days after the receipt of the necessary import licence and the foreign exchange sanction. The construction of the factory building was also started in October after getting the plans approved by our collaborators.

The pilot plant machinery was shipped at the same time and, as you all know, it commenced trial production of tyres on November 16, 1961. The entire building for the main factory is now complete. Major part of the machinery has arrived in Madras and the balance is expected shortly.

The erection work is going on round the clock and our foreign technicians are hopeful of commissioning the entire plant within three months.

EXPANSION PLANS

The plans of the building and erection of the machinery etc. have been drawn up in such a way that the factory can be expanded several times its present size without interrupting production. We have also sufficient land for this expansion. We have also applied to the Government of India for their early consideration of our request for the increase of the capacity and we are hopeful that this will be granted as there will be need for increased production of tyres even during the Third Five-Year Plan.

FOREIGN LINK-UP

The company is extremely fortunate in having the unstinted co-operation of our collaborators Messrs. Mansfield Tire and Rubber Co. of U.S.A. They are as keen as your management in the early commissioning of the Indian plant and have spared no money or personnel for the realisation of this goal. We are fortunate to have with us Mr. M. L. Bayer, Technical Assistant to Mr. James H. Hoffman, President of the Mansfield Tire Co. and he has with him in Madras a team of very senior rubber technicians and engineers. Their devotion to duty, their keenness and eagerness for work and their extremely friendly attitude to people around them, have set a very fine example to our staff and workers.

We are proud of these eminent friends from abroad and I have no doubt, that you will all agree with me that our company owes a great debt of gratitude and thankfulness to our collaborators, the Mansfield Tire & Rubber Co. and to its able and outstanding President, Mr. James H. Hoffman.

I do not want to say anything more about Mr. Hoffman at present, as I am hopeful that he will be in India very shortly for the formal opening of the tyre factory.

PHENOMENAL GROWTH

Before I conclude, may I take a few moments of your valuable time, to say a few words about the Indian rubber industry.

The Indian rubber industry, which took firm root in the country immediately after Independence, has witnessed a phenomenal growth in recent years. The consumption of rubber by all factories in India in 1951 was only 22,786 tons. In a short period of ten years, it has increased to 63,848 tons (1961), and the estimated consumption for the current year is 71,917 tons consisting of 47,448 tons natural, 18,000 tons synthetic and 6,469 tons reclaimed rubber.

As against this, the internal production is only 30,785 tons and we have to rely on imports to the extent

of about 48,000 tons natural and synthetic, and 5,000 tons reclaimed rubber during this year. The position will considerably improve next year when we can expect about 30,000 tons of G.R.S. rubber from the Bareilly plant and 5,000 tons of reclaimed rubber from indigenous production.

PLAN ESTIMATES

The revised estimates for consumption of rubber for the Third Plan period are being compiled and it seems to be fairly certain that the original estimate of 93,500 tons consumption for 1965-66 will have to be radically modified as the figure may be nearer 1,40,000 tons. In spite of the expected indigenous production of 40,000 tons of natural, 30,000 tons of synthetic and 10,000 tons of reclaimed rubber, the country may have to depend on imports to the extent of about 60,000 tons even in 1965-66.

I dare not predict the possible requirements of rubber for the Fourth Plan, but I feel it is high time that the Government and industry studied the situation so that they are at least armed with the knowledge of the future trend.

BOLD POLICY

I would, in this connection, suggest to the Government and the Planning Commission to enquire fully about the possibilities of the production of additional quantities of natural rubber in India. A bold policy regarding the replanting of the existing low yielding plantations, a directive to State Governments to release for rubber planting all suitable areas and to see that such areas are cultivated according to the latest scientific methods and finally to take immediate steps to open up the Nicobar and parts of the Andaman Islands for rubber cultivation, are some of the suggestions I submit for the consideration of the Government.

Regarding the other principal raw materials required for the industry such as carbon black, rubber chemicals, rayon cord, tyre valve tubes, etc., though we have to rely on imports for the current year, we will be entirely self-sufficient by 1963 or the latest by 1964, as several new factories have been licensed for manufacturing the above articles.

EXISTING PLANTS

We have had only two tyre factories in India for nearly 25 years. Though over these years these factories have expanded their production considerably, the consumption of tyres in the country exceeded the production, and for the last two years, we have had to depend on large imports. The Government has, therefore, licensed seven more factories of which so far only three have commenced production. It is hoped that before the end of this Plan, all the remaining four will also have come into production, thereby increasing the output to about 3.8 million tyres and tubes as against the present production of about 2 million.

The Government now favours an upward revision of the target of production of tyres to about 5.2 million as against the Planning Commission's original estimate of 3.7 million. It is likely that all the existing factories who have the resources and who can arrange the necessary foreign exchange will be given preference in this expansion programme. It also seems to be the Government's policy to license a capacity of up to a million tyres for all existing units before new applications are considered.

EQUAL SHARE

In this way, all the tyre factories established in India will be more or less of the same size and they will also be of sufficiently large capacity with a cost of production comparable to their counterparts elsewhere in the world. Moreover, the Government believes that the cost of expansion of the existing units will be far cheaper, as far as foreign exchange is concerned than the licensing of new units at the present time.

I am glad to inform you that we have submitted our application for a substantial expansion and that we will be in a position to implement the setting up of this additional capacity without any loss of time, immediately the licence is issued to us.

TREMENDOUS PROGRESS

The Indian rubber industry has achieved tremendous progress in recent years. Already its production value has exceeded Rs. 80 crores and the total labour employed, over 30,000. It is fairly certain that production may reach nearly Rs. 200 crores by the end of the Third Plan period, with a corresponding increase in the labour employed. Your directors have full confidence in the future of your company and with the untiring efforts of the management, staff and labour, we look forward to better and better results in the years to come.

NOTE: This does not purport to be a record of the proceedings of the annual general meeting.

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 Elg'n Mills Co. Ltd. — Cawnpore Sugar Works Ltd.
Cawnpore Textiles Ltd. — Champaran Sugar Co. Ltd.
Brushware Limited — Saran Engineering Co. Ltd.

Agents for: The Oriental Fire & General Insurance Co. Ltd.
Secretaries for: Beta Picker Co. Ltd. — Royal Exchange Assurance.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Consent of the Central Government has been obtained to this issue by an order dated 20th December, 1961, a complete copy of which is open to public inspection at the head 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 copy of the Prospectus has been delivered for registration to the Registrar of Companies, Delhi, together with the requisite documents attached thereto as required by Section 60 of the Companies Act 1956. The shares of the company have been listed by the Delhi Stock Exchange Association Ltd. for official quotation on that Exchange.

The subscription list will open at the commencement of Banking hours on 9th May, 1962 and will close on the closing of the Banking hours on 12th May, 1962 or earlier as soon as subscriptions approximating to the amount issued to the public have been received, but not earlier than the close of the Banking hours on 11th May, 1962.

GLOBE MOTORS LIMITED

SHARE CAPITAL

AUTHORISED CAPITAL
1,00,000 Equity Shares of Rs. 100 each — Rs. 1,00,00,000

ISSUED CAPITAL
50,000 Equity Shares of Rs. 100 each — Rs. 50,00,000

CAPITAL ALREADY SUBSCRIBED
25,000 fully paid Equity Shares of Rs. 100 each — Rs. 25,00,000
12,750 Equity Shares of Rs. 100 each — 50% paid up — Rs. 6,37,500

This is inclusive of the 12,750 shares taken up by Directors or their friends and associates in current year.

NOW OFFERED AT PAR FOR SUBSCRIPTION TO THE PUBLIC.

12,250 equity shares of Rs. 100 each
Payable 25 per cent with application and 25 per cent on allotment.

The balance of Rs. 50 per share in such calls as the Directors may from time to time determine provided no call shall exceed Rs. 25 per share and that there shall be an interval of at least three months between any two calls.

APPLICATION FOR SHARES

Each application must be for a minimum of 5 shares or multiples thereof. Application Forms duly completed together with requisite payment must be delivered before the closing of the subscription list to any of the branches of the Bankers to the issue named in the prospectus or to Registered Office of the Company.

DIRECTORS

1. **SHRI B. K. BEDI**, 38, Pusa Road, New Delhi, Chairman: Freewheels (India) Ltd., Forgings Private Ltd., Globe Motors (Workshop) Pvt. Ltd., Luk Auto Ancillary (India) Pvt. Ltd. Director: Meters & Instruments Private Ltd., Globe Metal Industries Pvt. Ltd., Punjab Cold Storage & Ice Factory Pvt. Ltd., Delfin Industries Pvt. Ltd., Security & Finance Pvt. Ltd., Globe Financiers Pvt. Ltd. etc. etc.—*INDUSTRIALIST*

2. **S. HARBANS SINGH**, 18/1, Arya Samaj Road, Karol Bagh, New Delhi. Director: Globe Financiers Pvt. Ltd., Vishnu Motor & Finance Co., Pvt. Ltd., Globe Associates Pvt. Ltd., Highway Automobiles Pvt. Ltd.—FINANCIER.

3. **SHRI G. S. PURI**, Rohtak Road, New Delhi. Managing Director: Security & Finance Pvt. Ltd—FINANCIER.

4. **SHRI TIKKA JAGTAR SINGH**, 11-C, Nizammuddin West, New Delhi. Director: New Suraj Transport Co. Pvt. Ltd., Suraj Bus Service Pvt. Ltd. Suraj Goods Carriers Pvt. Ltd.—*INDUSTRIALIST.*

5. **SHRI F. C. MEHRA**, 13-B Rajindra Park, New Delhi. Managing Director: Globe Financiers Pvt. Ltd., Director: Globe Associates Pvt. Ltd., Globe Diesel-Aid Pvt. Ltd., Highway Automobiles Pvt. Ltd., Freewheels (India) Ltd. Globe Motors (Workshop) Pvt. Ltd.—FINANCIER.

6. **SHRI RAM LAL CHANDHOK**, 3 Doctors Lane, New Delhi. Director: Upper India Trading Co. Pvt. Ltd., Freewheels (India) Ltd., Highway Automobiles Pvt. Ltd., Globe Financiers Pvt. Ltd. MERCHANT.

7. **S. MOHANJIT SINGH**, 11 Mathura Road, New Delhi. Managing Director: Delhi Financiers Pvt. Ltd., Director: Globe Metal Industries Private Ltd., Delfin Industries Pvt. Ltd., Tours & Travels Pvt. Ltd., Gurco Pharma Pvt. Ltd.—INDUSTRIALIST.

8. **SHRI G. M. CHAMAN LAL**, 45 Pusa Road, New Delhi, Director: Tin Printing & Metal Works Ltd., Iyer & Son Pvt. Ltd., G.M.C. Himco Industries Ltd.—INDUSTRIALIST.

9. **SHRI S. D. MEHTA**, 11 Pusa Road, New Delhi. Director: Globe Financiers Pvt. Ltd.—MERCHANT.

10. **SHRI L. M. SETHI**, Sethi Bhawan, Basti Harphool Singh,Delhi. Director: Security & Finance Pvt. Ltd.—*MERCHANT.*

11. **SHRI JAI DEV**, 2 Wazirbagh, Srinagar. Partner: Kashmir Metal Mart. Jammu.—MERCHANT.

12. **SHRI BHAGAT RAM CHANDHOK**, Kashmir Metal Mart, Panjvaktav Road, Jammu-Tawi. Partner: Kashmir Metal Mart, Jammu.—MERCHANT.

13. **SHRI BALKISHAN JIWANDAS**, 2 Gobind Sedhan, Plot No. 68, West Sion, Bombay-22. Director: Highway Automobiles Pvt. Ltd.—MERCHANT.

14. **SHRI SUCHA SINGH ANAND**, Kashmere Gate, Delhi. Director: Security & Finance Pvt. Ltd., Globe Financiers Pvt. Ltd., Freewheels (India) Ltd. —*INDUSTRIALIST.*

Chairman & Governing Director: Shri B. K. Bedi, 38, Pusa Road, New Delhi.

Managing Director: S. Harbans Singh, 18/1, Arya Samaj Road, New Delhi.

Registered Office: 1/2 Jhandewala, New Delhi.

Bankers: National & Grindlays Bank Limited, H-Block, Connaught Circus, New Delhi; Central Bank of India Limited, New Delhi.

Managing Brokers: Messrs M. R. Dhawan & Co., 4/8, Asaf Ali Road, New Delhi.

Brokers to the Issue, NEW DELHI: 1. Messrs. M. R. Dhawan & Co., 4/8, Asaf Ali Road, New Delhi., 2. Messrs. Raj Paul Chadha & Co., Delite Buildings. Asaf Ali Road., New Delhi, 3. Messrs. Labh Chand Rode, 3 Stock Exchange Building, Asaf Ali Road, New Delhi.

BOMBAY FORT: 1. Messrs. J. R. Motishaw—32 Apollo Street, 2. Messrs. P. R. Subramanyam—70-A Stock Exchange Buildings, Apollo Street.

CALCUTTA: Messrs. G. M. Pyne—Allahabad Bank Buildings, 14 India Exchange Place.

MADRAS: Messrs. Kothari & Sons, Oriental Buildings, Armenian Street, Post Box 267.

UNDERWRITING COMMISSION AND BROKERAGE: The shares offered to the public have not been

underwritten as the Directors are confident that there will be good response to the issue. Brokerage at Re. 1/- per share will be payable to the recognised Brokers whose rubber stamp appears on the Application forms. However no brokerage shall be paid on shares taken up by the Directors and existing shareholders.

OBJECTS : The Company was incorporated on 30th August, 1955 as a Private Limited Company for carrying out the several objects set out in its Memorandum of Association. It was converted into public limited company on 8th November, 1961.

PRESENT BUSINESS SET-UP & OBJECT OF THIS ISSUE

1. The Company with its branches at Jullundur & Jaipur is Main Dealer of M/s. Ashok Leyland Ltd., Madras, with the sole right of selling Leyland products within the territory of Delhi, Punjab, Himachal Pradesh and Rajasthan.
2. The Company is the main agents of Messrs. Chloride & Exide Batteries (Eastern) Ltd., Calcutta for the territories of Punjab, Himachal Pradesh and Jammu & Kashmir.
3. The Company is the Sole distributors of M/s. Steelage Industries Private Limited, for the whole of Jammu & Kashmir, Punjab, Delhi, Rajasthan and U.P.
4. The Company is the authorised dealers for the distribution of Ceat Tyres in Jullundur.
5. Besides the present business given above, the Company has got three industrial licences, from the Ministry of Commerce, Government of India, New Delhi.
   (a) Industrial Licence No. L/IA(6)N-4/59 dated 9th December, 1959 for the manufacture of Alloy Steel for silico manganese spring steel flats to the capacity of 6000 tons per annum on Single Shift per day basis. The major part of the machinery has already arrived. The plant is expected to go into production by middle of year 1962.
   (b) Industrial Licence No. L/IA(3)N-54/59 dated 15th October, 1959 for the manufacture of Malleable Castings of various categories to the capacity of 1200 tons per annum on Single Shift per day basis. The major part of the machinery has already arrived and the project is expected to go into production by middle of the year 1962.
   (c) Industrial Licence No. L/7(5)|51/61-A.E.I. dated 10th February, 1961 for the manufacture of Laminated Springs for Automobile Industry to the capacity of 1200 tons a year on single shift per day basis. Company's application for the import of plant and machinery is under consideration with the Government of India.
6. Besides the above Industrial Licences the Company has also applied for industrial licences for the manufacture of 5,000 tons of steel castings yearly and also for the manufacture of 5,000 tons of Railways laminated and helical springs yearly. The applications are pending consideration with the Government of India.

7. **M/s. LUK AUTO ANCILLARY (INDIA) PRIVATE LIMITED:** Another company incorporated under the Companies Act, 1956, is holding Industrial Licence No. L/7(5)56/61-A.E.I. dated 11th April, 1961 for the manufacture of Clutch Plates, Pressure Plates, Clutch Cover Assemblies and Clutch Thrust Bearings. This Company will be a subsidiary company of Globe Motors Limited and has entered into collaboration with world famous clutch manufacturers Messrs. Luk Lamellen and Kupplungsbau August Haussermann, Stuttgart, West Germany, for establishment of the factory first of its kind in Northern India for manufacture of all types of automobiles clutches as well as clutches for scooters, motor bicycles, three wheelers, tractors and industrial machinery. The collaboration is not only technical but also financial one as the collaborators have agreed to contribute 49 per cent and Messrs. Globe Motors Limited have agreed to contribute 51 per cent of the share capital for this joint venture. The factory will go into production sometime by the end of this year. The collaboration has been already sanctioned by the Government of India and also agreed to by the Reserve Bank of India.

Messrs. Luk Auto Ancillary (India) Private Limited have applied to the Controller of Capital Issues for sanction of capital to the tune of Rs. 20,00,000 out of which capital for the value of Rs. 9,80,000 will be taken up by the foreign collaborators and capital for the value of Rs. 10,20,000 by this Company. This Company has also made an application to The Controller of Capital Issues, New Delhi for issue of fresh capital (beyond the already sanctioned capital which is now being issued to the public for subscription) so as to enable this Company to purchase the above shares in the capital of Luk Auto Ancillary (India) Private Limited.

CAPITAL OUTLAY AND FINANCIAL RESOURCES

The industrial projects covered by the industrial licences already secured is likely to cost the company as follows :

Land	Rs. 4,20,000-00
Office & Factory Building	Rs. 14,00,000-00
Other civil works, sewer works, railway siding etc.	Rs. 3,00,000-00
Machinery :	
a) Imported	Rs. 14,80,000-00
b) Indigenous	Rs. 18,00,000-00
c) Import duty, freight & Insurance	Rs. 3,00,000-00
d) Erection charges	Rs. 3,00,000-00
e) Spares & Stores, working capital and expenses of this issue	Rs. 15,00,000-00
	Rs. 75,00,000-00

The above cost of the project is intended to be met as under :

1) Share Capital specified for these projects. Already subscribed and now being issued ..	Rs. 40,00,000-00
2) Loans already obtained from Punjab Financial Corporation ..	Rs. 10,00,000-00
3) National & Grindlays Bank Ltd.	Rs. 10,00,000-00
	Rs. 60,00,000-00

It is intended that the balance of Rs. 15,00,000 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, Punjab Financial Corporation (which has been authorised by a recent legislation to advance loans up to Rs. 20 lakhs to any one Company) or other sources.

IMPORT LICENCES

To execute the projects covered under the above industrial licences, import licences for aggregate value of Rs. 11,76,084 (C.I.F.) for import of machinery and raw material have been procured.

The order for the entire imported machinery has already been placed with the various manufacturers and over 90 per cent of the machinery has already been shipped. Over 75 per cent of the imported plant and machinery has already arrived at site. Orders for the indigenous machinery have also been placed with indigenous manufacturers. Installation of machinery has since been started and it is hoped that by middle of year 1962 Malleable Castings and the Alloy Steel Plants will start functioning.

ELECTRIC POWER

Punjab Electricity Board has sanctioned a 3000 K.W. load with immediate effect and has promised to give another 1500 K.W. by the middle of 1963.

PLANT SITE

In order to reduce the cost of overhead, tools, technical know-how and administration, the company has decided to install all these three units at one and the same place and has procured about 75,000 sq. yards of land at a favourable price at Ballabgarh, Distt. Gurgaon in the State of Punjab on the Main Delhi-Agra Road. The construction of the building for factory and office etc. started in April 1961 and is nearing completion.

PROSPECTS OF THE BUSINESS AND PROFITS

India is hardly producing Silico Manganese Steel and Malleable Castings to 25 per cent of its present requirements and according to the programme outlined in the Third Five-Year Plan the demand of these items is likely to increase to 3 to 5 folds. Due to the declared policy of the Government of India to encourage capital equipment and basic machinery in India, these items are expected to remain in short supply for a long time. Moreover these items are in great demand abroad at a favourable price and as such the industry can be a source of foreign exchange earner which is very vital to the interest of the nation.

The progress made by the Automobile manufacturers has been tremendous during the last few years and all of them have already embarked on programme for increased production during the third Five-Year Plan with the result that the Laminated Springs are expected to be in great demand.

The Company has thus embarked on a major programme of industrial establishment so as to keep pace with the general industrial development of the country.

The Company is likely to handle a sizeable units of Ashok Leyland vehicles in 1962, and thereafter, since the production of these vehicles is to increase in the years to come, per manufacturing programme sanctioned by the Government of India, this Company is likely to handle larger number of sales in view of the potential territory they hold and the ready demand for such vehicles in its territory.

There is a tremendous demand for the products which the Company is going to manufacture. The construction of building and installation of machinery etc. have already reached at an advanced stage and the factory is likely to go into production by middle of year 1962.

It is anticipated that the future business will produce a reasonable return on the capital employed.

TAX BENEFITS

The Company will get the benefit of the Development Rebate and exemption from Tax under the relevant provisions of the Income Tax Act, 1961.

DIVIDEND AND CAPITAL

The Company in General Meeting, may declare dividends to be paid to Members, according to their respective rights but no dividend, shall exceed the amount recommended by the Board of Directors. Holders of the shares out of the present issue shall, however, not be entitled in the profits of the Company for the financial year ending 31st July, 1962.

MINIMUM SUBSCRIPTION

The minimum amount which in the opinion of the Directors, must be raised by the issue of these shares and upon which the Directors will proceed to allot the shares is Rs. 12,25,000.

PAYMENT TO DIRECTORS & OFFICERS

No amount or benefit has been paid or given at any time preceding the date hereof or is intended to be paid or given to any director or to any officer of the Company apart from normal remuneration and reimbursement paid to such officers.

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. 59,98,600
Reserve Fund	..	Rs. 1,12,50,000

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.

AR-20

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

5% RUPEE DEBENTURE STOCK 1970
INTEREST FOR THE HALF-YEAR ENDING 30TH JUNE, 1962

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 2nd July, 1962 to Debenture Stockholders registered in the books of the Company on 22nd June, 1962. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Sq., Calcutta, upto 22nd June, 1962 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

Debenture Stock Transfer Books will be closed from 23rd June, 1962 to 30th June, 1962 both dates inclusive.

By Order of the Board,
H. C. BOWKER
AGENT

Victoria House,
CALCUTTA, 1st May, 1962.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Manufactures: Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.0
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61 ..	120.0	109.9	120.0	145.4	130.6	122.8	123.9	124.9
1961-62 ..	120.1	100.3	122.2	142.6	138.8	124.6	126.6	125.1
January 1961 ..	116.4	111.2	121.3	155.0	133.9	126.5	127.5	125.6
February „ ..	116.3	111.2	121.7	159.4	134.2	128.6	129.3	126.8
March „ ..	117.5	113.4	121.9	159.1	137.3	128.4	129.7	127.5
January 1962 ..	118.3	97.3	122.6	137.5	137.8	124.1	126.1	123.2
February „ ..	120.0	99.0	122.4	138.7	137.9	124.3	126.2	124.3
March „ ..	119.2	99.8	123.0	136.3	135.5	124.9	126.4	123.6
17-3-1962 „ ..	119.2	101.0	123.0	136.5	135.3	125.1	126.5	123.7
24-3-1962 ..	117.7	99.2	123.0	135.0	135.4	124.6	126.1	122.6
31-3-1962 ..	118.5	98.8	123.0	134.7	135.3	124.8	126.3	123.0
7-4-1962 ..	119.3	98.8	122.9	135.2	135.7	124.7	126.3	123.5
14-4-1962	121.4	98.6	122.9	135.0	136.2	124.9	126.5	124.6
21-4-1962 ..	120.2	98.6	122.9	134.9	136.8	125.0	126.7	123.9

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Bengal Calcutta	U.P. Kanpur	Central Provinces Nagpur	Jubbulpur†	Madras June 1936=100	E.P. Ludhiana†	Bihar Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
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*	412	431	300	167	400	486	495	168	478	173	170	173
1961 August	419	438	302	171	410	491	501	167	481	171	171	177
September	417	436	302	169	410	491	499	169	479	171	171	177
October	415	434	302	168	417	499	501	172	480	176	177	177
November	415	434	302	170	417	508	497	174	481	180	178	177*
December	416	435	302	171	410	499	493	175	481	178	177	177*
1962 January	417	436	296*	170	399	513	495	178	482	177	174	177*
February	419	438	—	170	399	513	492	—	480	177	177*	175*
March	420	439	—	170	—	—	493	—	480	—	—	—

† Base 1944 = 100. * Provisional.

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

	27-4-1962			20-4-1962			13-4-1962			6-4-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (Per 10 gram)	121.60	120.05	120.73	121.85	120.75	121.24	121.45	120.15	120.82	120.35	118.85	119.45
Silver (per kilogram)	221.20	219.10	220.35	221.55	219.95	220.79	220.95	219.70	220.42	219.90	218.55	219.54

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES: Demand	Time	Total (2+3)	Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Government Securities in India
(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	5.58	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										
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
Dec. 1961	847,91	1,156,07	2,003,98	48,00	78,75	6.32	1,073,18	183,83	62.72	604,47
Jan. 1962	860,39	1,163,12	2,023,51	46,98	77,15	6.39	1,114,63	197,12	64.82	590,41
Feb. 1962	860,03	1,178,14	2,038,18	47,01	74,44	5.96	1,150,03	205,77	66.51	588.57
March „	878,56	1,173,63	2,052,19	49,85	74,93	6.08	1,174,78	222,62	68.09	595,49
Week Ending										
23-3-1962	881,27	1,169,46	2,050,73	51,33	72,03	6.03	1,175,47	229,56	68.51	591.18
30-3-1962	907,92	1,170,90	2,078,82	48,80	74,32	5.92	1,188,59	229,72	68.23	601.46
6-4-1962	927,37	1,192,98	2,120,35	52,49	90,93	6.76	1,192,46	229,59	67.07	589,39
13-4-1962	923,16	1,203 01	2,126,17	50,09	79,88	6.11	1,196,17	228,01	66.98	588,47
20-4-1962	926,90	1,208,71	2,135,61	52,84	84,23	6.42	1,202,47	230,18	67.08	589,85

† Including foreign bills purchased and discounted.

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	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
August 1961 ..	2,798,56	1,921,03	877,53	857,04*	20.49	— 10.17
September „ ..	2,772,35	1,900,63	871,71	853,53	18,18	— 26,20
October „ ..	2,807,34	1,921,67	885,67	867,63	18,04	+ 34,99
November „ ..	2,828,49*	1.946,11*	882,37	861,75	20,62	+ 21,15*
December „ ..	2,876,91*	1,983,96*	892,95*	874,04*	18,92	+ 48,42*
January 1962 ..	2,925 96*	2,028,77*	897,19*	877,10*	20,10	+ 49 05*
February „ ..	2,979,62*	2,077,21*	902,41*	883,39*	19,02	+53,66*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank

REVENUE FROM SEA CUSTOMS (IMPORTS): 1950-51 — 1962-63

(All figures in lakhs of rupe

REVENUE DUTIES	1950-51 Accts.	1953-54 Accts.	1955-56 Accts.	1956-57 Accts.	1957-58 Accts.	1958-59 Accts.	1959-60 Accts.	1960-61 Accts.	1961-62 (Revised)	1962- (Budg
Ale, beer, porter, and other fermented liquor	15	26	54	50	10	2	1	—	—	—
Spirits and liquors	1,52	1,86	2,05	2,00	1,30	1,12	1,15	1,29	1,24	1,24
Wines	3	4	7	9	4	5	6	—	—	—
Spices	39	88	1,25	1,40	1,19	78	99	99	91	84
Tobacco	4,70	2,02	2,01	2,10	1,91	1,68	1,81	2,20	2,50	2,50
Kerosene oil	5,75	7,19	6,21	6,80	9,84	9,90	13,66	15,75	16,00	15,30
Motor spirit	19,93	27,53	7,52	2,96	4,62	2,35	2,89	2,79	3,70	3,30
Oils — *batching, fuel* lubricating	2,07	3,04	2,05	2,16	3,10	1,58	2,86	3,78	15,20	15,20
Cotton, raw	5,75	3,13	—	—	—	—	—	—	—	—
Motor cars, cycles, scooters, omnibuses, chassis vans, lorries, and parts thereof	10,12	6,37	10,25	14,82	12,92	1,00	74	1,12	1,60	1,60
Electric lighting bulbs	15	28	50	52	34	11	12	20	19	16
Wireless reception instruments and apparatus	51	45	74	80	1,02	69	80	1,11	1,40	1,40
Coal-tar dyes and coal-tar derivatives	1,27	1,94	1,71	1,86	2,23	1,43	1,34	2,19	3,90	3,90
Machinery	5,38	5,34	7,83	9,84	17,29	14,11	14,81	17,73	27,00	28,50
Iron and steel	3,54	2,86	5,05	5,24	6,18	7,59	8,85	12,46	11,50	11,00
Tin, block	9	—	—	—	—	—	—	—	—	—
Metals, other than iron and steel, silver and block tin	9	11	39	51	72	76	1,32	1,89	1,50	1,50
Railway plant and rolling stock	75	2,15	2,91	3,63	2,62	4,18	4,32	1,66	70	70
Wood pulp, paper and stationery	1,65	3,10	3,93	3,58	3,87	2,43	2,73	3,44	4,50	4,50
Artificial silk yarn and thread	5,29	4,53	5,63	7,07	6,11	7,59	8,05	9,38	10,20	10,00
Yarn and other textile fabrics	41	75	91	1,24	99	83	68	48	30	30
Cinematograph films	51	48	61	59	66	51	76	62	52	52
Portland cement excluding white portland cement	3	—	—	—	—	—	—	—	—	—
Pneumatic rubber tyres and tubes	7	14	12	74	71	22	32	87	1,30	1,30
Toys, games and sports goods	4	7	19	20	19	2	2	—	—	—
Betelnuts	4,45	4,65	7,38	6,79	6,88	4,20	3,16	2,59	2,57	2,57
Heavy chemicals	—	—	—	—	—	—	—	—	32	32
Chemicals, drugs and medicines	—	—	—	—	—	—	—	—	8,50	8,50
Artificial silk fabrics	—	—	—	—	—	—	—	—	25	25
All other articles	24,46	34,05	47,57	52,49	54,34	35,80	41,90	50,18	49,30	50,00
PROTECTIVE DUTIES										
Heavy chemicals	28	43	1,11	2,49	2,17	2,29	4,30	1,82	1,20	1,20
Iron and steel	14	21	27	18	9	6	5	6	6	6
Metals other than iron and steel	1,15	93	1,27	1,69	1,95	1,42	1,09	2,28	2,50	2,50
Raw silk	1,94	31	37	13	18	19	26	29	29	29
Silk yarn and thread	3	1	6	6	4	1	2	—	—	—
Silk fabrics	3	8	1	3	3	2	2	—	—	—
Artificial silk fabrics	34	44	1,67	1,31	26	66	86	—	—	—
Fabrics of artificial silk mixed	—	—	—	—	—	—	5	—	—	—
Sewing machines and parts thereof	35	14	2	—	—	—	—	—	—	—
Machinery other than sewing machines	—	1,17	71	1,95	1,96	1,60	1,55	1,64	2,00	2,00
Cycles (other than motor-cycles) and parts	1,53	1,28	2,18	2,52	1,83	62	54	97	1,00	1,00
Motor vehicles parts	—	—	—	—	—	—	—	—	11,50	11,50
Dyes derived from coal-tar derivatives	—	—	—	—	—	—	—	—	75	75
All other articles	1,93	1,14	2,74	2,16	3,41	10,90	13,93	15,05	70	70
Duties on US Disposals	73	24	15	7	5	1	—	—	—	—
Total Imports	1,07,70	1,19,60	1,27,98	1,40,52	1,50,94	1,16,53	1,25,52	1,54,61	1,85,10	1,85,40

REVENUE FROM SEA CUSTOMS (EXPORTS), CORPORATION TAX, AND TAXES ON INCOME OTHER THAN CORPORATION TAX: 1950-51 — 1962-63

(All figures in lakhs of rupees)

	1950-51 Accts.	1953-54 Accts.	1955-56 Accts.	1956-57 Accts.	1957-58 Accts.	1958-59 Accts.	1959-60 Accts.	1960-61 Accts.	1961-62 (Revised)	1962-63 (Budget)
SEA CUSTOMS — EXPORTS										
Jute — Raw) Manufacture)	26,12	10,35	3,98	3	—	—	30	—	—	—
Raw Cotton) Cotton waste)	1,20 —	5,27 —	5,52 2,20	1,61 1,84	1,25 1,44	1,66 92	55 73	35 52	70 86	70 86
Cotton cloth and yarn	31	2,93	88	10	—	—	—	—	—	—
Manganese	1,32	3,57	10	1,89	3,48	1,01	1	—	—	—
Tea	11,24	11,62	17,83	20,47	19,09	16,27	12,29	11,22	10,00	10,00
Blackpepper	4,26	2,84	23	—	—	—	—	—	—	—
Other agricultural produce	40	41	50	42	41	46	52	52	50	50
Iron and steel	21	19	1	—	—	—	—	—	—	—
Mica	29	20	21	22	23	26	27	27	26	26
Oil and oilseeds	2	73	3,33	1,51	68	6	2	—	—	—
Oil cakes	—	—	2,44	38	—	—	—	—	—	—
Raw wool	1,99	2	—	—	—	—	—	—	—	—
Mercury	—	6	—	—	—	—	—	—	—	—
Coffee	—	34	10	5	7	8	8	9	17	17
Rice	—	—	5	—	—	—	—	—	—	—
Coir	—	—	5	6	5	6	6	6	6	6
Lac	—	—	—	—	7	6	6	6	25	45
All other articles	—	—	33	9	6	—	—	3	—	—
Total Exports	47,36	38,53	37,76	28,67	26,83	20,84	14,89	13,12	12,80	13,00
Land customs	4,59	1,89	1,38	2,68	3,70	2,50	2,75	2,28	1,20	1,70
Air customs	—	73	1,99	3,47	2,11	1,17	1,90	2,44	3,00	3,00
Miscellaneous	1,78	93	85	1,16	1,47	1,74	4,91	3,49	2,50	2,50
Total Gross Revenue from Customs	1,61,43	1,61,68	1,69,96	1,76,50	1,85,05	1,42,78	1,60,27	1,75,94	2,04,60	2,05,60
Deduct — Refunds	—4,28	—2,97	—3,26	—3,27	—5,06	—4,49	—4,16	—5,91	—5,00	—6,00
Net Revenue from Customs	1,57,15	1,58,71	1,66,70	1,73,23	1,79,99	1,38,29	1,56,11	1,70,03	1,99,60	1,99,60 (+7,30*)
CORPORATION TAX										
Ordinary collections	34,26	40,34	36,36	50,96	56,28	53,54	1,06,68	1,11,41	1,59,35	1,67,70
Excess profit tax	3,81	85	73	19	—15	71	—6	—19	60	25
Business profit tax	2,42	65	—5	3	—	8	—6	—17	5	5
Total	40,49	41,54	37,04	51,18	56,13	54,33	1,06,56	1,11,05	1,60,00	1,68,00 (+10,50*)
TAXES ON INCOME OTHER THAN CORPORATION TAX										
Ordinary collections	1,27,13	1,16,61	1,25,36	1,45,52	1,55,54	1,62,32	1,35,40	1,55,86	1,32,10	1,37,95
Surcharge**	2,35	4,94	4,98	5,49	7,18	9,27	10,01	8,07	9,75	9,75
Excess profit tax	2,49	86	80	55	86	39	3,40	2,31	10	25
Business profit tax	76	43	22	18	12	3	4	1,14	5	5
Total	1,32,73	1,22,84	1,31,36	1,51,74	1,63,70	1,72,01	1,48,85	1,67,38	1,42,00	1,48,00 (+15,40*)

** Surcharge (Special) also included.

* Effect of budget proposals.

UNEMPLOYMENT STATISTICS

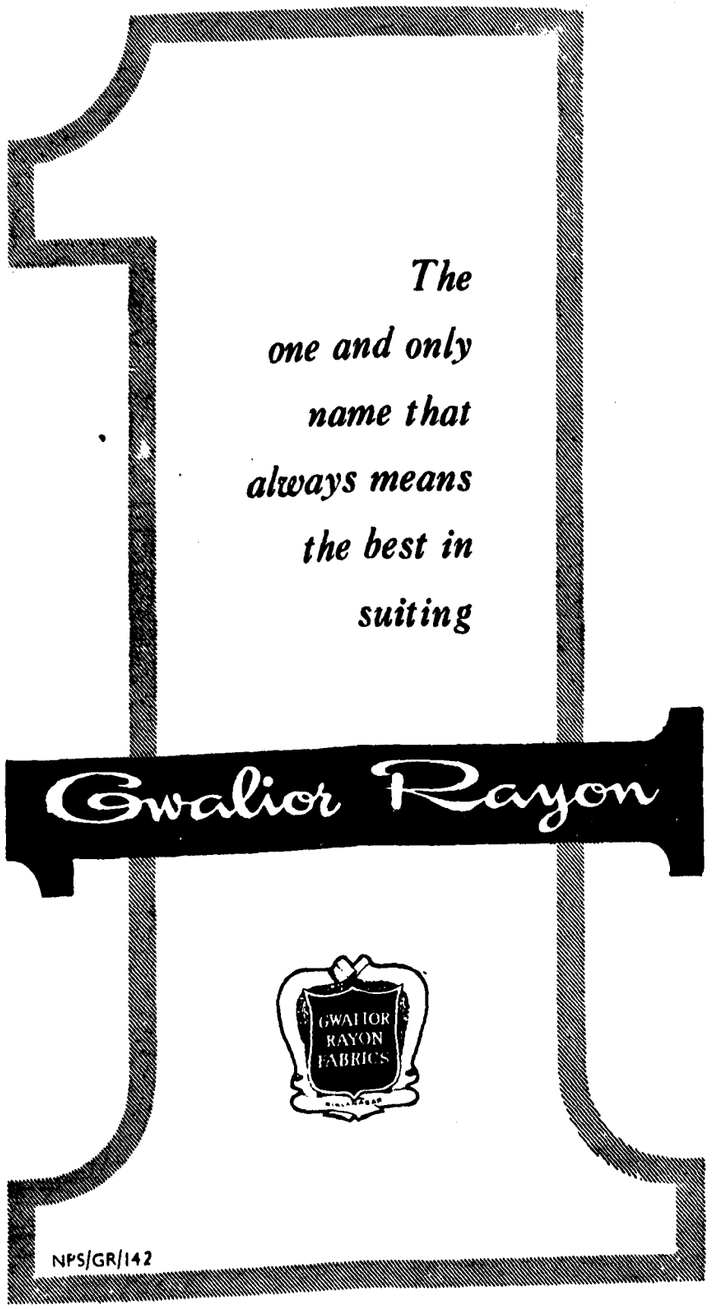
NUMBER OF APPLICANTS ON THE LIVE REGISTER OF EMPLOYMENT EXCHANGES

(By Broad Occupational Groups)

(As on December 31, 1961)

State	Professional, Technical and Related Workers	Administrative Executive and Managerial Workers	Clerical, Sales and Related Workers	Agricultural, Dairy and Related Workers	Miners, Quarrymen and Related Workers	Workers in Transport Communication Occupations	Craftsmen and Production Process Workers	Service Workers (e.g. cooks, chowkidars and sweepers, etc.)	Labourers with Work Experience not Elsewhere Classified	Persons without Professional or Vocational Training or Previous Work Experience	Total
1. Andhra Pradesh	6,462	120	3,667	491	13	2,111	4,761	2,864	998	85,309	1,06,796
2. Assam	571	50	1,796	.. 167	21	553	2,564	792	2,346	22,613	31,473
3. Bihar	3,114	25	3,195	152	1,118	1,343	12,001	2,222	11,712	97,055	1,31,937
4. Delhi	8,280	137	4,471	670	8	1,292	5,008	7,714	1,424	34,903	63,907
5. Gujarat	1,614	294	2,552	157	32	1,742	2,273	1,849	1,319	51,602	63,434
6. Himachal Pradesh	193	31	93	56	3	148	468	166	346	4,239	5,743
7. Kerala	10,214	187	10,641	1,358	93	3,019	10,571	8,256	8,999	87,471	1,40,809
8. Madhya Pradesh	2,133	90	2,740	212	697	1,351	8,303	2,504	8,462	48,787	75,279
9. Madras	10,481	181	6,830	880	20	4,235	9,392	6,343	2,573	1,10,807	1,51,742
10. Maharashtra	5,879	381	14,296	804	33	4,085	9,888	6,819	8,760	1,20,959	1,71,904
11. Jammu and Kashmir	177	3	813	79	5	282	238	350	1,468	1,502	4,917
12. Manipur	1,231	133	2,539	395	—	1,152	718	515	—	3,348	10,131
13. Mysore	5,303	137	2,084	460	22	1,815	4,173	2,332	9,785	57,006	83,117
14. Orissa	2,423	408	3,080	341	198	1,300	6,166	4,196	20,301	30,407	68,820
15. Pondicherry	95	—	17	3	—	63	75	9	3	1,703	1,966
16. Punjab	5,913	462	1,757	559	33	1,468	4,274	5,513	7,979	39,845	67,803
17. Rajasthan	2,215	158	1,292	188	99	1,134	1,210	1,681	145	36,400	44,522
18. Tripura	167	41	179	18	—	186	272	203	17	3,294	4,377
19. Uttar Pradesh	6,923	546	12,969	2,435	58	3,419	22,738	12,969	7,944	2,11,059	2,81,660
20. West Bengal	6,814	254	13,806	818	3,284	4,207	28,658	5,393	13,176	2,46,554	3,22,964
All India	**80,302**	**3,638**	**86,817**	**10,243**	**5,737**	**34,965**	**1,33,751**	**72,690**	**1,07,757**	**12,94,863**	**13,50,703**

Source: Ministry of Labour and Employment.



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THE EASTERN ECONOMIST

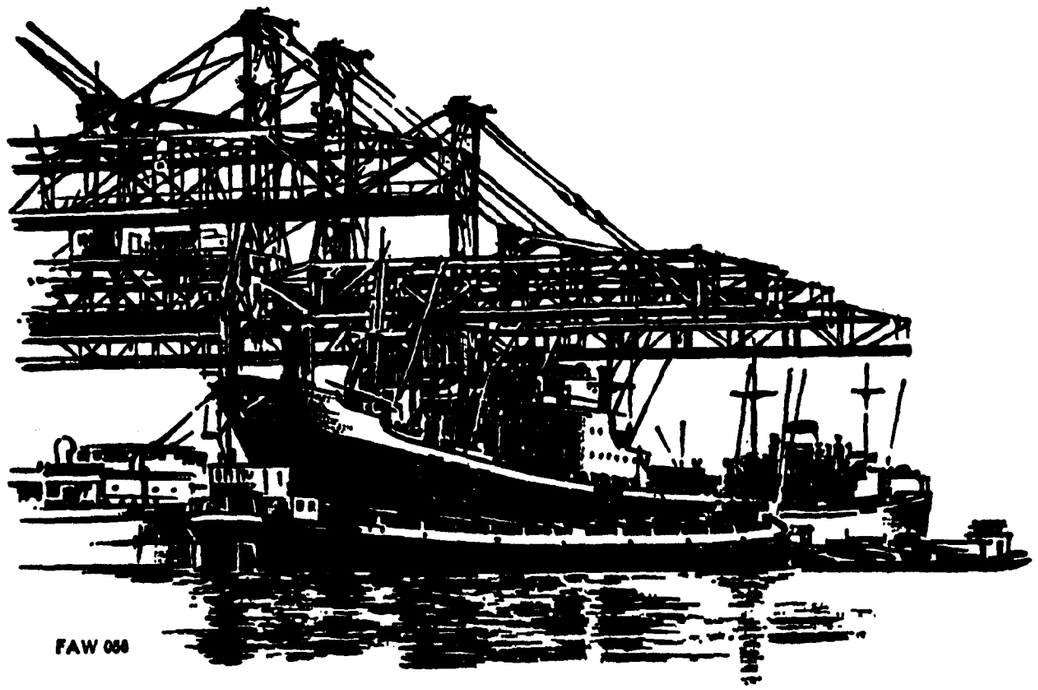
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THE EASTERN ECONOMIST

MAY 18, 1962.

The Board of Trade

THE Board of Trade, whose composition, functions and powers were announced on May 11, is being brought into existence at an opportune time in the wake of the formation of the Department of International Trade as a key portfolio inside the Ministry of Commerce and Industry. The creation of the Department of International Trade marks a considerable advance over the original idea, mooted last year, to set up a department inside the Ministry only for export promotion. And now the definition of the functional jurisdiction of the Board of Trade gives the new portfolio a more comprehensive base, covering internal trade and the two components of external trade. The intimate inter-dependence of the three facets of the nation's trade is self-evident, but our legitimate pre-occupation with the challenging problems of export promotion had tended to cause a loss of proper perspective of the integrated nature of the three facets.

The problems of export promotion could not be considered and tackled in isolation for any length of time, but a realisation of this obvious fact is painfully coming to us at this stage, when the domestic market, insulated from external competition, is offering tempting rewards that raise new hurdles against an intensified export drive. The integrated character of a dynamic policy for trade had never become so urgent as now. It would be an error to suppose that the essential purpose of the Board of Trade is to sustain export promotion alone. The Government Resolution announcing the structure and responsibilities of the Board makes it plain that the Board will be true to its name only if it functions on this comprehensive basis.

The functions prescribed for the Board make an imposing array of obligations which are likely to put a considerable strain on its talents. The enumeration which extends over twelve groups is exhaustive enough to admit of no ambiguity about its responsibilities. The fact that many of the functions with which it is charged have now become familiar as well accepted remedies to stimulate trade, as a consequence of enquiries at the hands of several official and non-official committees, does not alter the reality of the wide range of tasks which the Board will have to pursue. Policy for trade must always be flexible and it will be for the Board to advise when periodical shifts are necessary in respect of specific commodities or trading partners or to obtain new footholds. This function of the Board will not be so onerous as its wide responsibilities to evolve an elaborate follow-up technique to watch the progress or retreat in different markets, to analyse their causes and to suggest workable measures to stimulate or rectify the trends noticed. This is undoubtedly the most important function of the Board and one which does not appear to have received hitherto the close and sustained attention it deserves.

The Board has been called upon to undertake studies and research in trade in individual commodities. It is a continuous process which can never come to an end and, in fact, in the present crisis of our foreign currency earnings, it ought to be regarded as one of first priority. An overall plan for expansion of exports, with a brief description of the staple items, is all that our five-year plans have hitherto conceived as the shape of the export plans. If the technique of planning in thorough detail for every commodity in relation to each country-destination is adopted and targets are fixed on this pattern, the larger export plan will take care of itself. The Board can conduct a scrupulous follow-up procedure to reach objective conclusions and produce a wealth of data for the formulation of commodity-wise and destination-wise targets. Shortfalls will need vigilance at its hands to ascertain whether they lend themselves to elimination or are beyond our control. There should be no hesitation in placing a large secretariat, drawn from the personnel of the Department of International Trade, at the disposal of the Board for this purpose.

Quality and price have always remained the Achilles heel in our export trade, and the same conclusion applies to our domestic trade, although the neglect in this behalf in the latter sphere does not invite a set-back. It is one of the priority assignments of the Board to uphold quality, standardisation and quality control as also to bring progressive improvement in them. Pre-shipment inspection, as a final check, is part of quality control. Two senior officers of the Department of International Trade, who will enjoy the status as Members of the Board, will be switched on to this work, among other assignments, included in its functional jurisdiction. This is primarily a task to be achieved on the basis of voluntary effort based on self-discipline. Compulsory enforcement will create many problems of administrative difficulties, but, where necessary, obligatory quality control will need to be imposed on a selective basis in pursuance of the present policy.

One great virtue of the composition of the membership of the Board is that an equilibrium has been wisely maintained between the official and non-official members. Not more than eight out of the total strength of fifteen of the membership of the Board are to be drawn from the non-official sector. They would represent a cross-section of interests, ranging from Chiefs of the two all-India business and industrial organisations, business leaders, economists and 'others'. The benefit of their mature judgment, based on inside experience of trade and industry over long years, will be available to the Board in its deliberations.

The monthly meetings of the Board, with overloaded agendas, are bound to demand exacting work from the members. But once the responsibility is accepted with a sense of devotion to duty, its burden will be a matter of no consequence.

The structure of the Board as it has now emerged is in no sense final. It is conceived as an experimental pattern, to be tested by experience over a period of two years. There can be no doubt that by that time the Board will earn for itself a firm position as an inseparable adjunct to the Department of International Trade and qualify itself for more effective powers, which alone can enable it to shoulder greater responsibilities in a wide range of matters, which are vitally connected with trade, though they do not come within its immediate perview. This would refer primarily to industrial as well as agricultural policy in respect of products which prominently enter into the export trade — and in the domestic trade, too.

For the present, the Board has been enjoined to make appropriate recommendations for the expansion of production, obviously to ensure that the Ministries in charge of them may give earnest thought to them to create larger exportable surpluses or larger volumes for internal consumption to reduce imports. An attitude of full collaboration and a readiness to make co-ordination of policies between the Board and the Ministries really effective are vitally necessary for the expansion of trade. This point bears emphasis, since it cannot be claimed with any degree of confidence, that the Government is attempting to create a healthy convention to accept, as binding upon itself, the recommendations of high level advisory bodies as expert opinion, unless, of course, there are extraordinary reasons to depart from them.

The Budget Debate

THE budget debate in the Lok Sabha has followed the beaten track of criticising the Finance Minister for increased taxation (both direct and indirect), his inability to hold the price line, wasteful expenditure in the execution of the various projects, non-remunerative character of the public sector projects, and in particular, the non-socialistic character of the abolition of the expenditure tax. The suspension of the expenditure tax evoked more of emotional outpourings than logical reasoning. The Finance Minister in his reply dealt with all these points in a realistic manner, trying to defend his policy but at the same time not losing sight of the fact that all the criticism was not completely unfounded.

The Communist members in the Lok Sabha attempted to run down the Budget because of the larger proportion of indirect taxes in the total new dose of taxation. Their line of thinking was based on the assumption that all the indirect taxes were borne by the poorer section of society. The plea that taxation proposals were intended to make the rich richer and the poor poorer was a mere slogan, and an attempt to suppress the reality that in a country in which direct taxation had very nearly reached the saturation point, even according to outside observers, indirect taxation was bound to emerge as a progressively increasing source of tax revenue. Another fact which is suppressed by implication is that the incidence of indirect taxation does not shift on those who bear the burden of direct taxation. The Finance Minister quoted income-tax statistics to show how levelling up of incomes had been going on during the last few years. The proportion of income-tax assessees in the lower income brackets was rising while of those in the upper income brackets was falling. No reliable figures, however, are available about the changing pattern of distribution of income below the income-tax limit. Even if money incomes at the lower level had risen, it was not known how far this re-distribution in incomes had been brought about by rising prices which tended to erode the value of incomes in real terms.

Mr. T. T. Krishnamachari's outspoken statement that the abolition of the expenditure tax was tantamount to a negation of socialism was cited by many in the House to prove the non-socialistic character of the Budget. Rightly the Finance Minister pointed out that the yield from the expenditure tax had been so small that its continuance was likely to cause more pressure on the administrative machinery than the actual collections warranted. Nevertheless, it is suspended, not removed from the statute book. The Government need not continue to stick to taxation measures whose ineffectiveness had been proved over time. The point often omitted — and omitted with a deliberate design — in harping upon the virtues of the Kaldorian formula of taxation is that it rests on the key principle that the new direct levies should be accompanied by a reduction in the rate of the income-tax to 45 per cent at the final stage of the consummation of the integrated system of direct taxation. The income-tax has gone on increasing progressively since May 1957.

The criticism against inflation was couched in a language of confusion. The critics, while referring to the rising level of prices, were not commenting on what had transpired in the preceding 12 months. The general index of wholesale prices did indicate a restraint on prices during the past year and whatever increase had emerged in certain sectors had been more than counterbalanced by the steep fall in jute prices. The critics complained more of the oppressive character of prices, which had already risen to heights cutting deep into the real standard of living. It is difficult to dispute that this contention has some validity in the longer context. In a Special Article in *The Eastern Economist* dated April 27, it was shown that the double-edged weapon of rising direct taxes and rising prices had taken away more than 20 per cent of the real purchasing power of the middle classes since 1952-53. The cost of education, transport, housing etc. — items which are not taken care of in the index of wholesale prices — were on the increase making it very difficult for the middle classes to honour their social obligations in maintaining tolerable living standards. Education, in particular, has become very costly and the fixed income middle classes, after having borne the brunt of rising taxation and rising prices, find it difficult to meet their elementary obligations to their families.

Increased taxation is written into India's plans. It seems there is no escape from it and those members of the Lok Sabha who a year ago approved the Third Five-Year Plan knew very well the implications of this development plan in terms of financial resources. It is questionable political wisdom to raise one's voice against increased taxation when it is irretrievably agreed that the Third Plan will be based upon taxation a little below one fourth of the resources estimated conservatively, as now transpires. The same spokesmen who are vociferous in condemning taxation measures were also foremost in their lament over the slow rate of economic growth. We cannot have the best of all the possible worlds. It is highly regrettable that the chosen representatives of the masses should overlook the simple fact that they raise dangerous illusions about prosperity without paying its price in diverse ways. It is sensible to raise a reasonable warning against the Government's inability to hold the price line. But any criticism during the course of the Budget debate must be constructive, if it is to produce healthy changes in the Finance Minister's proposals. To decry taxation but to suggest no alternative to replace it, is to resort to silence which it may not be uncharitable to characterise as sinister.

The Set-Back in Laos

THE set-back to truce in Laos came exactly after one year. On May 3, the first anniversary of the cease-fire, the Pathet Lao forces attacked Muong Sing in the North-West province of the Rightist Government of Prince Boun Oum. This was the first manoeuvre to push the royal army from a position of control of a province adjoining Thailand. Once this key post, holding the line of defence of the provincial capital of Nam Tha, fell under the weight of the attack, the path was cleared to deliver a decisive blow at the capital city itself. On May 6, Nam Tha was captured by Pathet Lao and the fate of the North-West province was practically sealed. The next strategy was to chase the garrison expelled from Nam Tha. The entire force took a flight across the border into Thailand. This surprise action was carried out so swiftly—and it was so facilitated by the total lack of resistance on the part of the royalist forces after the fall of Nam Tha—that the world was presented with a *fait accompli* which threatened to throw peace in this region into jeopardy. The problem it has posed is how to save the good work done a year ago from being wrecked.

How Pathet Lao was able to carry out this campaign with such thoroughness yet remains to be explained. Prince Boun Oum has charged China with aggressive intervention to support Pathet Lao and his version is that some battalions of the Chinese 43rd division were deployed for this purpose and they withdrew immediately the capital city was overrun. Exaggerated or groundless reports are not unusual in Laos. The US Embassy, after a careful scrutiny, announced that the version about China's armed intervention was baseless. It has also dismissed the scare of an immediate threat to the Rightist Government's capital of Vientiane as imaginary. Reports about two-thirds of the territory in the North-West province having been seized by Pathet Lao are hard to accept in view of the inhospitable nature of the terrain. But the fact remains that Prince Boun Oum's Government is ousted from the strategic town of Nam Tha. It makes the position of Thailand vulnerable on this side of her frontier.

Various surmises are made to explain the Pathet Lao action which certainly upsets the balance of power in Laos. In their intransigence to thwart all attempts to form a neutralist coalition government in pursuance of the Geneva resolution, Prince Boun Oum and his Defence Minister, General Phouma, frivolously indulged in acts calculated to provoke Pathet Lao into violating the cease-fire agreement. Apparently, they were angered by the punitive action taken by the American Government in stopping its economic aid of $4 million a month. Three months of financial stringency, since the aid was stopped in February, created a host of internal problems for them. Pathet Lao seems to have made an adventurous bid in this tempting situation and it succeeded in aggrandizing its position.

The real problem now is how to restore the cease-fire to the status before its violation. If fighting flares up, it will not be a civil war confined to Laos. It will be difficult to localise it and the overwhelming apprehensions are that Thailand too may be dragged in. President Kennedy's action in ordering the mobilisation of part of the 7th Fleet from the Philippine base in Subic Bay to a position in Thailand was a precautionary measure to offer protection to the latter in case of a likely emergency. The Geneva resolution provides for a government of national unity in Laos and guarantees respect for its neutrality by the Big Powers. A neutral government is the only acceptable solution for the Laotian tangle. None of the Big Powers would wish to cast it away. There is no peaceful alternative.

Attempts made by Britain, as the Co-Chairman of the Geneva Conference, and by America too, to persuade the other Co-Chairman, Russia, to use its undoubted influence with Pathet Lao to agree to a restoration of the cease-fire line, as drawn in May last year, have proved fruitless. The proper agency to act in this situation is the International Control Commission for Laos. It was with the purpose of entrusting the initiative to the ICC that Britain approached Russia with a proposal for an investigation on the spot in Nam Tha by the ICC, keeping the Big Powers aloof. But Russia's blunt refusal to allow the ICC to enter Nam Tha has created an impasse. In fact, it is one of the tragic occurrences in Laos that the ICC, which is presumed to create a climate for a compromise between the three Princes in this unsettled land, is not enabled to function with the right of free movement in the Pathet Lao territory.

The Russian refusal to allow entry to the ICC into Nam Tha presumably implies no return to the cease-fire demarcation of a year ago, but a recognition of 'actuality'—a Chinese euphemism for consolidation of the gains of aggression. If Russia remains adamant—and there are no present signs to the contrary—the course left open will be for Prince Boun Oum to accept ratification of the altered superior position of Pathet Lao. There can be no neutrality without a tripartite government. Prince Boun Oum will have to withdraw his wooden-headed opposition to giving the key portfolios of Defence and the Interior to prince Souvanna Phouma, the obvious choice for premiership. Whether any fresh hard points will be driven in the bargain needs to be watched.

THE WEEK'S NOTES

Berlin Issue

U.S. - GERMAN DIVERGENCE

THE RELATIONS between West Germany and America have reached a point of extreme strain in so far as the settlement of the Berlin issue, currently under negotiation with Russia, is concerned. These talks are of an exploratory nature and it is the endeavour of America to find out the widest possible ground for agreement on both the sides. The issue of the access routes to Berlin and their control has been a source of explosive crises in Europe from time to time. Apart from the political importance of this question, its emotional significance to the German people can be readily appreciated. But the dual control of Berlin is a hard reality and irrespective of the genuine merits of the West German case, it is in the interest as much of the Western alliance as of the Communist Bloc in Europe that a solution ought to be found. It is from this angle that America is trying to sound the probable basis of a compromise on this question.

The provisional plan is based on this consideration and it contains an important proposal by America about the control of the access routes to Berlin by a 13-nation organisation. Dr. Adenauer has not thought it fit to keep his feelings on the proposals under negotiation under restraint and he has gone to the maximum extent practicable in expressing his opposition to the American proposal of the multi-power control of the routes. The relations between the two Western allies, therefore, have been strained in the extreme on this issue. But President Kennedy is quite firm that unless Dr. Adenauer has a positive alternative to replace his tentative proposal, it would not be prudent to give up the talks. While Dr. Adenauer is insisting that the talks be discontinued, America is of the strong opinion that discontinuance would cause greater harm than good. There has been plain speaking from both the sides, but the expectation is that finally the negotiations will be carried as originally planned.

Truck Transport

GOVERNMENT PARTICIPATION

IF THE report that the Central Ministry of Transport is seriously considering the proposal to start long distance truck services under its auspices to relieve the railways from the unmanageable loads of traffic offering is correct, the Ministry would do well to pause and give the fullest consideration to the implications of this proposal. It is indisputable that the planned expansion of the capacity of the railways in the Third Plan will fall short of the conservatively estimated growth of freight traffic. In this situation there is no alternative but to transfer substantial traffic to truck services. It will be one of the most delicate but fundamental tasks of the Neogy Committee to make positive and elaborate suggestions how co-ordination should be orientated towards a rational fixation of rates charged by truck operators and the allocation of traffic according to the rates paid between the railways and the truck services. Thus what is really needed is a practical policy of co-ordination with a pronounced financial angle. Without that the railways whose precarious finances have been saved this year by an increase in rates and fares, will not be able to maintain their financial stability.

This does not in the least imply that the proposal of the entry of the State in the sphere of truck transport is wisely conceived. The justification for the nationalisation of truck transport, whether partial or substantial or wholesale, must rest on the inefficiency and high cost of the operations under the auspices of the private sector. Facts speak eloquently for the efficiency, cheapness and remarkably high degree of personal service which have been all along displayed by the private truck operators. One of the basic advantages which truck transport enjoys over the railways is loading of the freight at the point of origin — whether the factory or the farm—and door-to-door delivery. Furthermore, the element of personal contact and full consideration to the consumer is an important factor in the rapid development of truck transport in spite of the manifold severe restrictions that continue to be retained on it to curb competition with the railways. The Neogy Committee's report contains copious evidence of truck services having successfully and efficiently undertaken long distance operations on regular long-term contracts with wholesale users of transport. This in itself is proof positive of the capacity of the private operators to relieve the railways of the burdens which they are unable to unertake. In Parliament many voices were raised for new railway lines to be opened in particular regions. Similarly, there are vast areas where it would not be economic or practicable for the Railway Ministry to open up new lines. It is in these regions and on these routes (which are in reality feeder routes) that new licences for private truck services should be issued liberally.

If the Central Transport Ministry has at long last recognised the fact that a crisis has been reached when truck transport should carry freight over long distances, the question must be posed why the available services of the private sector are not being utilised. All hesitation about liberalising inter-State licensing and removing the burdens on truck transport should be now dispelled in the interest of the smooth execution of the five-year plans. It is a mistake to suppose that the public sector has just to start truck services over selected routes and efficiency of operation will automatically follow. In the case of the railways there is a large element of monopoly for the State. But the public sector will hardly be able to run truck services with the efficiency and cheapness that the community requires. It must be recalled that the former Bombay Government experimented with the scheme of partial nationalisation of truck transport on selected but lucurative routes and finally burnt its fingers. The present Maharashtra and Gujarat Governments realise too well that prudence lies in not upsetting the policy of denationalisation which the predecessor Government had to undertake. On what evidence does the Central Transport Ministry believe that it can run the truck services better and cheaper than the private operators?

PSP

THE DARKENING SHADOWS

MR. PATTOM THANU PILLAI'S resignation from the office of Chairman of the Kerala State Unit of the Praja Socialist Party was announced on May 12. On that day the State Party's Executive devoted a good deal of its time to matters arising out of Mr. Thanu Pillai's resignation. The fact that the submission of resignation was announced to the Press is significant in the sense that hopes of persuading Mr. Thanu Pillai to change his mind seem to have been exhausted. The Executive has decided to place the resignation for final consideration and decision before the special delegates' conference of the State Party which is scheduled to be convened at Cannanore on May 19 and 20. The reasons which have impelled Mr. Thanu Pillai to take the extreme course he has chosen are not clear from the available Press report. But a laconic statement extracted from the letter of resignation merely says that Mr. Thanu Pillai considered a change in the occupant of this responsible party office desirable as he had held it for several years. This explanation is not helpful in throwing light on the cleavage of opinion inside the Party—very likely on issues of policy or party reorganisation. Right up to the time of the resignation, there was no indication that Mr. Thanu Pillai considered his leadership of the Party having ceased to be of effective value. Internal developments have obviously necessitated this sudden development.

Particular importance attaches to Mr. Thanu Pillai's resignation inasmuch as he is the Chief Minister in the Coalition Ministry of the Kerala State in partnership with the Congress Party. At the meeting of the Executive the PSP members of the State Legislature were specially invited. Their presence was deemed essential probably to consider the repercussions of the resignation on the Coalition Ministry's composition. It need not be assumed that the special delegates' conference will insist upon Mr. Thanu Pillai to withdraw his resignation. The Party's General Secretary has made a meaningful observation that if the Conference accepted the resignation, the new Chairman would be elected immediately. Do these developments mean that a change in the Chief Ministership of the Coalition Government of Kerala is also impending and, if so, what is the prospect for collaborated and smooth working of the coalition under a new Chief Minister? The whole series of upsets in the Kerala Unit of the PSP is bound to produce effects reaching much beyond it.

The fact that the organisation of the PSP is being disturbed in a State, where that Party is in office, speaks for the darkening shadows of disintegration creeping into the organisation. For some time in the recent past attempts were made for a reunification of the PSP and the Socialist Party, but they proved fruitless. In the last general elections the PSP was routed practically in all the States and in Parliament it has emerged with a greatly reduced strength and with still further qualitative decline due to the defeat of some of its front rankers of undoubted ability. It is high time the PSP took stock of the whole situation. There are few in this country who would now retain their faith in the PSP's ability to raise its stature to occupy the position of the Party in Opposition in Parliament and in some of the States at least. If the PSP will not be able to recover from its present state of chaos, this is the time to consider whether its return to the Congress fold would not be in the best national interest.

The World Abroad

PLANNING IN THE U.K.

By

ODYSSEUS

BECAUSE of its associations with wartime controls over manpower, the arbitrary allocation of resources, and rationing of consumer goods, planning became a "dirty word" in the U.K. But (1) disgruntlement with the U.K. Government's zig-zag policy of expansion and restrictions, (2) the disturbing fact that whereas between 1953-60 U.K. industrial production rose only from 100 to 130, while in all OEEC countries it rose to 155 and in the EEC to 171, and (3) increasing realisation that the need for a surplus to aid the developing countries is not only an act of good will but important for the preservation of the free world, has made the idea of planning respectable. There has been an upsurge in the U.K. of articles and conferences on planning. Today, I shall draw on an article by J.C.R. Dow, "Problems of Economic Planning" in the November, 1961, issue of the Westminster Bank Review (41, Lothbury, London. E.C. 2), a long essay by Professor Thomas Wilson in the New Year 1962 issue of the Conservative review "Crossbow" (60, Berners St., London. W.1) and the discussions at the conference on planning held recently by the Business Economic Group in which I participated at Oxford.

WHAT HAS PLANNING ACHIEVED IN EUROPE?

Full scale planning with set targets for individual industries exists only in France. In Holland, a planning council sets no individual targets but concentrates on broad policies intended to create, largely by fiscal and banking policies, conditions favourable to growth. Now, although between 1955-60, industrial production rose in France from 100 to 168 and in Holland to 157, in negligibly planned Italy, it rose to 182, and in competitive Germany to 180. So, did French production increase because it was planned and German and Italian because it was not planned? No one can say. Least of all M. Pierre Masse, France's Planner in Chief, who with disarming candour said to me last year: "I don't know whether France's post-war annual average growth rate of 7 per cent was due to planning or not. It's difficult to determine what part the Plan plays in actual development. But the results have been so good that one may suppose that the two have some connexion." On the other hand, since German and Italian results have been even better than the French, may one suppose that the absence of planning has some connexion with their success? Incidentally, if France's gross national product rose in real terms by 36 per cent in 1953-60, that of unplanned Britain was 22 per cent, which is by no means so contemptible.

Naturally, as Professor Wilson points out, there are many other factors apart from planning that explain differences in growth rates. The most obvious is difference in the rates at which the labour force has been growing, and in the scope for transferring workers from agriculture to industry. In 1957, 26 per cent of the working French population was on the land, compared with only 4 per cent in the U.K. It is true that France invested 17.6 per cent of her output in 1953-60 and the U.K. 15.4 per cent but the difference is too small to explain their differing rates of growth. Moreover, France was below the average of 18.9 per cent for the OEEC countries, and below Germany with 22.4 per cent. By 1960, the UK had herself reached 18.5 per cent.

The advocates of planning in the UK maintain that the price mechanism is an imperfect instrument for securing production and allocating resources, because it proceeds by trial and error, and this is said to waste resources. But no perfect economic system is capable of being devised (as planners, who are forced to revise their plans upwards or downwards, must admit), so before condemning the price mechanism as a failure it is fair to point out its working is falsified by monopolies and restrictive practices, whether of entrepreneurs or workers, by cosy protective tariffs that promote high costs and waste, by huge government subsidies, e.g. to agriculture and nationalised industries, or by a cumberous, antiquated, steeply progressive tax structure, honeycombed with rules, schedules and exceptions to the sole benefit of non-productive civil servants, tax experts, and lawyers, and which also puts a premium on the use of labour rather than on economising labour by switching to capital intensive equipment.

The OECD's 1962 report on the UK economy (Price 3sh. Indian Agents: the Oxford Book Shop, New Delhi) points out that the UK has suffered from a lack of labour mobility, between skills, trades, and regions, which has, in part, reflected labour's concentration on restrictive practices and disputes between unions, etc. and, in part, the desire of management to hoard labour. The unions have resisted dismissals and employers have sought to retain manpower in slack times in order to avoid worsening labour management relations and to guard against the possibility of labour shortages when the bank rate goes down and the green light of expansion reappears. In the motor industry, for example, output fell by 15 per cent in 1960-61 while employment fell by only 2.5 per cent. Between January and December 1960, the number of workers in manufacturing on short time rose from 40,000 to 140,000, which meant that recruitment from stagnant to expanding industries was gravely impeded.

At the same time the UK unions succeeded throughout the years 1950-60 in raising wages faster than productivity. Output at factor cost at constant prices in manufacturing industry rose only from 88 in 1950 to 123 in 1960, but income from employment rose from 71 to 150. The persistence of "autonomous" wage pressure suggests that efforts to restrict excessive demand, while important, were not themselves enough to avoid inflation.

INFLATION DOES NOT HELP GROWTH

Inflation does not help growth. It causes a scramble for labour and raw materials, creates production bottlenecks, leads to optimistic and wasteful investment, causes employers to bid extravagantly against each other for raw materials and workers, keeps inefficient firms alive by creating a seller's market, raises costs, and so makes exporting more difficult. All this does not add up to an argument for planning but for ceasing to impose conditions which prevent the price mechanism from doing its job of automatic planning by consumers' plebiscite.

The truth is that politicians, Labour and Conservative, fearful of unpopular measures, such as a reform of the tax system which would allow profits to soar and therefore prices to be reduced, fearful of enforcing anti-monopolist legislation against employers and trade unions alike, first allow increasing chaos and then claim that planning is essential to end the disorder which they have created. This is why both Labour and Conservatives are committed to planning.

The Business Economists conference was in favour of planning but was against USSR totalitarian planning which allocates resources and manpower in accordance with the planners' view of what the economy should produce, prohibits strikes, and allows consumers only what bureaucrats think they ought to have. If the state is not to plan personal consumption then the problem is how to reconcile planning with the price mechanism, which allows consumers to express their preferences.

It is here that the British National Economic Development Council may have an important role. If the NEDC, consisting of high level industrialists, trade unionists, and economists, is regarded by all political parties as a non-party national economic laboratory, electors, bewildered by Stop and Go policies, would accept its recommendations with a good grace.

The advantages to the UK of NEDC would be that it would extend to the nation the market surveys now carried out individually by each firm. All firms have to plan ahead and their enquiries could be more fruitful if conducted in consultation with a central body armed with a national battery of statistics and better informed on the overall picture. The OECD secured steady economic progress in Europe by its method of confronting the exponents of different views, which, without compulsion, made it difficult for recalcitrants to hold out against demonstrated logic.

Should the NEDC be equipped with incentives (tax concessions etc.) to further its policies and to penalise those who disagree? The difficulty is that planning by agreement on a national scale is only feasible in oligopolistic industries where firms are few and large. Close co-operation between such firms, fostered by planning, damps competition, leads to compromise solutions, and sets up an industrial "Establishment" of dull, respectable firms in which size would count too much. You risk grandiose protective cartels, which would preserve historical patterns of output with slow progress in some lines and disillusioning over production in others. This would hamper the imaginative and unorthodox, prepared to take risks for the big profits necessary for diversification and progress. Penalties would force the unorthodox to conform to the less imaginative or more cautious views of the majority. Rapid expansion implies disproportionate advances in some firms or industries which stimulate subsequent expansion elsewhere. One can imagine circumstances in which planning was more of a soporific than a stimulus. We do not want industrial self-government run by stuffed shirts—fascism without the thuggery. Such planning might appeal to all that is mediocre in UK industry.

All this suggests that NEDC's role should be long-term planning to promote broad policies intended to release the forces of competition, to promote mobility of capital and labour, and by getting employers and workers on their toes, to create a climate of expectation —a mystique of growth—kept realistic by a freely working price mechanism. Planning is no substitute for good management, lively entrepreneurship, and willing workers. All it can do is to clear the field of obstacles for them and make them feel that, with the ball at their feet, a hard fought competitive game will produce inspiring results.



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The European Scene

FRENCH BUSINESS CONDITIONS

From Our Special West European Correspondent

PARIS, May 12.

BUSINESS conditions in France will continue to be excellent for the rest of the year, it is agreed by business men and statisticians. The diagnosticians of the ECM Commission have made the following forecasts for the expansion of industrial production in the six countries for 1962: Italy plus 10 per cent, France 6 per cent, Belgo-Luxemburg Union 5 per cent, Holland 4.5 per cent and West Germany 4 per cent. The French Government's experts are slightly more optimistic, foreseeing an increase in industrial output of 7 per cent, in gross national product of 5.5 per cent, in investments of 7 per cent, in domestic consumption by individuals of 5.5 per cent and in exports of 8 per cent. Business men polled by the statistical institute concurred, forecasting an increase in production, a moderate rise in investments and a further extension of foreign demand for French exports. Finally, figures for the first four months of the year confirm these hopes, indicating that industrial production is running about 8.3 per cent ahead of last year at this time, while exports are at record levels. The year 1962, it appears, will be smooth sailing.

The reason is that the main factors influencing activity—consumption, exports and investments—are favourably orienfed. Private consumption is rising because incomes increased sharply last year and are still increasing, though at a slower pace. The rise in money incomes this year will produce an almost equivalent rise in real purchasing power because prices are steadier; barring accidents with the weather or in politics, there is a good chance of holding the price line throughout 1962. The rise in personal incomes, moreover, is more equitably spread as between classes and regions than in recent years. Wages are rising at least as fast as entrepreneurs' profits (the contrary was true in the first years of the monetary reform), the underprivileged groups (the old folk and unskilled labour earning the basic wage) are at last getting their share of prosperity, and the peasants see their income rising in phase with urban revenues.

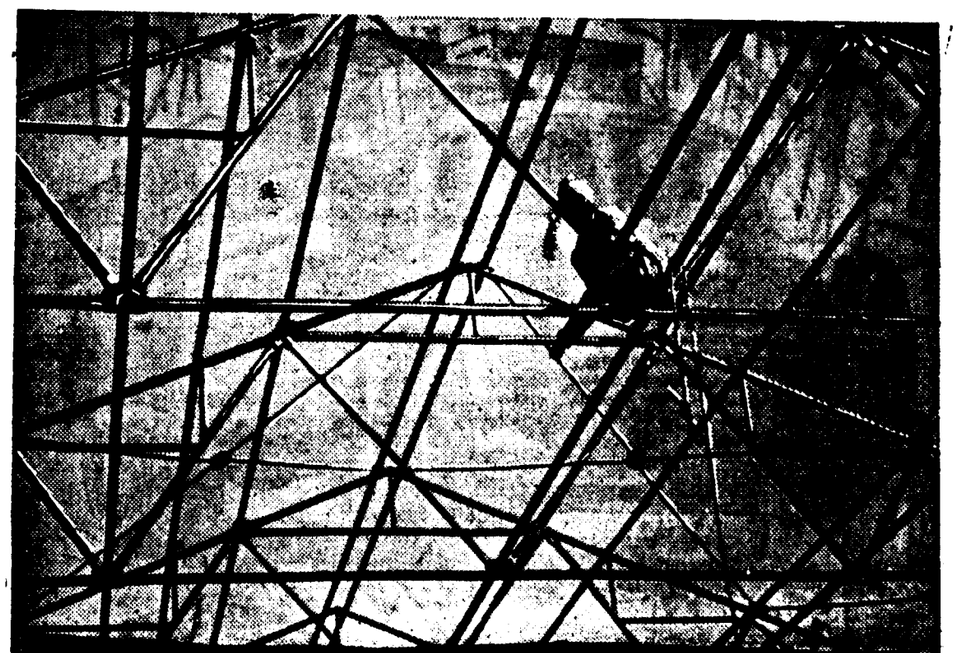
Since roughly similar developments are occurring in neighbouring European markets, export demand is excellent. Anxiety having been expressed lately about the state of the West German economy (and West Germany is nowadays France's biggest single export client), it is worth noting that nothing has happened to moderate German demand for French goods; quite the contrary. German imports in the first quarter were 16.5 per cent higher than in the same period of 1961, which is good news for French industry. German exports, on the other hand, grew by only 3.2 per cent, indicating an easing of German competition in third markets. Demand from the U.S.A. is also encouraging; the sharp increase in automobile imports into that country this spring is notable. Algeria, which used to be France's main external market, is completely paralysed by anarchy; the consolation for exporters is that sales to the franc zone must now be at the lowest level possible (at a moment when French exports are nonetheless at a peak), and from here on there can only be improvement. The Evian settlement (however little it has "settled") disengages French responsibility on the Barbary Coast, so the Arab countries and certain African states who had boycotted French goods are once again opening their doors.

The third element, investments, is the weakest in that instead of increasing by 12-14 per cent as last year they will rise this year by only 7 per cent. "Only"—but this is still creditable.) Balanced expansion should rely as much on investments as consumption, but on the worst of hypotheses the recent decline in investments could not produce any ill effect before next year; the outlook for 1962 remains good. Consumption will take up the slack, and though this could not continue to be the case for long without damage to economic growth, there are social reasons for thinking that consumers should be allowed for a time to receive the benefits of the big investment effort of the last three years. The reason for the decline in investments is not diminished confidence among producers, but financial difficulty—and this brings us to the problem of the narrowing of profit margins that is to be seen not only in France but in most of Europe.

It is a pretty general phenomenon that freer trade has set a limit on increases in selling prices, because of intensified competition, at a moment when the labour shortage has enabled unions to extract higher wages; governments, too, have taken a more liberal line and have burdened industry with new welfare charges. The upshot is compression of profit margins, which is reducing the ability of enterprises to finance from earnings the creation of new assets. Industrialists, as is natural and proper, have pulled the alarm chain and pointed out that if this goes on expansion will cease. In very general terms they are of course correct, but certain qualifications are needed. Profit margins have indeed been squeezed, but then European firms since the war have been used to wide profit margins on a limited volume of sales. In the new circumstances created by the opening of the Common Market and by the vast expansion of their scale of activity, they can get narrower profit margins on a greater volume of sales, and that volume is constantly increasing. The absolute quantity of profits is often rising, or at least is not falling, so the auto-financing of investments is not crippled. Even where it is being compromised, firms can be reminded that there are other ways to finance expan ion than accumulating reserves out of profits: the increase in dividend payments this spring in the French bourse, heralding an approach to investors for fresh capital, is a sign that this has not been forgotten. The constant inflow of foreign capital to the bourse, notably from the USA, creates very suitable conditions for the raising of fresh money.

Finally, and this point is especially relevant to many French industries of scattered capital structure, the compression of profit margins is precisely one of the mechanisms by which the Common Market will lead to rationalisation of costs, superior organisation and, eventually, fusion between firms that can no longer stand alone. It was never imagined that in the Common Market everyone was going to make more money and that firms adjusted to the limited and protected domestic market were going to get bigger without exception.





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Producers will seldom make the effort required to modernise and rationalise when every firm can make good profits; that effort is more likely to come when the market is expanding but profit rates are contracting. One is not perversely arguing that falling rates of profit are a good thing, but it is sure that the reorganisation of the European economy which is the objective of economic unification will occur only in a period of narrowing margins. One hears the complaint of smaller profit rates mainly in traditional industries due for a shake-up and in sectors where there are signs of some over-equipment (steel, cars and chemicals, for instance).

If one were to carry this orthodox argument to its customary conclusion, one might say that firms in these three last-named sectors (and one could add textiles and paper, where competition is at present fierce in France, as in West Europe generally) must be let fight it out till only the fittest survive. Few people, in fact, draw that conclusion. Habits of thought acquired in discussions of the French plan incline producers rather to suggest an international co-ordination of expansion plans. Such ideas usually make American industrialists jump; one will recall the acid reply of Detroit to the French suggestion to divide up markets as between makers of big and small cars—yet Detroit has just abandoned its plans to make a really small car that would have competed with the Volkswagen and Dauphine, showing that the force of the French case was recognised. Many people here doubt whether the Atlantic world's programme of development will be successfully fulfilled unless manufacturers of cars, steel and chemicals on both sides of the Atlantic put their heads together to avoid the current race toward suicidal overinvestment. Similar ideas are making their way in the paper industry, where the North Americans and Scandinavians have carried cut-throat warfare into the Common Market; investments are nowhere being coordinated, even in the most general terms, so excess capacity has appeared and the paper industry is in danger of finding again—but this time on a bigger scale —its familiar experience of boom and slump. French producers used to think that the Common Market would be a suitable area in which to co-ordinate long-term investment plans in such industries, but that was when they imagined that the association would practise a fairly protectionist external trade policy. If, on the contrary, it is to follow its current free-trade trend and to reduce tariffs on trans-Atlantic trade, then they favour consultation in the OECD or even in GATT.

These proposals are being discussed in a serene atmosphere, for it is recognised that the dangers they are designed to avoid still lie several years in the future. The spring upturn in the automobile industry (production is up 50 per cent in the UK, 48 per cent in the USA, 30 per cent in Italy, 18 per cent in France but only 2.6 per cent in West Germany) has stilled fears of chronic difficulties for a time. The prospect of eventual over-equipment in this industry remains serious, as in steel and certain chemicals, but it does not affect French views of the outlook for the rest of this year. In general, optimism about 1962 is extraordinary for the reason that, although the economy has, as always, its weak spots, those very spots seem weaker in West Germany. Whether it be the manpower shortage, the rise in prices or the level of investments, West Germany's situation seems similar to, if not less favourable than, France's. French producers are so used to conceiving the Common Market as essentially a trial of strength with West Germany that when their only ills are to be seen in the same form across the Rhine, they are extremely sanguine. What makes this attitude more striking at the present time is that it leaves Britain out of account altogether, although her entry into the Common Market is, supposedly, imminent. On balance, it appears, the introduction of British industry into the Common Market circuit is not thought to be of any immediate relevance to French producers assessing the prospects for the rest of 1962.

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Economic Report from the U.S.

UNITED AUTO WORKERS' CONVENTION

By GUY SIMS FITCH

ATLANTIC CITY, (New Jersey), May 8.

PRESIDENT KENNEDY, fresh from explaining his policies to the businessmen of the U.S. Chamber of Commerce, undertook the same task this week in a face-to-face encounter with the ranks of labour. Once again, this time in an address to the United Auto Workers' (U.A.W.) Convention at this seaside resort in New Jersey, he stressed the national interest—the responsibility of both labour and management to the general public. Thus, the President has made it clear that his policies are even-handed in their application, and show no favouritism to any special group. Inherent in this attitude is the belief that "what is good for the United States, for the people as a whole, is going to be good for every American company and for every American union."

What is good for the country, as President Kennedy reminded his U.A.W. audiences, is a basically non-inflationary growth, in which full employment and technological advance go hand in hand, and through which the United States can continue to meet its essential commitments to social and economic progress at home and abroad. This kind of growth, which the President described as "our greatest challenge in the sixties," is being achieved through a rising productivity, or output per man hour, from which all segments of the population benefit—businessmen through higher profits, workers through higher wages, consumers through stable or lower prices, traders through competitive access to the world market places. In the eyes of the Kennedy Administration, therefore, unjustified wage demands that outstrip productivity increases and require higher prices are equally as contrary to the national interest as unjustified profit demands which require higher prices. In addressing his business audience last week, the President laid particular emphasis on the need for price restraint against a background of reasonable and adequate profits. To his labour audience, this week, the President spoke primarily of keeping wage and other employee benefits within the bounds of productivity gains. One important point, however, was the same. Mr. Kennedy reaffirmed his opposition to fixing wages and prices in a peace-time economy. His administration, he noted, can suggest guidelines for the economy, but it cannot set a single pattern for every plant and industry. It can define national goals and point out the national interest, but it possesses and seeks no power of compulsion in the realm of wages and prices.

Thus, it is up to labour and management in each industry to make the necessary and voluntary adjustments to the national interest in their free collective bargaining negotiations. In this they presumably would be using as a guide, but not necessarily as a hard and fast formula, the three per cent a year productivity rise which has been projected by the President's Council of Economic Advisers as the average for industry as a whole. In addressing the U.A.W., Mr. Kennedy was making his plea to a group which has generally supported him in the past and from which he could expect a far more cordial reception, personally and for his views, than was the case with the Chamber of Commerce. Only the day before, despite some earlier indications of dissatisfaction with the President's approach on this issue, the U.A.W. had gone on record as reaffirming its support for "wage increases and improvements in fringe benefits out of the fruits of advancing technology and not through higher prices." This action was duly noted by the President as in keeping with the union's "sense of public responsibility."

This responsibility will be tested—perhaps severely—in the U.A.W. and other unions in the months ahead. The U.A.W. itself, for instance, will be an important participant in forthcoming wage negotiations in the aircraft and missile industry. And coming up soon, probably within a month, are some key labour-management decisions on new contracts for non-operating trainmen in the railroad industry. Just as the President was speaking to all businessmen when he addressed the Chamber of Commerce, he in effect was speaking to all union members in his U.A.W. appearance. And beyond them, his message was directed to all Americans.

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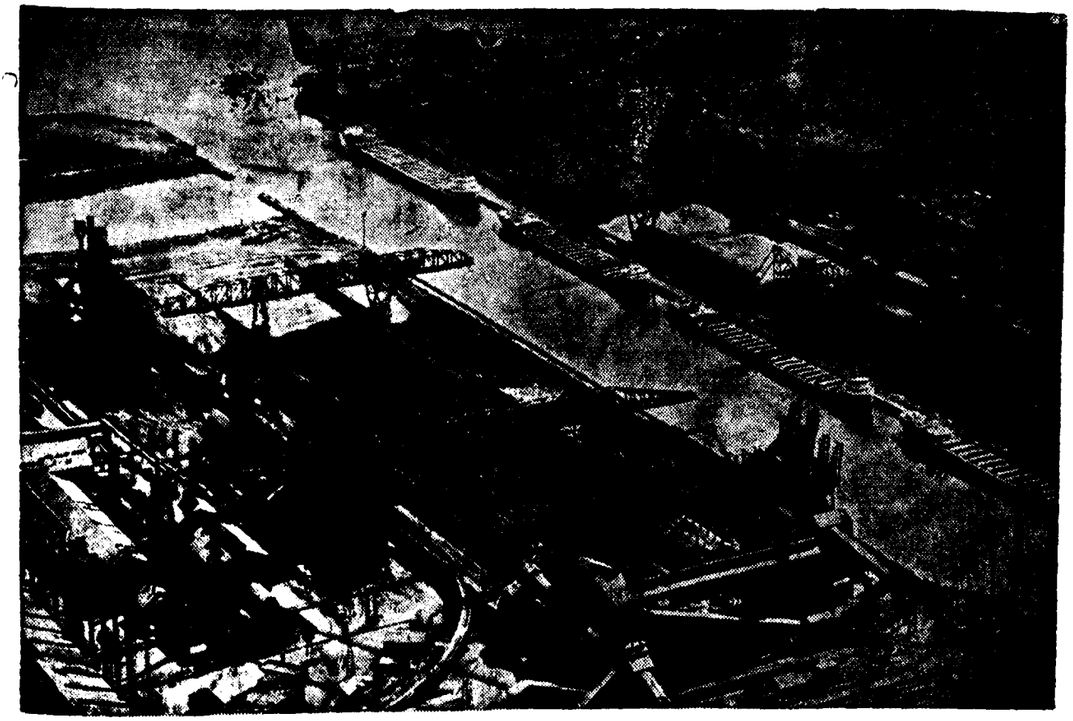
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Special Article

RECLAMATION OF THE SALT LAKES NEAR CALCUTTA

By K. D. GANGULI, B.E., M.I.E.,

Special Engineer, Salt Lakes & Allied Schemes.

IN common with some cities in many parts of the world, the geographical position of Calcutta is unhappy. With the river Hooghly on the west and the Salt Lake marshes on the east, the city has been growing length-wise north to south, since it was founded about two and three quarters centuries ago. All the town planners agree that this is not the best method of expansion for a city, being similar to a high pressure ribbon development so commonly deprecated. The cost of services such as water-supply, conservancy, etc., is much higher in a city whose length is disproportionate to its width.

The population of the City proper with an area of approximately 32 sq. miles has been continually increasing, and is now over 3 million. This means an average density of more than 140 persons per acre, as against 35 and 40 in New York and London respectively. The growth of population and the consequent high density has made the acquisition of additional space for expansion of the city imperative. The problem created by the pressure of population has been further aggravated by the influx of refugees from East Pakistan. As matters stand, no adjustment by mere planning within the limits of the city proper is possible now. The dispersal of population by the removal of various corporate activities of the city, e.g., certain Government departments, or commercial or industrial concerns to other localities, or the establishment of satellite towns, such as Kalyani, is a fairly long-term process. A more immediate solution is the co-ordinate development of the suburban areas of the city. In these circumstances investigation of the prospects of adding to the city's land resources by reclamation of the low-lying swamps in a manner that would improve not only the sanitary conditions in the environs of Calcutta, but also increase the availability of better dwelling sites for the low and middle income group people, became a necessity.

In this endeavour the experience of the Dutch, with their long history of struggle for dominion over the waters, was of inestimable value. The Government of West Bengal, therefore, in 1953 invited the Netherlands Engineering Consultants to investigate and prepare detailed plans for reclamation of the Northern and Southern Salt Lakes.

The Salt Water Lakes are divided into two parts by the Calcutta Corporation Storm Water Channel. The polygonal area of 18 sq. miles on the north of the Storm Water Channel and bounded by the Kristopur Canal on its north and east, the Storm Water Channel on the south, and the Central Lake Channel and the New Cut Canal on its west, is known as the "Northern Salt Lake". The area of 15 sq. miles south of the Storm Water Channel bounded by the Tolly's Nullah on the south, the Eastern Railway Suburban line to Sonarpur and the Panchannagram embankment on the west, the Calcutta Corporation Storm Water Channel on the north, and the now defunct Bidyadhari river on the east, is known as the "Southern Salt Lake".

The Northern Salt Lake is proposed to be reclaimed in two parts:

(a) In the northernmost end an area of 3.75 sq. miles contiguous to the city of Calcutta is proposed to be used for city extension purposes. This area has a rather low elevation varying from +3.00 to +8.00 above the P.W.D. datum. The quantity required for raising has been estimated at about 726 lakhs cft., the average depth of raising being 6.3 ft. The filling material will be obtained by dredging the bed of the river Hooghly in the Ghusuri sands opposite the Chitpore Lock to give profiles in longitudinal slices more or less parallel to the river axis not exceeding 400 ft. in width in the reach between the Howrah and Vivekananda Bridges. The material dredged will be put in barges and carried to a floating pumping station on the banks of the river Hooghly near Chitpore Lock whence it will be pumped through a pipeline 2.5 miles long to the reclamation site. As the filling and raising of the area progresses, the length of pipes would increase, until ultimately about 5 miles of piping would be laid. Two boosting stations will be installed 'en route' for maintaining necessary pressure for the transmission of soil mixed in water through the pipeline from Chitpore Lock to the reclamation site.

(b) The remaining 14 sq. miles will be reclaimed and made fit for agriculture and horticulture by treating the area as a Polder. "Polder" is an area protected by embankments against inundation from outside, and from which all superfluous water can be drained off into a canal with the aid of pumps.

The City Extension project of the Northern Salt Lake Reclamation Scheme envisages the creation of a new township in 2400 acres of land. It will be provided with modern amenities in the shape of roads, underground sewerage, drainage, electricity, water supply, parks, markets, recreation places, etc. Of the total area, 175 acres is proposed to be set aside for industrial and commercial development. The land proposed to be reserved for hospital, college sites and recreation ground will be 380 acres. Thus the gross area of land left for residential use will be 1845 acres. The net area available for distribution for building purposes exclusive of roads, parks, schools and shopping centres will be 1440 acres, which represents about 60 per cent of the gross area. Approximately 1,50,000 persons will have found residential accommodation in this new township on the basis of 125 persons per acre as against more than 140 per acre in Calcutta.

The selected site lies just east of Maniktola and is bounded on three sides by the New Cut and Kristopur canals. To the east the boundary line will run along the Eastern Drainage Channel which when excavated will separate the City Extension area from the rest of the Northern Salt Lake. The Maniktola area is being developed by the Calcutta Improvement Trust; so the proposed new city extension can be connected with Calcutta by suitable arterial roads.

The storm water from the new township will be drained by the Eastern Drainage Channel which will be connected to a pumping station to be located at Dhapa. The Drainage Channel and the pumping station at Dhapa have been designed for a capacity based on a run-off of 6 inches of rainfall in 24 hours on the analogy of what has been assumed and provided for in the design of the existing Storm Water pumping installation of Calcutta at Palmer's Bridge. The storm

water discharge will be carried from Dhapa to Bantala by the Corporation's remodelled Storm Water Channel, and from there led into the river Kulti.

The dry weather flow is proposed to be led by a Dry Weather Flow sewer system to the pumping station at Dhapa, and finally carried to Bantala through an open channel from Dhapa to Bantala. The effluent after proper treatment will be ultimately discharged into the Kulti.

The total estimated cost of the City Extension Scheme is Rs. 19.20 crores, which includes a provision for the development of the area. The time required for raising the land will be about 6½ years. The development work may take 3 years more to be completed. However, blocks of consolidated land are expected to be available for development purposes even before completion of the reclamation process.

An important feature of the Scheme is the provision of pre-sale of plots. It has been proposed that land would be offered for sale from the first year of commencement of the Scheme. The sale price of land from year to year has been fixed in such a manner as would bring the price within the means of the ordinary man, and would be considerably less than the sale price of land within the nearby Maniktola area where the Calcutta Improvement Trust is now operating.

Part "A" of the work involving the raising of the areas has been allotted to Messrs. Invest Import of Belgrade, Yugoslavia, who have already commenced operations.

Part "B" of the work, which relates to the ancillary work of supply and installation of the Bagjola Sewage Treatment Plant, has been allotted to Messrs. Hindustan Construction Company. The work on this project commenced in November, 1960, and is expected to be completed by December, 1962. The plant is required in connection with the diversion after treatment into the Bagjola main channel of sewage coming from Belgatchia and adjoining areas of Calcutta Corporation now being pumped into the Salt Lakes by the existing Bagjola Pumping Station.

The Polder area is proposed to be utilised for Co-operative farming. A grid of main and secondary channels will carry the surplus water to a pumping station. An irrigation reservoir is proposed to be constructed within the Polder area to give irrigation facilities. The pumping station will discharge the run off from the Polder area into the Irrigation Reservoir. After the irrigation reservoir is filled, the excess water will be discharged by pumps into the Storm Water Channel and thence into the Kulti river. The plan is to grow at least two crops per annum. The estimated cost of the scheme is about Rs. 4 crores.

Thus the reclamation of the Salt Lakes, by utilising the available resources to the best possible advantage, can be truly considered to mark the beginning of a conscious effort to create out of this belt of stagnant watery wastes and moribund streams a flourishing Suburbia. By means of multipurpose plans it is hoped that one day the once malarial marshlands will support a vibrant population on whom the manifold schemes of improvement about to be implemented will shed the light of prosperity and health.

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THE BUSINESS WORLD

The Cut in American Aid

THE U.S., Senate Foreign Relations Committee's action in applying a cut of 25 per cent to the economic aid, for which appropriation is asked by the President, has come as a surprise not without an element of some shock. The opposition was led by Senator Symington and he was successful in mustering a majority of 8. It is true that the cut motion was carried by a bare majority of one, the voting being 8 : 7. The significant fact, however, is that the cut has been applied. It now reduces the amount of economic aid to India for the fiscal year commencing July 1 next to a level below the aid granted for the current fiscal year. It was in India's very urgent interest that the next year's appropriation of aid should be maintained at the figure proposed by the President. Its importance lies from two angles. The remaining members of the Aid India Club do not appear to be as enthusiastic as they should be in the matter of enhancing their shares of allocations of aid to India. In view of her balance of payments strains, America expects the other members to contribute an equal amount of aid with her. This would mean that the cut would reduce the quantum of the aid which the European members of the Club would be urged to grant. Already, the commitments made by the Club on aid to India for the first two years of the current Plan are short of our anticipated volume of aid from the Club by $250 million.

The cut voted by the Senate Committee represents one stage in the American constitutional process of voting funds for the Administration. The appropriations will have to be considered by the Foreign Affairs Committee of the House of Representatives and then separately by the Senate and the House. Experience tends to show that the axe applied by the Committee of either House does not represent the effective voice of the House or the Senate, but it amounts to a severe expression of views held by some of the leading members on the committees. An assurance has been conveyed on behalf of the President to the Finance Minister that the President will ensure the restoration of the amount cut. This is heartening news.

The reasons which influenced the extreme attitude taken by Senator Symington and those of his school of thought are likely to cause considerable irritation in this country. Briefly, they relate to India's action in Goa and her 'failure' to settle with Pakistan the dispute over Kashmir. But, in addition, there is a third novel cause. India was charged with failure to reduce her military expenditure. This was presumably on the assumption that India maintains a heavy defence budget as a measure directed against Pakistan. But it totally ignores the fact that the President of Pakistan has time and again held out threats of using against India the latest armament supplied to her by America in pursuance of the SEATO and CENTO obligations. The threats cannot be treated lightly. India is constrained to take appropriate defensive action to arm herself. But more important than that, India's hands have been forced by the belligerent attitude adopted by China in the North. To cut the aid, particularly in the context of the Chinese manoeuvres, is beyond comprehension.

However, one fact ought to bear mention since it has a vital bearing on our policies of armament acquisition. The Government's deal with Russia for the purchase of the MIG-supersonic jet fighters has caused genuine perturbation to President Kennedy. This has created a fresh difficulty in his efforts to ensure that the cut is not finally carried out. Already Ambassador Galbraith has communicated the views of the President to the Prime Minister. But it is a matter for guess what final attitude the Government will take in this deal. There is time before the purchase contract in concluded.

Business Notes

Textiles

POWERLOOM PRODUCTION

IF THERE is an uncertain item in textile statistics, it is undoubtedly that relating to the production of the powerloom sector, and one can well sympathise with the decision of Mr. M. P. Gandhi, Editor and Publisher of "The Indian Cotton Textile Industry (1961) Annual" (just published), therefore, to discontinue the publication of statistics relating to this decentralised sector. "In view of the doubts expressed regarding the veracity of official statistics relating to the production of such powerloom and handloom cloth ," he had stated, "the publication of such statistics has been discontinued." Notwithstanding this, it is needless to say, Mr. Gandhi's Textile Annual is as comprehensive and, therefore, as useful as ever.

In his preface to the publication, Mr. Gandhi has correctly portrayed the present position of the Indian cotton mill industry, and this is quite timely, inasmuch as it helps one to assess the prospects for exports of our textiles. Drawing pointed attention to the steadily rising inflated cost-base of the industry, he asks: "How can yarn and cloth produced on an unduly high cost base compete effectively in world market?" While this is an aspect that should receive the attention of our Union Minister for International Trade, the prominent place occupied by the cotton mill industry in the country's economy, to which the Editor has referred, is an aspect that should make everyone, including the Tariff Commission, realise that the continued progress and prosperity of the industry is a "vital matter of national importance."

Apropos the production of the powerloom sector, the Indian Cotton Mills' Federation (I.C.M.F.) has adroitly clinched the issue by referring to the representations being made by the powerloom sector to the Union Finance Minister in regard to his latest budget proposals, in particular the duties payable by the powerlooms. "It is evident from these representations, says

a Press Note issued by the Federation, that the powerlooms account for a very much higher production than the official figure of estimated annual production of 400 million yards or even the Federation's own estimate of 1,400 million yards. No one is unhappy that the powerlooms are making a steadily increasing contribution to our national output thus, but what everybody would like to see exploded is the much publicised myth of the relatively higher share of the handlooms in the production of the decentralised sector. The fact is that the powerlooms have been thriving at the cost of the handlooms. In other words, most of the benefit intended for the handlooms is being appropriated by the powerlooms. And, yet, it is amusing to find the powerloom interests carrying on an agitation against the recent budget proposals. Even as now proposed by the Union Finance Minister, the highest duty payable by the powerlooms (per loom per shift per month) at Rs. 50 for higher medium cloth and Rs. 151, for superfine cloth compares with as much as Rs. 141 and Rs. 425, respectively, payable by the mills. It is high time that somebody cried a halt to this injured innocence and unintended pampering of powerlooms.

Economy

NCAER'S SURVEY OF PUNJAB

THE TECHNO-ECONOMIC SURVEY OF PUNJAB conducted by the National Council of Applied Economic Research brings to light various facets of Punjab's economy. The survey envisages that by an appropriate investment programme a rapid economic development can be brought about. It is, therefore, recommended that an investment of Rs. 1,114 crores between 1961 and 1971 should be undertaken. While an investment of Rs. 290 crores on agriculture is proposed by the NCAER, Rs. 160 crores has been recommended for industrial development. The approach of the National Council is that a three-pronged attack should be launched with a view to strengthening the infra-structure; strengthening the agricultural base and expansion of the industrial sector to produce intermediate products and durable consumer goods, both for local and external markets. A case has also been made out by the Council for greater financial assistance to the State from the Centre. Of the total investment proposed, it says, the State has the responsibility to bear an outlay of about Rs. 600 crores and will be able to raise an additional Rs. 275 crores. The balance must be met by the Centre.

Although it is true that Punjab has a powerful agricultural sector, but it is conditioned by a low-value-yielding crop pattern. Consequently, though the per acre yield of most of the agricultural commodities is much higher in the Punjab, the value of output per acre is lower than the Indian average. Rice, for example, which is a high value yielding crop accounts for only four per cent of the total area cultivated in Punjab against 22 per cent for the country as a whole. It is therefore suggested by the Council that there should be a stress on high value yielding crops especially commercial crops. Hence sugarcane, cotton and oil seeds have been accorded a greater share than at present. And for industrial development it has been emphasised that there must be expansion of small-scale industries as that would solve unemployment problem to a great extent. Since there is absence of metallic minerals and coal in Punjab, the growth of large industrial plants is obviously limited.

To bring about a balance in the economy, the Council has suggested that there must be an appropriate programme for animal husbandry as well as for the development of forests and fisheries. As there is considerable quantity of cement (2,10,000 tons a year) which the State has to import, the suggestion is that additional capacity of this magnitude should be created. Fertilizers production which should receive due priority in any scheme of agricultural production has of course been given due weightage and it has been recommended that fertilizer production at Nangal be doubled. Power and transport development also receive their due share.

To put it in a nutshell the scheme proposed by the National Council of Applied Economic Research tries to bring about a harmonious balance in every aspect of the economy and if implemented can go a long way in giving a further fillip to this growing State. The Council's estimates are that if the programme recommended by it is implemented fully, the per capita income of Punjab by 1971 would increase by 40 per cent. This by no means would be a mean gain.

Soap Production

EXPANSION IN THE THIRD PLAN

EXPANSION TO the tune of 1,30,000 tons of soap has been envisaged during the Third Five-Year Plan. Production in 1960-61 was 3,70,000 tons and is proposed to be raised to 5 lakh tons in 1965-66. The new expansion that has been envisaged in the Third Plan will be undertaken both in the organised and the unorganized sector. While the organised sector would contribute about 80,000 tons of soap, the unorganised sector would contribute 50,000 tons of soap. The soap manufactured by the unorganised units is believed to be not as high in cleansing properties as those turned out by the organised units. And probably because of that very reason, a low quota has been allotted to the unorganised sector. Estimates are that the output in the unorganised sector is to the tune of 2,30,000 while some figure it at 3,30,000 tons. However, taking the former figure for official purposes of planning, the output of 2,30,000 tons would be equivalent to about 1,60,000 tons of soap of the average strength produced in the organised sector.

Production of soap in the organised and the unorganised sector at present comes to 3,70,000 tons. The soap that is manufactured in the organised sector is of four varieties like that of laundry soap, toilet soap medicated soap and other kinds of soap. During the Second Plan period, the production of these varieties of soaps by the organised factories rose from 90,000 tons in 1955 to 1,40,515 tons in 1960. The lion's share of this production is accounted for by laundry soap. The units manufacturing these kinds of soaps number 91. Nearly one-third of these organised units are in Maharashtra with West Bengal a close second with 21 units. The three States of Rajasthan, Orissa and Assam have no organised soap factories. All the remaining States have a few soap factories each. The total installed capacity of all these factories in the country is 2,55,117 tons.

The principal raw materials that go into the production of soap are vegetable oils and tallow, caustic soda, sodium silicate and perfumery. The requirements of the oils and fats to reach a production target of 5 lakh tons of soap by the end of the Third Five-Year Plan have been placed at about 2,30,000 tons. This oil content is generally secured from coconut oil, palm oil, groundnut oil, hydrogenated vegetable oil and mohwa oil. Since technical considerations demand that there should be a balance between the coconut oil and soft oils on the one hand and hard oils on the other, it is imperative that the balance be struck rightly. As coconut oil is expensive and is in great demand for edible purposes, it is considered that the use of coconut oil should be considerably reduced.

Labour

HOUSING OF INDUSTRIAL WORKERS

PAUCITY OF houses for industrial workers has often been the subject of critical comment. But whether that criticism has been countered or not it is difficult to say, because the situation does not seem to have improved to the extent that it should have been. No doubt houses are being built in the industrial areas but they



Durgapur Thermal Power Station

Prestressed Concrete Plank Roofing was adopted for the Durgapur Thermal Power Station because of its lightness thus reducing the cost of the foundation and superstructure. It also made rapid construction possible.

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The turnover of the Siemens Organization has risen from 120 Crores Rs. in 1951 to 480 Crores Rs. in 1960 and 580 Crores Rs. in 1961. Exports rose by about 12% above last year's figure to over 120 Crores Rs.

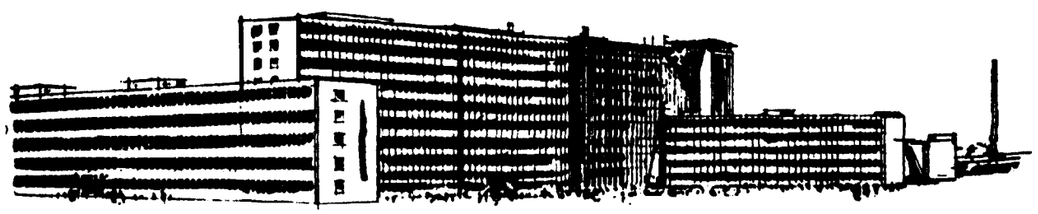
The Siemens Organization has agencies and representatives in 79 countries in all parts of the world. At all branches the services of a staff of technical consultants are always available to customers.

In India, the Siemens Organization is represented by Siemens Engineering & Manufacturing Company of India Ltd.

Summarized Consolidated Balance Sheet of the Siemens Organization as of September 30, 1961 in DM million (DM 1.— = Rs. 1.20)

Assets	30. 9. 61	30. 9. 60
Fixed Assets	874	679
Investments	133	116
Total Fixed Assets and Investments	1,007	795
Inventories (including Communications Equipment Leased to Customers)	1,393	1,052
Accounts Receivable from Customers	807	720
Other Receivables	406	337
Cash and Other Liquid Funds and Marketable Securities	451	504
Total Current Assets	3,057	2,613
	4,064	3,408

Liabilities	30. 9. 61	30. 9. 60
Capital Stock	520	510
Surplus	653	495
Minority Interests	7	6
Total Stockholders' Equity	1,180	1,011
Reserves for Pensions	498	444
Other Specific Reserves	647	539
Loans and Bank Credits	506	428
Customers' Down-Payments	455	479
Accounts Payable	184	159
Other Liabilities	309	264
Total Liabilities	2,799	2,313
Net Income S & H	85	84
	4,064	3,408



The Communications Research Laboratory of the Siemens & Halske AG in München has a staff of over 3,000; in Erlangen the Siemens Schuckertwerke AG is at present building a large new research center

Some of the companies belonging to the Siemens Organization are the following:

Siemens & Halske AG
(All branches of communications technology, including data processing and telemetry, electrical signaling)

Siemens-Schuckertwerke AG
(All branches of power engineering)

Siemens-Electrogeräte AG
(Electrical household appliances, radio and tv sets)

Siemens-Reiniger-Werke AG
(Medical electronic equipment)

Deutsche Grammophon GmbH
(Phonographs and records)

Siemens-Planiawerke AG
(Graphite electrodes, carbon products for electrothermal and chemical industries)

Vacuumschmelze AG
(Production and processing of special alloys)

Siemens-Bauunion GmbH
(Civil engineering)

Constructa-Werke GmbH
(Full-automatic washing machines)

are not being built at the pace that could be called really satisfactory. The latest news is that 12 projects for construction of 1224 houses for industrial workers have been sanctioned under the subsidised industrial housing scheme by Andhra Pradesh, Assam, Bihar, Gujarat, Madras, Mysore, Orissa, Uttar Pradesh and West Bengal.

There are various schemes under which these houses are built. Under the subsidised industrial housing scheme, for instance, which was formulated in 1952 for providing housing to industrial workers employed in factories and mines, mainly in the private sector, the Central Government provides to State Governments, State Housing Boards and the Municipal bodies 50 per cent of the cost as loan and 50 per cent as subsidy. Industrial employers and co-operative societies of industrial workers are given financial assistance to the extent of 75 and 90 per cent respectively, the extent of such subsidy in both cases being 25 per cent. To enable industrial workers to provide the remaining 10 per cent of cost, they have been allowed to draw non-refundable loans from their provident fund accounts. By the end of the Second Plan, the construction of about 1,40,000 tenements costing Rs. 45 crores had been approved. About one lakh tenements have been completed and the rest were under different stages of construction.

A fact to note is that the workers cannot pay a high charge for these houses with the result that in some areas the tenements which have been constructed have not been occupied by industrial workers. The question of, therefore, bringing down the rent so that it should be within paying capacity of the workers needs further study Alongwith it there is also the need that arrangements be made to provide free transport for taking workers to their places of work. All said and done, it is apparent that much progress cannot be achieved without the employers generally accepting the housing of a substantial portion of workers as an essential obligation. To the extent the employers are unable to construct directly, it should be for the Government or the Housing Boards to take up construction. These and other suggestions must be considered jointly in consultation with the representatives of employers and workers because in that only lies the solution to the problem.

Sugar

EXPORTS AT A LOSS

THE UNION GOVERNMENT'S decision, as announced by the Deputy Minister of Ministry of Food and Agriculture in the Lok Sabha recently, to release a substantial quantity of sugar shortly is a step towards bringing down its rising market prices. The sugar industry has been caught up in the vicious circle arising out of the production outrunning consumption and the mounting costs leading to flagging exports at a loss of Rs. 8.87 per maund to the U.S.A. and Rs. 15.80 per maund to other markets. The Government sought to regulate the supply of sugar so that the prices might not come down steeply The step was intended to save the grower from being hard-hit by the uneconomic price.

Lately, the problem of disposing of about a crore maunds of sugarcane standing in the Bihar fields has arisen, thus worsening the situation further by way of reducing incentives for growers. A formula is yet to be evolved which would be acceptable to the grower and the millowner alike. The Bihar farmers who had already suffered losses on account of their crops lying in the fields cannot by any reason be asked to suffer more. On the other hand, the millowners have expressed their inability to meet further losses as they are nursing huge sugar stocks. The Bihar Government, in the meantime, is understood to have advised farmers to put less acreage under cane this year. The problem of this industry is such that it hurts both ways. The heart of the problem lies in the rising cost of production and all steps must, therefore, be taken towards reducing it. The closing stocks of sugar with factories being 23.53 lakh tons in April, 1962, it behoves that the consumption of sugar would have to be promoted considerably.

New Issues

ASSOCIATED BEARING

TWO NEW issues are expected in the capital market in the near future.

The much-awaited public issue of Associated Bearing Company Limited is to be floated towards the end of the current month. The authorised capital worth Rs. 4 crores is to be issued in the first instance. The foreign collaborators, SKF Gothenburg and/or Skefee Ball Bearing Co., Ltd. and/or their associates, would be subscribing 60 per cent of the issued capital. The remaining 40 per cent is to be raised in India. Of this, half will be offered to the public for subscription in the form of 80,000 equity shares of Rs. 100 each. The remaining half is envisaged to be subscribed by the shareholders of the Investment Corporation of India, who will be offered shares in the new company on the basis of roughly 10 per cent of their interest in the Investment Corporation, subject to adjustments of fractions and to a ceiling of 100 shares per shareholder.

The company will manufacture ball and taper roller bearings, the latter for the first time in India, besides SKF pendulum weighing arms and dock roller bearing units for drafting system of speed frames, drawing frames and ring spinning frames for the textile industry.

INDEQUIP ENGINEERING

THE SECOND company to approach the public in the near future for subscriptions to its capital is an engineering concern, Indequip Engineering Limited, which has been recently formed to undertake the manufacture of various types of machinery, including continuous bleaching range, humidification plants and spare parts for Butterworth machinery. The company's factory is to be located at Naroda, near Ahmedabad.

The authorised capital of the company is Rs. 100 lakhs, all in equity shares of Rs. 100 each. Capital worth Rs. 35 lakhs is proposed to be issued in the first instance. Of this, the directors and their friends have agreed to take up shares worth Rs. 15 lakhs. The balance of the issue, shares worth Rs. 20 lakhs, will be offered for public subscription.

The total capital outlay on the project is estimated to be about Rs. 53 lakhs. Since the share capital will be making available only Rs. 35 lakhs, the remaining sum of Rs. 18 lakhs is proposed to be secured through a Rs. 10 lakh loan from the Government and bank borrowings to the tune of Rs. 8 lakhs.

An agreement has been entered into by the company with H. W. Butterworth and Sons Company of the U.S.A., for the manufacture of continuous bleaching range and spare parts of Butterworth machinery. Technical collaboration for the manufacture of humidification plants is being arranged with Defensor AG of Switzerland. Manufacture of rotor frames is envisaged to be undertaken in collaboration with Hobourn-Eaton Manufacturing Company of the U.K.

The company has also approached the Government for the grant of a licence for the manufacture of sizing machines (multi-cylinder slashers) to be undertaken in technical collaboration with West Point Foundry and Machine Co. Inc. of the United States.

FROM THE CAPITAL'S CORRIDORS

DEMAND FOR FERRO-ALLOYS

Ferro-Manganese: It has been assumed that the requirement of ferro-manganese for each million ton of steel ingots produced is nearly 10,000 tons. Taking into account the phasing of steel production envisaged for the Third Five-Year Plan, the domestic demand has been estimated to move from 58,000 tons in 1961-62 to 85,000 tons by 1965-66. The table alongside gives the details of estimated requirements of ferro-manganese, as against the steel output. It has been estimated that in addition to 85,000 tons, another quantity of nearly 15,000 tons of ferro-manganese would be necessary for foundries and other miscellaneous consumers. Apart from this domestic demand, ferro-manganese is a crucial item of export and it has been suggested that higher grades of ferro-manganese produced in the country should be reserved for export.

Year	Estimated Production of steel ingots (million tons)	Estimated requirements of ferro-manganese ('000 tons)
1961-62 ..	5.25	58
1962-63 ..	6.25	63
1963-64 ..	7.25	73
1964-65 ..	7.75	78
1965-66 ..	8.50	85

The following three schemes approved in the later years of the Second Plan period were in varying stages of implementation by April 1, 1961 and when completed, the total installed capacity for ferro-manganese industry would reach a figure of 2,62,200 tons:

	Location	Annual Capacity	Remarks
Electro-Metallurgical Works (Expansion).	Dandeli	44,400	Expected to be completed by 1962-63.
Sandur Manganese and Iron Ores (P) Ltd.	Hospet	30,000 to 36,000	Expected to be completed by 1963-64.
B. P. Knemka (P) Ltd. (New Scheme)	Kanhan	24,000	The Plant is expected to be completed during the Third Plan period.
	Total.....	**98,400**	
	or	**104,400**	

In relation to the total requirements for ferro-manganese as estimated, the capacity that would be installed on completion of the schemes outlined above will be adequate for ensuring domestic production of the same order, namely 200,000 tons by 1965-66. This gives no scope for further expansion of capacity under the Third Plan.

During First and Second Plan period, Geological Survey of India carried out detailed mapping of the Chindwara-Balaghat-Bhandara-Nagpur belt of Madhya Pradesh and Maharashtra, Singhbhum-Keonjhar Bonal belt of Bihar and Orissa; Jabua deposits of Madhya Pradesh, Panch Mahal deposits of Gujarat; Banswara-Udaipur deposits of Rajasthan and Visakhapatnam-Srikakulam belt of Andhra Pradesh. The probable reserves of manganese ore excluding the manganiferous rocks of India are estimated at 180 million tons out of which 48 million tons are of high grade with manganese content over 45 per cent. Further exploration has been planned by the Geological Survey of India during the Third Plan in selected areas in Panch Mahals, Gujarat, Madhya Pradesh belt, Koraput-Kalahandi and Sundergarh belt, Orissa, Banswara-Udaipur belt of Rajasthan and Chitaldrug, Tumkum, Bellary and Sandur deposits of Mysore.

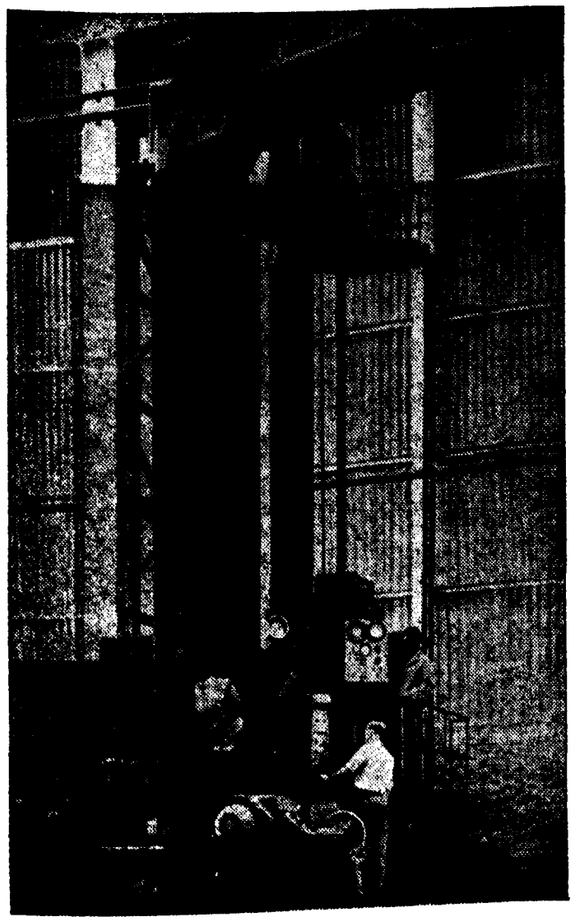
For achieving a capacity of 2,62,200 tons by 1965-66 by the electro-thermal process through the implementation of the schemes already licensed, plant and machinery worth about Rs. 2 crores would have to be imported. The overall investment requirements are placed at Rs. 2.5 crores during the Third Plan period. Since all the plants already in operation have been established during 1956-61, no investment on replacements are presumed to be required during the Third Plan period. The maintenance expenditure of foreign exchange for this industry, however, would relate to spares and electrode paste. The requirements of electrode paste are assessed at 0.03 ton of ferro-manganese.

The production of ferro-manganese in closed electric furnace will give rise to the by-product gases rich in carbon monoxide. By developing industrial outlets for this gas, the overall costs of ferro-manganese can be brought down to some extent. It is probable that these gases might be used for thermal beneficiation of the manganese ores in the Third Plan period.

Ferro-Silicon: The requirements of ferro-silicon were estimated at 4,500 tons per annum by the end of the First Plan. Consequent on the expansion of the production of steel ingots to six million tons visualised under the Second Plan and taking into account other demands from the foundry industry and in respect of electrical steel ingots manufactured by the rerollers, it was expected that the demand would go up to about 20,000 tons by 1960-61. To arrange the additional production within the country, the manufacture of ferro-silicon at Bhadravati was to be expanded from the current installed capacity of 5,000 to 20,000 tons by the Mysore Iron and Steel Works. Another scheme was for the manufacture of 5,000 tons of ferro-silicon per year under the composite scheme of Messrs. Serajuddin & Co. envisaging production of ferro-chrome and ferro-silicon in the first stage of implementation and at a suitable location in the Bhadrak district of Orissa. Import licences for the machinery of these two schemes have been issued and the additional capacity is expected to be available in the second year of the Third Plan, if not earlier. An annual installed capacity of 25,000 tons of ferro-silicon would thus be available from the second year of the Third Plan.

The projection of requirements for the Third Plan will have to take due note of the expansion programmes for steel, alloy and tool steels, and stainless steel, electrical grade silicon steel, steel castings and electric furnaces billets based on scrap. The overall demand by 1965-66 for ferro-silicon is not expected to exceed about 40,000 tons. By planning for this capacity the consumption requirements of 1965-66 would be adequately met.

In addition to Mysore Iron and Steel Works and Messrs. Sarajuddin & Co., the schemes of Mr. B. D.



6" spindle ram-type horizontal mill and boring machine



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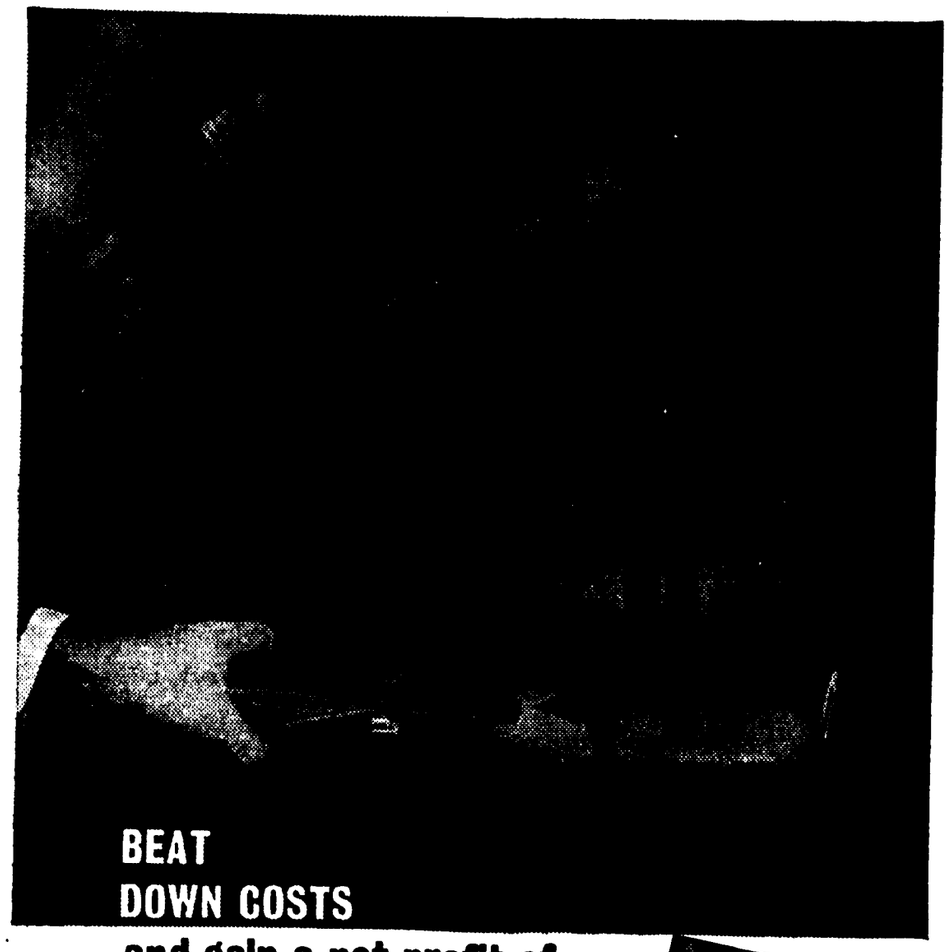
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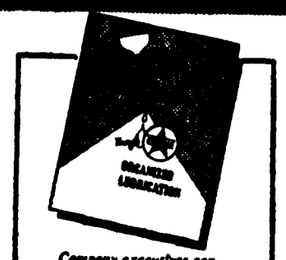
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Panda for establishing a plant with a capacity of 7,000 tons per annum has been approved by the Government. Foreign exchange towards the machinery requirements of these schemes has been cleared and the additional capacity is expected to be reached in the latter half of the Third Plan period. An annual installed capacity of 32,000 tons of ferro-silicon would thus be available during the Third Plan period. Thus there is scope for setting up an additional capacity of about 8,000 tons per annum for the manufacture of ferro-silicon.

By the end of the Third Five-Year Plan, the output of ferro-silicon would be of the order of 32,000 tons; 20,000 tons from Mysore Iron and Steel Limited, 7,000 tons from B. D. Panda and 5,000 tons from Sirajuddin & Co. The Government has agreed to license the schemes of Tatas and that of Pannalal Patel for 10,000 tons and 7,000 tons of ferro-silicon per annum respectively. It is gathered that a capacity of 5,000 tons may be allocated to Ferro-Alloy Corporation if any other project did not materialise. But the overall capacity is not likely to exceed 50,000 tons per annum.

Ferro-Chrome: At present the production of ferro-chrome in the country is not properly organised because there is no appreciable internal demand. Imports to the extent of nearly 200 tons were executed. Two companies, Ferro-Alloy Corporation, Tumsar (Bombay) and Sirajuddin & Co., Bhadrak (Orissa) were licensed for 6,000 tons and 10,000 tons respectively but no capacity has yet been established. Although requirements of ferro-chrome by 1966 would go up to 9,600 tons per annum, the Third Plan target has been placed at 35,000 tons. It is gathered that if the two producers did not execute their licenced capacity, Tatas and Pannalal Patel might be sanctioned the output capacity.

Ferro-Molybdenum: A Third Plan demand for ferro-molybdenum is placed at 1,000 tons per annum and that for ferro-Vanadium at 750 tons per annum. It is gathered that the only applicant, Pannalal Patel, is likely to be approved for the manufacture.

THE BOARD OF TRADE

The Government of India have decided to constitute a Board of Trade to review all aspects of trade and commerce and to advise and make recommendations to Government from time to time. Particular objectives of the Board include the expansion of production, internal trade and exports, including diversification of exports; rationalisation of imports and forging suitable imports-exports relationships; maintenance and improvement of quality of production, standards, standardisation of inspection for quality and pre-shipment inspection; export incentives; development of fair, ethical and efficient trading practices including maintenance of fair prices; price support, price regulation, organisation of stock piling and buffer stocks, display of price lists and markings including price markings; studies of individual commodities, market research and market surveys; development of State Trading in commodities particularly for external trade; expanding the functions and operations of the State Trading Corporation/ Corporations and other Agencies; promotion and development of Export Houses and Export Agencies; whole-sale and retail marketing; Co-operative marketing and Co-operative Consumer Stores; fair-price shops, etc; exhibitions, trade fairs, emporia, show rooms and trade centres in India and abroad; promotion of salesmanship and marketing techniques and training of personnel for international trade; and facilitating the movement of goods, particularly goods for export by rail, road, air etc.

The Board will consist of not more than 15 members and the composition of the Board will be (1) Minister of International Trade (Chairman). (2) Special Secretary in the Department of International Trade (Vice-Chairman). (3) President of the Federation of Indian Chambers of Commerce and Industry. (4) President of the Associated Chambers of Commerce. (4) Non-official Members not exceeding six nominated by Government representing trade, industry, economists and others. (6) Secretary, Ministry of Finance (Department of Economic Affairs). (7) Additional Secretary, Planning Commission. (8) Two senior officers in the Department of International Trade designated for this purpose as full-time directors dealing with production, incentives, quality control and movement. (Members). (9) A Joint Secretary in the Department of International Trade. (Member-Secretary).

The Board will have power to co-opt members, not exceeding five. Secretaries to Government in other Ministries will be requested to attend meetings of the Board whenever necessary. The Board may also specially invite such other persons as it may consider necessary and in particular from among the following: Presidents/Chairmen of the Indian Cotton Mills Federation; The Indian Jute Mills Association; The All-India Manufacturers Organisation; The State Trading Corporation; The Tea Board; The Forward Markets Commission; The Director-General of Shipping; The Chairman of the Railway Board; and Director of Indian Standards Institution. The Board is to be appointed for a term of two years. The Board will lay down its own rules of procedure. The Board may constitute a Standing Committee and other Committees from its Members, with co-opted members not exceeing one-third of its strength to transact such business as the Board may decide. The Headquarters of the Board will be in Delhi, but the Board may meet at any other place in India. It is expected that the Board will meet once every month.

PARLIAMENTARY SECRETARIES APPOINTED

The Prime Minister has appointed the following Members of Parliament as Parliamentary Secretaries attached to the Ministries shown against each name:

1. Shri Annasaheb Shinde	—	Ministry of Food and Agriculture.
2. Shri D. Ering	—	Ministry of External Affairs.
3. Shri S. C. Jamir	—	Ministry of External Affairs.
4. Shri S. Ahmad Mehdi	—	Ministry of Irrigation & Power.
5. Shri Dodda Thimmaiah	—	Ministry of Mines & Fuel.
6. Shri M. R. Krishna	—	Ministry of Education.
7. Shri Ratan Lal Kishorilal Malviya	—	Ministry of Labour & Employment.

GOA CURRENCY

Escudo currency now legally circulating in Goa, Daman and Diu will cease to be legal tender with effect from May 15, 1962. All monetary transactions in these territories on and after this date will be conducted only in Indian currency. In order to enable such of the members of the public as may still have escudo currency in their possession, to exchange their holdings into Indian currency, conversion facilities will be provided. For a period of one month from May 15, 1962, in the case of the escudo notes asd three months in the case of escudo coins. Mr. T. Sivasankar I.C.S. is likely to be appointed the Governor of Goa.

IRON ORE EXPORT BY S.T.C.

The State Trading Corporation will export 7.5 lakh tons of iron ore to Czechoslovakia and Hungary during 1962. The entire quantity of 6.5 lakh tons will be exported to Messrs. Metalimex of Czechoslovakia during 1962. The ore to be supplied will be homogeneous 65-68 grade of ore. The price accordingly has been proportionately higher as compared with the Japanese prices. The earlier contract with Messrs. Metalimex of Czechoslovakia was nearing completion and a contract in regard to the future supplies had to be negotiated and

finalised. Czechoslovakia is the second largest buyer of Indian iron ore next to Japan.

GERMAN TEAM FOR MANDI

A Five-year agreement was signed between India and West Germany under which the latter will give technical assistance to India for the development of agriculture in Mandi District on the lines of the Indian Government's Intensive Agricultural District Programme. A German Agricultural Assistance Team of 8 Advisers and 7 Technicians will be assigned to Mandi. An agro-technical development centre shall be established in the district with training facilities, demonstration and trial areas and a rural technical training and repair shop. There will be a soil-testing laboratory, a stationary and a mobile plant-protection station and model installations for animal husbandry, dairy, fruit processing and water management. Training of selected Indian specialists in the Federal Republic of Germany is also intended for the purpose of the joint project. "Intensive mixed farming" will be the general line on which development of agriculture shall be followed up by the joint project in Mandi District. German financial contribution for this training and demonstration centre is placed at Rs. 80 lakhs over a period of five years.

FOREIGN COLLABORATIONS

Out of the 402 technical and financial foreign collaboration agreements approved by the Government of India in 1961, majority capital participation has been agreed to in 14 cases. The industries for the manufacture of which majority capital participation has been allowed are gaskets, coal washeries, tyre tube valves, capacitors, industrial refrigeration machinery, ball bearing, paper machinery, contraceptives, automobile electrical equipment, single spindle automatic lathes, calcium Benoyl PAS, Calcium PAS, Sodium PAS, Dithane Fungicides, and Plasticisers, and Automobile wheels.

In addition, the Government of India have received two proposals for majority foreign capital. (1) Proposal from Messrs. Fibre Glass Pilkington Ltd., Bombay for manufacture of Glass Wool, Glass Textiles and Staple Tissues in collaboration with Messrs. Owens-Corning Fiberglass Corporation, Ohio, U.S.A. and Messrs. Fiberglass Ltd., U.K. with a little over 51 per cent foreign capital participation; (2) Proposal from Messrs. Prentice Hall Inc., U.S.A., for establishing an organisation for publishing scientific, technical and other standard books with 51 per cent foreign capital participation. Both the proposals are under consideration.

IN BRIEF....

The Government of India have appointed Messrs. M.N. Dastur and Co., Consulting Engineers, Calcutta, as consultants for the planning and development of the iron and steel industry, including ferro-alloy industry. Under the agreement, to be valid for a period of six years, the consultants will give the Government the benefit of their experience and advice on matters relating to co-ordination of the development of the iron and steel industry, with a view to securing economical installation, costs and high efficiency of production.

•

A high-powered Commission will be appointed by the Union Labour Ministry to go into the question of labour management relation and law and order situation in coal mines if the conditions do not improve in six months from now. This decision was announced by Mr. Gulzari Lal Nanda, Union Minister for Planning, Labour and Employment, at a tripartite meeting on coal mining in New Delhi.

•

The Government of India and three international organisations—UNICEF, WHO and FAO—have entered into an agreement for a 3-year expanded nutrition programme in Uttar Pradesh, which aims at increasing the production of nutritionally valuable foods such as fruit, vegetables, milk, eggs and fish, and includes free feeding programmes for school children and nursing or pregnant mothers. The operation area, in the eastern Uttar Pradesh districts of Basti and Gorakhpur will extend over 800 villages and cover a total population of 600,000.

•

The Government is considering legislative measures to restrict cash-crop cultivation in the country. Mr. S. K. Patil pointed out recently that more and more farmers had been taking to cash crops as these crops yielded better returns. Mr. Patil agreed that any further increase in cash-crop cultivation would be at the expense of food crops and should be checked. The Government of India was therefore considering some kind of legislation to regulate the pattern of agricultural production in the country. For this purpose, the country's requirements in respect of various cash crops and food crops had first to be determined, it was difficult and complex task, and would take some time, he added.

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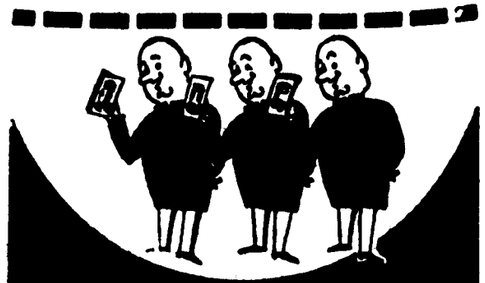
Five Units licensed to manufacture thermal reclaimed rubber are:

Name of the Units	Annual licensed capacity
1. Messrs. Rubber Reclaiming Co. of India Ltd., Ballabgarh (Punjab)	1,920 tons
2. Messrs. Indian Rubber Regenerating Co., Bombay	4,800 tons
3. Messrs. Ellargi Products Tiruppur, near Coimbatore, Madras	600 tons
4. Messrs. Chinubhai Manibhai, Ahmedabad	5,400 tons
5. Messrs. Jatia Cotton Mills, Calcutta ..	2,400 tons

None of them have yet gone into production.

•

The project for the manufacture of Phosphorus in the Public Sector has been deferred for the time being due to the non-availability of adequate power to accomodate this project in the Third Five-Year Plan, and because the economic aspects of the project do not appear to be quite attractive for the present.


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COMPANY AFFAIRS

PUNJAB NATIONAL BANK

The Punjab National Bank Ltd. has made considerable progress during the year ended 31st December, 1961. Deposits, gross income, net profit and liquidity ratio increased while borrowings declined substantially.

The increase in the balance-sheet totals from Rs. 191.52 crores at the end of 1960 to Rs. 205.12 crores at the end of 1961 reflects an all-round growth of the institution. The gross earnings of the Bank also increased considerably from Rs. 8.71 crores to Rs. 9.16 crores. There was a distinct improvement in profits. Profits after tax increased sharply by 82 per cent from Rs. 65.04 lakhs to Rs. 118.40 lakhs. Out of the profits of Rs. 122.63 lakhs including Rs. 4.23 lakhs brought-forward (after making necessary provision for contingencies and contributing Rs. 12.28 lakhs to Employees' Gratuity Fund Trust) a sum of Rs. 12.50 lakhs has already been utilised for the payment of ad-interim dividend at Re. 1 per share subject to tax, leaving a balance of Rs. 110.13 lakhs for appropriation. Transfer to Reserve Fund has been stepped up substantially from only Rs. 11 lakhs in 1960 to Rs. 45 lakhs in 1961 making a total of Rs. 210.94 lakhs at the end of the year which is more than the paid-up capital in spite of an increase of Rs. 75 lakhs in capital during the year. Provision for bonus to staff has also been increased substantially from Rs. 27 lakhs in 1960 to Rs. 37.50 lakhs in 1961.

In September, 1961 the ordinary issued capital of the Bank was increased from Rs. 1.25 crores to Rs. 2 crores by a further issue of 7,50,000 ordinary shares of Rs. 10 each at a premium of Re. 1 per share. The Directors have recommended a final dividend of Re. 1 per share subject to tax on old shares as well as pro-rata dividend on new shares, making a total of 20 per cent subject to tax on increased capital, same as last year. This will absorb Rs. 16.25 lakhs. A sum of Rs. 1 lakh has been provided for charity, leaving a balance of Rs. 10,38 lakhs to be carried forward to the next year's accounts against Rs. 4.23 lakhs brought forward.

Total deposits of the bank increased considerably by Rs. 11.20 crores and at the end of the year stood at Rs. 150.68 crores. While borrowings were reduced sharply from Rs. 4.74 crores at the end of 1960 to only Rs. 33 lakhs at the end of 1961, cash balances at Rs. 23.69 crores at the end of 1961 were almost double of 1960, improving liquidity position. The Bank has now 429 offices.

BANK OF RAJASTHAN

The Bank of Rajasthan Limited, established in 1943, happens to be the first joint stock bank of Rajasthan and during these years it has developed into a big financial organisation and has as many as 39 branches. The Chairman of the Bank at the annual general meeting recently pointed out that the mobile branch of the Bank started in 1960 was doing well and this is perhaps the first successful experiment of its kind in the country. It may be pointed out that when the bank was established there were only 5 branches of the Indian commercial banks in four cities of the Rajasthan State and now this bank alone had 34 branches within the State by December 31, 1961. In a way the bank has filled an important gap.

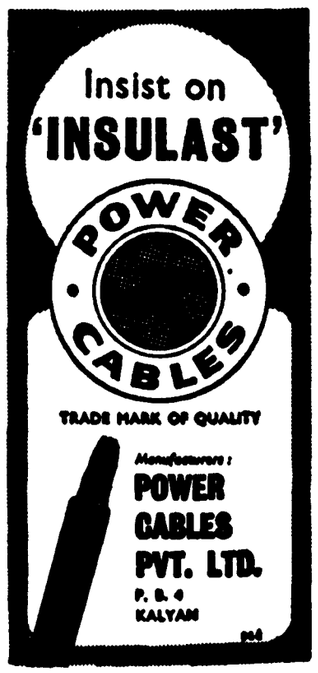
The deposits of the bank by the end of the year were around Rs. 6.24 crores which show a rise of nearly 16 per cent over the previous year. Advances were around Rs. 2.6 crores. The ratio of the liquid assets to total liabilities, which is considered the liquidity of the bank, is about 63 per cent which is very high as compared to the Indian scheduled banks ratio of 49 per cent. Net profit of the bank for the year was Rs. 3.59 lakhs. A sum of Rs. 52,336 was transferred to the General Reserve Fund, Rs. 87,000 towards provision for income tax and Rs. 49,345 towards bonus to staff. The Directors have recommended the payment of a dividend at the rate of 10 per cent which will absorb Rs. 92,410.

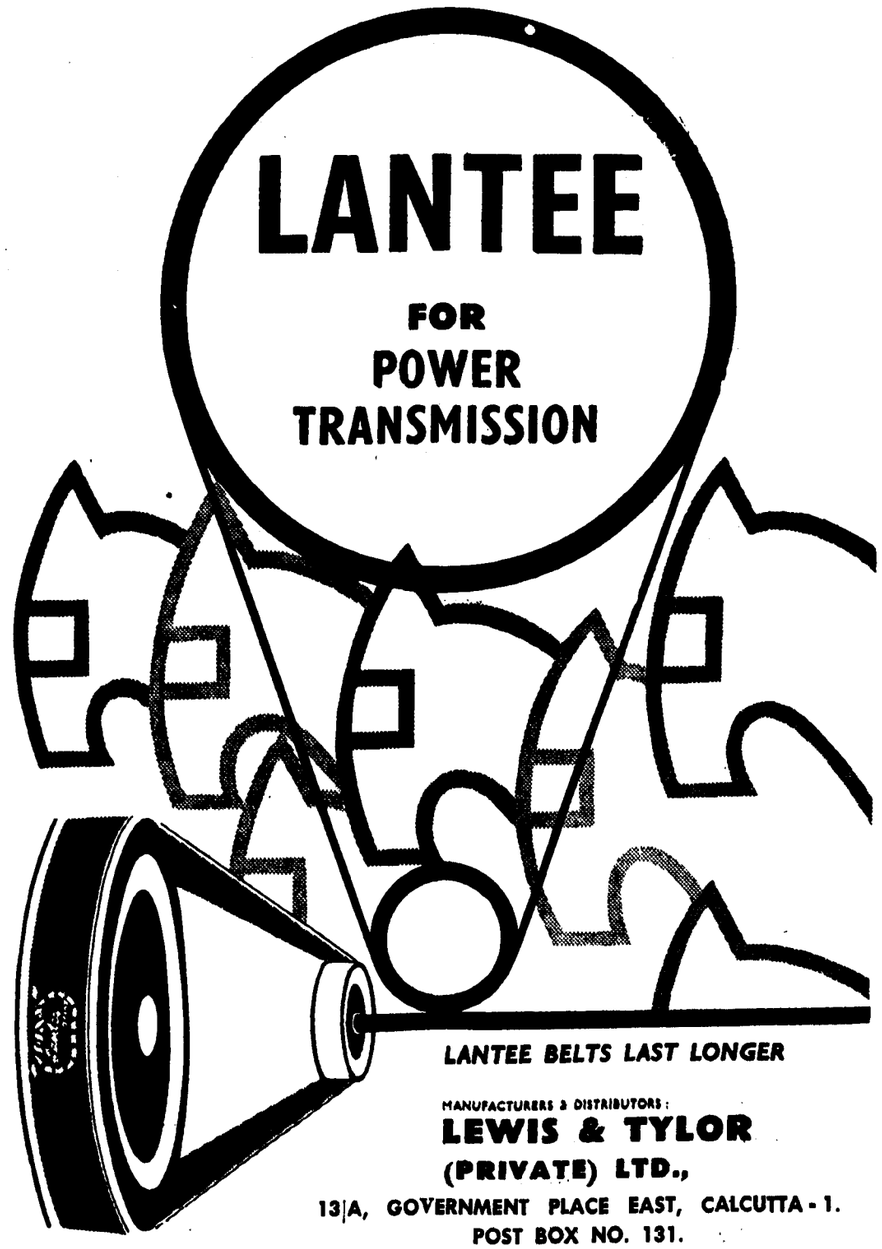
ASPINWALL & COMPANY

The trading profits of Aspinwall & Company Limited for the year to December 31, 1961, after providing for depreciation and income-tax amounted to Rs. 3.49 lakhs as compared to Rs. 3.21 lakhs during the previous year. After deduction of the preference dividend at the rate of 6.66 per cent and after the transfer to Development Rebate Reserve of a sum of Rs. 7,746, the Directors propose the payment of a dividend at the rate of 9 per cent on ordinary shares of Rs. 10 each. This will absorb Rs. 3.23 lakhs. A sum of Rs. 1.87 lakhs included in the capital reserve in the previous year was transferred to general reserve. There was towards the end of the year a sum of Rs. 2.37 lakhs for dividend equalisation reserve.

STANDARD ENGINEERING

Consent was received recently by New Standard Engineering Company Limited from the Controller of Capital Issues, for issue of 25,000 Equity Shares of Rs. 100 each for cash at a premium of Rs. 20 per share. The consent order also stipulates that the premium shall be collected in full with the first instalment and the shares shall be called up in full within the period of validity of the consent. The Company had applied for issue of rights at part in the proportion of one equity share for two equity shares held in connection with its expansion programme and establishment of a large modern foundry with a capacity of 15,000 tons per annum on its recently acquired site at Goregaon.





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U.S. Aid to India

(From June 1951 to May 4, 1962)

Source of Aid	Dollars (Million)	Rupee equivalent (Crores)	Source of Aid	Dollars (Million)	Rupee equivalent (Crores)
1. U.S. Agency for International Development Mission's Technical Co-operation Programme:			5. Public Law 480, Title II (grants) (not repayable)	5.2	2.5
(a) Developmental grants (not repayable)	351.6	167.4	6. Public Law 480, Title III (Agricultural commodities donated through voluntary agencies) (not repayable)	143.7	68.4
(b) Loans (repayable in rupees or dollars)	156.1	74.3	7. Emergency Flood & Famine Relief grants (not repayable) ..	5.5	2.6
2. U.S. Agency for International Development: Developmental Loans (repayable in dollars)	363.8	173.2	8. Export-Import Bank loans (repayable in dollars)	246.9	117.6
3. U.S. Development Loan Fund credits (repayable in rupees) ..	513.4	244.5	9. Wheat Loan of 1951 (repayable in dollars)	189.7	90.3
4. Public Law 480, Title I (grants & loans repayable in rupees) ..	2,348.4	1,118.3	TOTAL	4,324.3	2,059.2

LOANS FROM U.S. EXPORT-IMPORT BANK

Name	Amount	Date Authorised
1. Sundatta Cotton Seed Utilisation Ltd.	$ 60,000	March 29, 1957.
2. National Rayon Corporation	$ 1,800,000	October 4, 1957.
3. First Line of Credit to Government of India ..	$ 150,000,000	February 27, 1958
4. Hindustan Aluminium Ltd. ..	$ 13,650,000	January 1960
5. Air India International (First Loan)	$ 4,100,000	September 8, 1960.
6. Second Line of Credit to Government of India ..	$ 50,000,000	December 23, 1960.
7. Orient Paper Mills, Ltd.	$ 18,500,000	January 6, 1961.
8. Air India International (Second Loan)	$ 8,100,000	June 19, 1961.
9. East India Hotels Ltd.	$ 717,000	July 27, 1961.
TOTAL	$ 246,927,000	

Note: Loans given by the U.S. Export-Import Bank are repayable in dollars.

DEVELOPMENT LOANS TO INDIA

(From U.S. Agency for International Development)

Date of Announcement	Project	Dollars (Million)	Rupee Equivalent (Crores)
1. February 28, 1962	General Non-Project Loan for maintenance imports ..	100.0	47.6
2. February 28, 1962	Cambay Thermal Power Station	33.6	16.0
3. February 28, 1962	Premier Automobiles, Ltd.	3.0	1.4
4. March 8, 1962	Railway Modernization	35.0	16.7
5. March 30, 1962	General Non-Project loan (second loan) for maintenance imports	100.0	47.6
6. March 30, 1962	Industrial Finance Corporation	20.0	9.5
7. April 11, 1962	Pamba-Kakki (Sabarigiri) Hydroelectric Project ..	20.2	9.6
8. April 16, 1962	Delhi Cloth Mills Ltd.	9.8	4.7
9. April 20, 1962	Bandel Thermal Power Project	38.0	18.1
10. April 20, 1962	Hindustan Steel Ltd. (for Patherdih Coal Washery) ..	4.2	2.0
	TOTAL	363.8	173.2

Note: These loans are repayable in dollars and they carry an interest of only three quarters of one per cent.

Source: U.S.I.S.

LOANS FROM U.S. DEVELOPMENT LOAN FUND

Date of Announcement	Project	Amount $ Million	Interest Per Annum
1. June 23, 1958	First railway loan	30.0	3½%
2. June 23, 1958	For private enterprises (Road transportation: $25 million, Cement industry: $5 million, Jute industry: $5 million)	35.0	5½%
3. December 24, 1958	Second railway loan	35.0	3½%
4. December 24, 1958	Steel import for public sector (first loan)	18.0	3½%
5. December 24, 1958	Steel imports for private sector	22.0	5½%
6. December 24, 1958	Equipment for Power Projects	10.0	3½%
7. December 24, 1958	Capital equipment for private industries (first loan) ..	15.0	5½%
8. July 27, 1959	Steel imports for private and public sector projects (second loan)	20.0	5½%
9. June 30, 1959	Sharavathi Hydro-Electric Project (first stage) ..	8.4	3½%
10. June 30, 1960	Ahmedabad Electricity Co.	3.9	3½%
11. June 30, 1960	Barauni Thermal Power Project	3.8	3½%
12. June 30, 1960	Chandrapura Thermal Power Project	30.0	3½%
13. June 30, 1960	Durgapur Thermal Power Project	20.0	3½%
14. June 30, 1960	Road Transport Components	13.1	5½%
15. December 5, 1960	Kanpur Thermal Power Project	1.6	3½%
16. December 5, 1960	Barapani Hydro-Electric Power Project	2.5	3½%
17. December 5, 1960	Third railway loan	50.0	3½%
18. December 5, 1960	Capital equipment for private industries (second loan)	25.0	5½%
19. December 5, 1960	Steel imports for private and public sector projects (third loan)	25.0	5½%
20. December 7, 1960	Industrial Finance Corporation	10.0	5%
21. December 29, 1960	Trombay Fertilizer Plant	30.0	5½%
22. March 23, 1961	Industrial Credit & Investment Corporation of India ..	5.0	5%
23. April 10, 1961	National Small Industries Corporation	10.0	5%
24. August 21, 1961	Premier Automobiles, Ltd.	7.2	5½%
25. August 16, 1961	Talcher Thermal Power Project	33.0	3½%
26. August 16, 1961	Birsinghpur (Amlai) Thermal Power Project	8.4	3½%
27. August 16, 1961	Sharavathi Hydro-Electric Power Project (second stage)	21.5	3½%
28. October 26, 1961	Import of non-ferrous metals	20.0	3½%
	TOTAL	513.4	..

Note: All loans given by USDLF are repayable in rupees.

Source: U.S.I.S.

LOANS FROM U.S. PL-480 SALE PROCEEDS

(Rs. crores)

Project	Amount
I. Loan Agreements	
1. Refinance Corporation ..	Rs. 26.2
2. River Valley Development (Chambal, Hirakud, Damodar Valley, Mahi Right Bank Canal, Kakrapar, Nagarjunasagar, Kosi, Bhadra, Tungabhadra, Mahanadi Delta Irrigation, Kundah and Koyna Projects) ..	Rs. 124.1
3. Sharavathi Hydro-electric Project (First Stage) ..	Rs. 7.0
4. Industrial Credit and Investment Corporation of India ..	Rs. 10.0
5. Industrial Finance Corporation ..	Rs. 10.0
6. Chandrapura Thermal Power Project ..	Rs. 20.5
7. Barauni Thermal Power Project ..	Rs. 1.3
8. Durgapur Thermal Power Project ..	Rs. 3.4
9. Kanpur Thermal Power Project ..	Rs. 1.0
10. Barapani Hyro-electric Power Project..	Rs. 6.4
11. Trombay Fertilizer Plant ..	Rs. 13.4
Total of loan agreements ..	**Rs. 223.3**
II. Commitments	
1. Talcher Thermal Power Project ..	Rs. 8.5
2. Birsinghpur (Amlai) Thermal Power Project ..	Rs. 6.6
3. Sharavathi Hydro-electric Project Second Stage ..	Rs. 17.2
4. Cambay Thermal Power Station ..	Rs. 9.0
5. Pamba-Kakki (Sabarigiri) Hydro-electric Project ..	Rs. 15.3
6. Bandel Thermal Power Project ..	Rs. 7.7
Total of Commitments ..	**Rs. 64.3**
Total of Loan Agreements and Commitments ..	**Rs. 287.6**

GRANTS FROM U.S. P.L. 480 SALE PROCEEDS

(Rs. Crores)

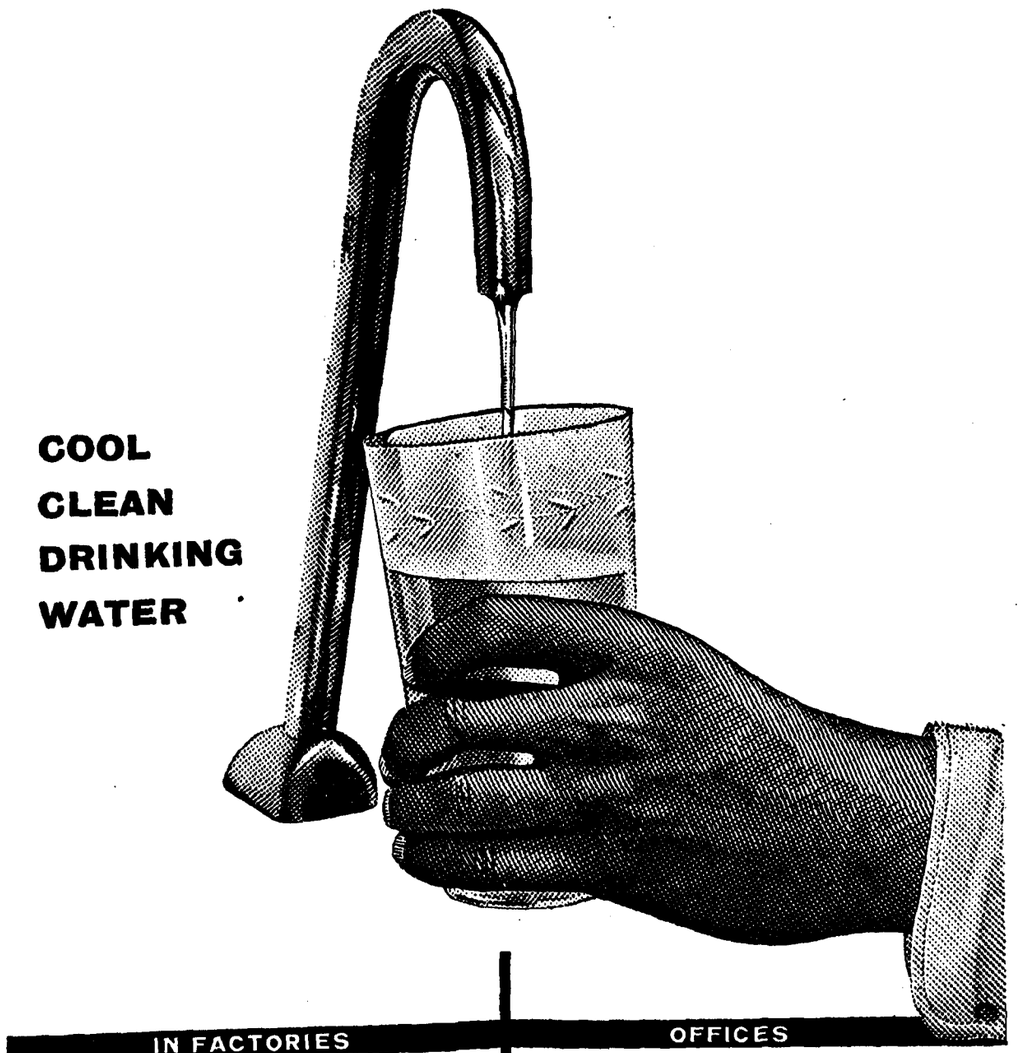
Project	Amount
Agreements concluded	
1. River Valley Development (Chambal, Hirakud, Damodar Valley, Mahi Right Bank Canal, Kakrapar, Nagarjunasagar, Kosi, Bhadra, Tungabhadra, Mahanadi Delta Irrigation, Kundah and Koyna Projects) ..	Rs. 5.9
2. Malaria Eradication ..	Rs. 16.0
3. Indian Institute of Technology, Kanpur ..	Rs. 0.5
4. U.P. Agricultural University ..	Rs. 1.0
5. All India Institute of Medical Sciences, New Delhi ..	Rs. 2.9
6. Indian Investment Centre ..	Rs. 0.2
7. Dairy Development ..	Rs. 3.6
8. Soil and Water Conservation ..	Rs. 2.0
9. National Highways ..	Rs. 20.0
10. Exploration of Groundwater Resources	Rs. 0.8
11. Craftsmen Training ..	Rs. 1.0
12. Modern Storage of Foodgrains ..	Rs. 10.3
13. Higher Technical Education ..	Rs. 2.0
**Total .. **	**Rs. 66.2**

LOANS FROM COOLEY FUND

(Rs. Crores)

Firm	Amount
1. Otis Elevator of India Ltd. ..	Rs. 0.10
2. Goodyear Tyre & Rubber Co. of India Ltd ..	Rs. 2.25
3. Mysore Cements Ltd. (Ms. Sarangapani Mudaliar/Kaiser Inc.) ..	Rs. 0.55
4. Hindustan Aluminium, Ltd. (Ms. Birla/Kaiser Inc.) ..	Rs. 1.00
5. Synthetics & Chemicals, Ltd. (Ms. Kilachand/Firestone Inc.) ..	Rs. 3.92
6. Merck, Sharpe & Dohme Private Ltd ..	Rs. 0.50
7. Ex-Cell-O (India) Pvt. Ltd. (Ms. Amerind Engineering Co./Ex-Cell-O Inc.) ..	Rs. 0.20
8. Premier Tyres Ltd. (Joint enterprise with Dayton Rubber Co. Inc.) ..	Rs. 0.30
9. Seshasayee Paper & Board Ltd. (Ms. Seshasayee/Parsons & Whittemore Inc.)	Rs. 2.00
10. Lederle Laboratories (India) Pvt. Ltd ..	Rs. 0.25
11. Gabriel India Private Ltd. (Ms. D. C. Anand/Gabriel of Detroit) ..	Rs. 0.05
12. Carrier Air Conditioning & Refrigeration Pvt. Ltd. (Ms. Voltas/Carrier Air Conditioning Inc.) ..	Rs. 0.38
13. Madras Rubber Factory Ltd., (Factory is being set up in collaboration with Mansfield Rubber Co. of Ohio) ..	Rs. 0.25
14. East India Hotels Ltd. (Ms. Oberoi/ Intercontinental Hotel Corporation Inc.)	Rs. 0.76
15. Wyeth Laboratories, Pvt. Ltd. American Home Products Corporation) ..	Rs. 0.17
**Total .. **	**Rs. 12.68**

Source: U.S.I.S.



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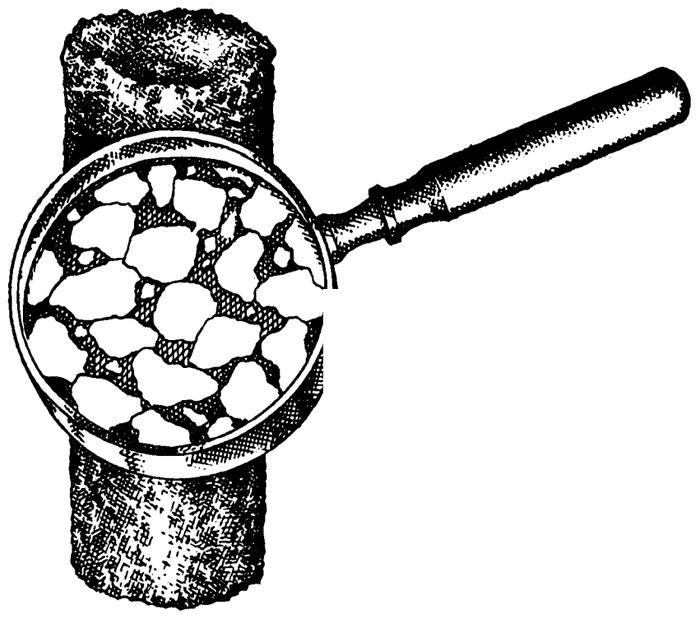
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31 MAY 1962
PUBLIC DEPARTMENT

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OIL'S LIVING ROOM

The hiding places of crude oil are certain types of rock buried deep in the earth. The oil occurs in the tiny spaces between grains of sand in sandstone rocks or little cracks in limestone. Often these spaces account for about one-fifth of the total volume of the solid-looking rock. (You can check this for yourself by filling a glass with dry sand and then seeing how much water can be poured in from another glass before it overflows).

Since the oil is dispersed in these rock-spaces, the "pool" of oil you sometimes hear mentioned is nothing like a lake or river. And however it may have collected in the first place it is not moving at all now

The explorer looks for places where oil might have collected in an underground trap of rocks. Different methods of exploration are used, and all are based on knowledge of the way oil occurred, migrated and accumulated in the earth millions of years ago.

B.O.C.

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THE EASTERN ECONOMIST

MAY 25, 1962.

Public Sector Steel

THE debate on the demands of the Ministry of Steel and Heavy Industries for grants was remarkably lively and refreshing for the very obvious reason that the members of the popular House were unsparing in their criticism of the major failures of the public sector of the steel industry. These failures were to be reckoned in terms of physical performance as well as organizational capacity and efficiency. And on both the counts the debits were heavy. But what made the debate particularly refreshing and took away the sting from the criticism was the frankness with which Mr. C. Subramaniam admitted most of the charges against his Ministry and indicated the main directions in which he proposed to infuse vigour and dynamism in the working of the State plants. If the loud thinking, which he has done on their revitalisation during the brief span since he took over this portfolio, is translated into executive action, the steel industry will acquire the tempo of acceleration it has lost. The public sector of the steel industry will now be on trial, not on probation, since the question of an alternative to it does not arise. The pace of growth in this basic industry will be determined primarily by the behaviour of the State-owned sector. It faces a challenge which may produce far-reaching repercussions practically on the entire economy.

What has caused not a little concern is the worsening disequilibrium between the demand for steel, under the continuously rising pressure of the expansion programmes, and the domestic output, which at one time was apprehended to have been planned on an ambitious scale. That this disequilibrium should persist in spite of the heavy investment outlays (inflated by revised estimates of costs) on the three State-owned plants is a sad commentary on the capacity of the State for implementing key plans. It is not a matter of opinion, but of harsh facts on record, that the shortfall in production below the target has occurred on a serious scale. But the real bottleneck threatens to emerge as the expansion programmes of steel-consuming projects get under way during the later part of the Third Plan period. The programmes have been approved on the assumption that the installed capacity of 10 million tons for the steel industry at the end of the current plan will satisfy their requirements and their fate will not hang on the vagaries of foreign exchange for procurement from overseas. That assumption cannot now hold good and the Minister for Steel has made the candid but depressing admission that the economy must wait for another two years before the target could be attained.

This central failure of the public sector of the Steel industry (since all expansion now is a function and responsibility of this sector) provoked a searching post-mortem on the shortcomings in the performance of the State plants. Bhilai, of course, has acquitted itself of its charge and the consensus of technical as well as non-technical opinion is to give it a certificate of reassuring progress according to schedule. Durgapur certainly could have done better, nevertheless, it is now happily free from stagnation and it has stabilised confidence by the gradual rise in its output as well as expansion programme. Rourkela has invited the brunt of the criticism to an extent that Mr. Subramaniam expounded its problems and difficulties as those of a "sick child". In retrospect, it appears ironical that Rourkela, based on German collaboration, which was the first in the public sector and one which broke the stiff barriers against the entry of the State in the steel industry, should have suffered such serious loss of vitality. Lack of an imaginative labour policy, but more specifically a pathetic failure in adopting a human approach in personnel relations, is responsible for the prevailing mood of frustration and indifference on the part of the working force that cannot be missed. On the more important mechanical side, technical defects have assumed large dimensions, in the past year the recurrence of breakdowns has been at the average rate of 2 per month and co-ordination is woefully absent.

Rourkela's weaknesses have forced an initial enquiry into the organizational set-up not so much at the plant level as at the higher level of the Hindustan Steel Corporation. The Germans have tendered their report just recently and the Minister strongly hopes that it will show the way for the eradication of the persistent handicaps and functional disabilities. What precious little has percolated from this report also confirms the state of virtual helplessness which has seized the Hindustan Steel. It has lost the capacity to function for direction from the top in relation to the plants at the base and by reason of its evasive attitude to take responsibility, caused probably by a presumption of close control resting in the hands of the Ministry, it has reduced itself to an intermediate, bureaucratic medium of communication. Its initiative and courage to make decisions are rapidly fading out. To stop this rot, Mr. Subramaniam has promised a radical rehaul in responsibility by means of delegation of authority at the plant level. Rational freedom to take the risks of *bona fide* mistakes and a large share of responsibility for technical talent (which brings youth in the picture) is his prescription for the present malady.

It was inevitable that Bokaro should get its appropriate share of attention. American collaboration has come forward for participation in this enterprise, but twelve valuable months have been lost already. From insistence on private sector set-up to participation in co-operation with the State has been a vital, though time-consuming, change in the American attitude. Where a large stake is involved (not merely in terms of invest-

ment but in terms of operational facilities as disclosed by Rourkela), an independent techno-economic survey of the project by the Americans is in no sense exceptionable. This is conceded by the Government. It is then questionable whether the Minister for Steel observed the limit of diplomatic propriety in making the heroic declaration that we shall have a steel plant at Bokaro with or without American aid, when the prospect of that aid is promising. No aid-giver has claimed indispensability.

Mr. Subramaniam has shown a quick and intelligent grasp of the problems posed for him by the steel challenge and his diagnosis of the present ailment of the public sector of the industry is correct. He has followed it up by a prescription of remedies in very broad terms. They will need more careful study before an elaborate scheme for organisational reform is prepared. But of final importance is the relentless pursuit of the remedies to make internal autonomy for the plants a genuine success.

Resolving the Coal Crisis

MR. K. D. MALAVIYA was expected to announce a crash programme for resolving the current coal crisis in the country, but his speech in the Lok Sabha last week, in reply to the debate on the demands for grants for his Ministry, falls deplorably short of expectation. At best his statement may be considered as somewhat encouraging only as a preliminary expression of his views on the issue; it gives an indication that the coal problem in future will be dealt with in a more realistic manner than hitherto.

The current coal crisis has three aspects, but Mr. Malaviya has preferred to touch upon only two of these, namely, stepping up of output and accelerating the movement from the collieries to the consuming centres. Reference to the third dimension of the problem—reduction in the ash content of coal—figures only nominally and that too in an oblique manner. Presumably, this aspect will receive greater attention as Mr. Malaviya acquaints himself with all the intricacies of the problem.

It is heartening that, unlike his predecessor Sardar Swaran Singh, Mr. Malaviya has recognised the need for allowing an increase in coal prices in the interest of stepping up production, which, according to the contemplated revised target, is required to go up from the current level of about 59 million tons to 104 million tons by the end of 1965-66. The task is herculean indeed and it will be nothing short of a miracle if it could be achieved by just allowing a marginal increase in prices and that too in the case of high quality coals only. Linking of price increase with reduction in the ash content is a rational formula, but the industry has been clamouring for a general raising of coal prices by about Rs. 3.40 per ton. That by no means is a marginal increase over the current prices.

If the industry has to be enthused to put in its best, the increase in prices has to be reasonable and commensurate with the increased cost of raising coal, which has come about in the recent past as a sequel to various factors, not excluding labour charges. An increase to the tune of about Rs. 2.25 per ton would not raise the fuel costs of the industrial consumers to any appreciable extent, especially when they have an assured market at home for their products. For the other consumers also, slightly costlier coal will not be a great burden; they have been paying exorbitant prices for securing adequate quantities to meet their requirements during the past two years in which the coal crisis has been with us.

But more important than the increase in coal prices is meeting the industry's demands for power, explosives, spare parts and other essentials of production. How far the Minister will be able to fulfil his promise to meet these requirements adequately, in view of the precarious foreign exchange position, only time will testify. Expeditious allocations, followed by early disbursements of the World Bank loans to the private sector of the industry assumes great significance. It is to be trusted that the Ministry will bestow urgent thought on it. Incidentally, elimination of uneconomic mines should help in putting the house of the private sector in order. But this should be done, by and large, through amalgamation of the weaker units, as emphasized by Mr. Malaviya in a talk with pressmen at Calcutta, rather than by exposing them to the struggle for existence where their fate is clear. The latter course would make realisation of the target of the Third Plan more difficult. The understanding that is reported to have been reached between the Union Government and the Government of West Bengal in regard to the controversy that has raged in the recent past over the licensing of new mining leases to the National Coal Development Corporation should also augur well for the attainment of the target.

Mr. Malaviya's plans to co-ordinate the movement of coal by rail, road and water transport are attractive in appearance. A programme of moving 3.5 million tons a year by 1965-66 by inland waterways is, however, ambitious. The implications of this decision, especially the cost of moving coal by country boats, also needs a full and objective examination. Implementation of the plans to develop road transport and the capacity of the railways to move coal obviously have to be accelerated, for they are well prepared. To neglect them on the strength of a hypothetical programme of moving coal by inland transport, which must take time to materialise to the extent it is feasible, may create bottlenecks in distribution and shortages at several consuming ends.

The coal movement programme outlined by the Minister can relieve fuel shortages over the long run. He would do well to consider the proposition of importing high quality coal from the rupee payment countries, especially to meet the requirements of the export industries in South and West India. A summary dismissal of this suggestion may prove a costly mistake later. As pointed out earlier in these columns, this injection appears to be necessary and prudent if the health of the economy is to be recouped. A switch-over to furnace oil by the industries in West and South India has been sought to be facilitated by Mr. Morarji Desai, by grant of permission for its greater imports and payment of a subsidy to the railways for moving it from the ports to the consumption centres at cheap rates. Why should there be an aversion to emergency imports of high grade coal from the rupee payment countries, which would serve a similar purpose?

Guest Editorial

Common Market Gets Down to Brass Tacks

By PAUL BAREAU, Editor, "The Statist"

THE real negotiations for the admission of Great Britain to the Common Market have now begun. Until the recent visit of Mr. Edward Heath and Mr. Duncan Sandys to Brussels, generalities had held the stage. Officials had admittedly gone into some detail in studying the economic difficulties that would have to be surmounted if Britain's three reservations — the Commonwealth, British agriculture and the other members of the European Free Trade Association — were to be satisfactorily protected. But the recent meeting was the first one at which the ministers themselves grasped these nettles.

Very little progress appears to have been made. The British delegation made some specific proposals bearing in the main on the reconciliation of the Commonwealth trade links with membership of the European Economic Community. They were not well received, the exercise was sent back to the officials and the ministers will meet again at the end of May.

Ostensibly the economic issues hold the attention and among these the most difficult seems to be the Commonwealth problem. The British delegation has suggested an eight-year period during which the preference now granted to Commonwealth produce in Britain would be gradually eliminated. It has also proposed that this elimination should be made subject to compensating outlets to Commonwealth goods being found in Europe. The British delegation also hinted at international agreements for stabilising certain basic commodity prices as the best way of dealing with the difficult problem of foodstuffs produced in the temperate dominions and likely, therefore, to come into direct competition with the heavily protected agriculture of the Common Market countries.

These proposals fell on somewhat stony ground in Brussels. The opposition to them was a mark of the economic unification of the Common Market. It has now been in effective operation for more than four years and, despite the inevitable teething troubles that are being experienced at this moment, there is no question but that the great venture launched with the Treaty of Rome is one from which there will be no retreat. A very significant proof of the crystallisation of the Common Market is the decision which has just been taken to make another 10 per cent cut in the tariffs on goods moving between Common Market countries. The first tariff cut was made on the 1st January, 1959. With the latest cut these tariffs will have been reduced by 50 per cent in little more than three years — proof, if any were needed, of the irresistible momentum that is now impelling the further unification of the European Economic Community.

Very rapid progress is being made with the proposed admission of Norway and Denmark, the two other EFTA countries which have applied for admission. This is in striking contrast to the resistance whch the British application is meeting. This contrast can be readily explained. Norway and Denmark can be readily swallowed by the E.E.C. without affecting its character. This is not true of Great Britain. The E.E.C. club is European. To use the phrase that Mr. Edward Heath has made familiar, it belongs to the "mainland." The character of the club would be changed if Great Britain with its worldwide interests, its links with the Commonwealth and its alleged special relations with the United States, were to become a member. That is what Dr. Adenauer meant when he said recently, that if the Common Market had too many members it might burst — and added that the one too many would be Britain. That remark may have been officially denied but it rings very true. That is also what General de Gaulle meant when he said in his recent press conference that "everyone knows that Britain, as a great State and as a nation true to herself, will never consent to her dissolution in some Utopian construction."

Germany and France are pursuing delaying tactics in opposition to Britain's entry in the Common Market, while the smaller members of the Community, Belgium and the Netherlands, are doing all they can to get Britain introduced. Here we come up against the main paradox of the Common Market discussions. The political shape which General de Gaulle wishes to give to Western Europe — a group of sovereign countries retaining their identity and not merged in a federation in what he describes as a 'Utopian construction' — is very close to what Britain wants. The federalists on the other hand, those who wish to see a European parliament wielding real legislative powers and a supra-national European Economic Community, are to be found mainly among the Belgians and the Dutch, that is among those who want to see Britain in the Community.

The Belgian Foreign Minister, M. Spaak, has recently resolved this paradox by admitting that his desire for a tight European Federation will not prevail since not only Britain but France are adamantly opposed to it. It is for this reason and because he does not wish a European community to be dominated by its major members, France and Germany, that he wants Britain to be admitted and even if not admitted immediately, to participate in the discussions that will determine the political shape of this Europe of the future. It is, therefore, on the political plane that the real difficulties barring the entry of Britain into the European mainland are to be found.

These divisions within the Six have confused a situation which is already tangled. The reports from Brussels suggest that the French and Belgian foreign ministers are no longer on speaking terms. M. Spaak seems to have given great offence to the French when, at the recent meeting in London of the Western European Union, the one institution in which the six countries of the Common Market are joined by Britain, he said, "We appear to get on much better when we meet as Seven than when we meet as Six." In these circumstances it is very difficult to share the optimism that was expressed by Mr. Edward Heath on the return from the discussions in Brussels. He seemed to imply that sufficient progress had been made in the negotiations for British admission to the Common Market by the end of July, to make it possible to put fairly cut and dried proposals to the Commonwealth ministers who are due to meet to discuss the problem in September. Some near miracles will have to happen over the next two months if that time-table is to be saved and the miracles will have to be all the greater given the fact that they involve matters of major political philosophy. The Common Market negotiations have indeed come down to brass tacks but the shining brass is now found to have a decidedly political gloss.

THE WEEK'S NOTES

U.S. Aid

SLASHING THE CUT

IT WAS a snap vote in the Senate Foreign Relations Committee which was responsible for applying a drastic cut of 25 per cent to the appropriations of aid asked for by President Kennedy for India in the next fiscal year. President Kennedy and the Administration immediately expressed their confidence that the cut would not stay and an assurance to this effect was conveyed to the Government of India. One likelihood hinted at in the post-cut discussion in America was that the cut would be reconsidered and withdrawn in the Senate Committee itself. This has come to pass and the Committee has slashed the original cut, nevertheless maintaining it at 10 per cent and putting a ceiling on the aid for the next fiscal year equivalent to the amount granted for the current year.

The slash which the Committee applied in revision is welcome for the reason that the reduction in the originally proposed aid will not have much serious effect on India's resources position. But there are certain unsavoury aspects of the cut which are attributable to the spirit in which the cut motion was moved by Senator Symington and supported by those of like-thinking. It is not the convention of the two Committees to refer to any specific country in moving cuts in the Foreign Economic Aid Bill. India's defence expenditure which was one of the main reasons behind the original cut has been dropped, but the political reasons stand to explain the retention of the 10 per cent cut. Some may raise the point that Senator Dodd's strongly-worded expressions on the occasion of the second motion were hardly consistent with the spirit of tolerance of difference of opinion among friendly democracies. But the senator's approach is not the approach the President and the Administration.

Hong Kong

THE REFUGEE INVASION

IT IS now more than three weeks that an uninterrupted influx of refugees into Hong Kong began to pour from the neighbouring Kwangtung province of mainland China. It is not as if the border Communist guards could not stop it, if they were under instructions to take that course of action. But the continuous flow over a long period only confirms the absence of any such instructions. The refugees, who poured in from across the barbed wire fencing, are stricken with hunger, leaving no doubt about the great hardships caused by a terrible and widespread famine in Kwangtung. A Chinese official statement says that several hundreds of men and women are engaged in fighting the after-affects of the havoc wrought on numbers of villages by heavy river floods. Privations and a dim prospect of any relief coming in a substantial measure have forced the large-scale exodus. Between May 1 and 17, not less than 25,000 refugees are estimated to have sought shelter in this small colony whose capacity to accommodate at this rate would be easily strained to the breaking point. The colony's regular population has already reached the 3.35 million mark.

A real dilemma was posed before the Colonial Secretary in Hong Kong how to tackle this sudden influx. Wide publicity had to be withheld, on the one hand, lest Peking might take offence, while, on the other, there was a real danger that extending shelter under the pressure of the inflow would result in the admission of politically embarrassing elements. Nevertheless, the point was reached about May 17 to return the escapees and truckloads carrying them back were accepted on the Communist side. But many were refused repatriation. There may be something tricky here. On May 19 the British Charge d'Affaires in Peking called at the Chinese Foreign Ministry and apprised it of the problem posed before the colony by the refugee exodus from Kwangtung. It is amazing that the Foreign Ministry pleaded ignorance of this development extending over a fortnight in full swing. But it promised to look into the matter. Thereafter, however, the Hong Kong police are taking aid from the troops in rounding up the refugees and the artillery is kept ready as a standby as open clashes actually occurred. Above the border hills, helicopters are surveying refugees in their hide-outs in the jungle.

This first large-scale exodus during the Communist regime also speaks for the cracks appearing in the village communes and the fate of the peasants as well as factory workers sent there from overpopulated towns and cities. But the humanitarian aspect of the situation leading to the exodus can never be overlooked. Those suffering the privations of famine certainly deserve prompt relief and there can be no doubt that it will be provided generously by other countries. The main hurdle may arise from the ideological arrogance of the regime.

MIG-21's

ROUGH WEATHER?

A GOOD deal of surprise and anxiety have been caused in this country as well as abroad over the reported proposal and negotiations in pursuance of it, between the Governments of India and Russia, for the purchase by India of MIG-21's and their manufacture under licence here at a subsequent stage. One major point beyond dispute is that the Indian Air Force is grossly deficient in jet fighter aircraft capacity and the acquisition of at least two squadrons of these fighters is urgent for her to redress the imbalance in her defensive strength in the light of the warlike posture that Pakistan (armed with the free supply of F-104's by America) threatens to adopt. India's immediate need for preparation to meet and repel possible aggressive advances by China is too obvious. The question is which supersonic jet fighting aircraft India should acquire and whether the same type of fighters would be freely available for defence against Pakistan and China.

Until Saturday last it was taken for granted that the proposal was under negotiation. But Mr. Krishna Menon's cryptic statement on that day to a Press gathering at Indore provoked a resentful reaction. The Defence Minister pleaded that he came to know about the proposal for purchase from the Press. This denial has come as a surprise and it is being seriously questioned. It would appear that Mr. Menon was endeavouring to evade a positive statement in the public on a delicate issue. Maybe, he took shelter behind the fact that the talks at the present moment are of an exploratory nature and they have not reached the stage of negotiation.

This point of propriety apart, the root of the issue merits a searching re-examination. Mr. Krishna Menon's assertion that as a sovereign power we have the fullest freedom to buy any defence equipment from any source is unexceptionable in abstract theory. But political and military relations are so complex, intricate and sensitive in the international scale that the theoretical right to freedom ought to be tempered by reasonable discretion and a perspective self-enlightened outlook. America and Britain promptly expressed their feelings of deep concern to the Government of India over the projected purchase of the M.I.G's. Our traditional relationship with Britain in the defence organization and acquisition of defence equipment make Britain apprehensive that the supply of her "classified" equipment alongside the MIG's and the Russian technicians who will accompany them creates real risks of leakage of key secrets. America has made a free gift of F-104 supersonic jet fighters to Pakistan as her military ally, which is the undeniable cause that has forced India to take counter defensive measures of acquiring similar fighters. The explanation now seems to be forthcoming that Pakistan's superiority is exaggerated by India and America has supplied not more than one squadron of 12 aircraft to her. Pakistan is likely to feel chagrined at this disclosure. But to jump to the MIG's is highly questionable and its implications must be fully weighed from the long-term perspective. Their use against China is of seriously dubious practicability and their possession for use against Pakistan will disrupt our traditional source of supply. Finally, is it conceived that non-alignment can be stretched to the domain of defence equipment and we can buy from two opposite sources for defence against aggression from two countries in opposite camps? The negotiations (or whatever they may be termed) have been postponed for the present. Postponement gives time for sober second thoughts.

France

A PREMATURE ASSESSMENT

THE UNSUCCESSFUL attempt on the life of President de Gaulle the other day is proof positive, if proof in this matter was required at all, that the Algerian emergency is not yet over and it will not be over in the practical sense until the OAS is completely wiped out. This is by no means an easy task. The organisation has taken widespread roots in Algeria and its sympathizers among the rightist-minded elements in the French population at all levels—whether non-official or official —are by no means few in number. It would appear that a section of the army officials has its own view regarding the propriety and advisability of putting General Salan and his lieutenants on trial. President de Gaulle has been constrained to take firm action in the form of the dismissal of some army generals. This contingency would not have been forced upon him if sympathy for the OAS had dried out.

The cease-fire in Algeria is, of course, fully in operation and the FLN is acting with great restraint and is effectively curbing its followers in preventing them from indulging in retaliation. Nevertheless, reports continue to pour about violence and terror which the OAS continues to inflict upon the Algerian Muslim population. Between now and July 1, when the plebiscite in Algeria is due to be held, there are hardly five weeks left. It would be too much to presume that the OAS terrorism will be stamped out before that day and the plebiscite would be held in peace. It was the Algerian emergency which impelled all the parties in France to install President de Gaulle in power, when such installation quite plainly meant accepting an unbearable burden of office. That emergency continues to exist in a changed and modified form. But the fact remains that the element of emergency is there in the situation, which cannot by any stretch of reasoning be considered as having returned to normalcy.

In these circumstances, the resignations of M. Pflimlin and four of his MRP colleagues in the Cabinet was a most regrettable and misguided decision. It seems that the real cause of the resignation was not so much the difference of the outgoing Ministers with the President on the issue of European unity as the belief that normalcy had returned and therefore a normal Government after elections in the near future was the proper course to choose. The trade unions also have taken the same view and in their revised assessment they have seen no reason to continue the industrial truce. Strikes have also taken place in the wake of this decision of the trade union leadership. This is certainly not the time when elections can be held and normal conditions can be considered as having returned. The day-to-day events in Algeria and their echoes in Paris proclaim a contrary state of affairs. The assessment about the return of normal times is indisputably premature. All elements in France need to strengthen the hands of President de Gaulle at this juncture.

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The World Abroad

AFRICA'S DEVELOPMENT HEADACHES

By

ODYSSEUS

THE NEWLY ESTABLISHED Overseas Development Institute (160 Piccadilly, London. W-1.), under the direction of William Clark, is not letting the grass grow under its feet.

Among its many initiatives has been a high level Franco-British conference on planning and development in Africa, recently organised in co-operation with the French Institute of Applied Economics in London. Eight high level reports were presented to the conference: "African Industrialisation and Co-ordination of Investment Programmes," by Professor Francois Perroux, France's most distinguished living economist; "Theoretical and Practical Problems of Planning," by Jean Pierre Berard, of the economic research branch of the French Ministry of Co-operation; "National Accounting in Africa" by Miss Phyllis Deane of Cambridge University; "Afro-European Interdependence in Economic Development" by Professor Maurice Bye of Paris University; "Stabilisation Policies in African Countries" by Professor Alan Peacock and Douglas Dosser of Edinburgh University; "Long-term Forecasting of the Economic Development of African Countries" by Professor Alain Cotta of Caen University; "Criteria For Selecting Investment Projects in Transport Facilities in Africa" by Jacques Raimon of the French Ministry of Co-operation; and last, but far from least, "The Economic Impact of the Monetary and Commercial Institutional Structure of Africa" by Dr. Thomas Balogh of Oxford.

Although these reports were primarily concerned with the problems of Africa, all interested in planning in India would, I think, find it worth their while to apply to the Overseas Development Institute for copies.

AFRICA AND THE COMMON MARKET

It was inevitable that the effects on African countries of association and non-association with the European Economic Community should loom large in the discussions. To illustrate how much a matter of opinion the effects may, however, be, a pamphlet entitled "If Britain Joins — the Economic Effects of the Common Market," recently published (price 6sh.) by the Economist Intelligent Unit (5, Bury St., London. S.W.1.) says that the most likely solution of the relationship of the English-speaking African territories with the EEC will be that, despite the objections of Ghana and Nigeria, they will eventually become associated members of the EEC just like the ex-French colonies in Africa. This would mean joint agreements on the export of coffee, cocoa, oils, fats and fruits, which would discriminate sharply against produce from South America. But at the Overseas Development Institute conference, Dr. Balogh pointed out that, in judging the extent to which association with the EEC might (1) divert production and (2) influence world prices, it should be remembered that Africa, even including the English speaking area, is not as important a market for Germany as Latin America and some of the tropical areas of South-East Africa. Dr. Balogh therefore thought it difficult to assume that trade diversion, serious enough to cause severe losses to these areas, which are important to Germany and to Britain, would be allowed. Germany has already shown her desire to avoid trade diversion by taking advantage of the Rome Treaty's clauses which allow favourable customs quota to non-associated countries. Britain's entry into the EEC might multiply such instances. However (just to muddle the picture), it should not be forgotten that EEC members have, in the unanimity rule, means of preventing developments which they find contrary to their national interests. So what may happen must remain anyone's guess.

Dr. Balogh stressed that, in analysing the problems of associated EEC membership, two facts, which are increasingly important in the recent development of the world economy, are usually neglected.

The first is the speeding up of the technical revolution and its spread to agriculture. The second is the instability of primary product markets, which renders unrealistic simple comparisons of price changes and their effects on production. Simple technical improvements, such as pest and fungus control, and careful weeding and fertilising, can dramatically increase production in the short run. It follows that the variation by a relatively small margin of 8 to 10 per cent in the EEC's tariffs must be measured against the degree of the ability to adopt improved techniques in all areas or only in some areas. If all areas can adapt, the impact of the Common Market would not be offset. Even a small divergence, however, in social adaptability and political leadership would, by achieving great cuts in costs, far outweigh the effects of the Common Market tariff, as conventionally analysed in a static economy.

A prohibition of imports from outside the EEC area could seriously harm the associated territories. Dr. Balogh's view that such drastic action is not likely was supported by the French economists present. The EEC's philosophy is generally against direct controls and favours the much less drastic global controls acting through the price-mechanism. Thus, it is likely that technical progress, in individual areas, will dominate the price and relative export capacity of African countries.

ALL-AFRICAN COLLABORATION ESSENTIAL

On the other hand, the impact of this revolution in techniques on a relatively static consumer demand might be dramatic. Prices could fall sharply. It follows that collaboration between African countries is essential. These considerations nevertheless do not support measures to restrict production by which dynamic countries are asked to bear the brunt of sacrifice, if their dynamism were to change the supply position so much in their favour as to more than offset the unfavourable impact.

As for the second factor — price instability — Dr. Balogh points out that even after the establishment of marketing boards, which obviously reduce variations, both up and down, in supply, the range of price fluctuations has been much greater than the impact of preferences. He therefore, thinks it difficult to argue that the preferential system would have any serious impact. The overall uncertainties are much more important than the tariff levels.

A big step towards improving Africa's economies might be taken by creating a common market for semi-manufactures, because here the preferences are larger and the instability of markets less. The EEC tariff on cocoa semi-manufactures, for instance, is 22 to 30 per cent compared with 9 per cent on cocoa beans. On vegetable oils, simply processed metals, and cotton goods the tariffs are higher. Thus production of simple manufactures in associated countries might be stimulated.

African countries could, of course, negotiate bilateral agreements with non-EEC countries, which might so increase the non-EEC countries' demand for African products as to more than offset the depressing influence on world of the possible increase in production. If, for example, the USSR or China substantially increased their demand for cocoa, this would far outweigh the impact of the preferential treatment of the associated French area's cocoa production. It is obvious that, in a dynamic world, any increase in total demand for cocoa would also compensate for the effects of the Common Market.

The disadvantages of association with the EEC that follow from not being able to buy in the cheapest market can also be mitigated by bilateral agreements. While these might be held to be contrary to the letter of the Rome Treaty, both Germany and Italy have signed such bilateral agreements without challenge from their partners.

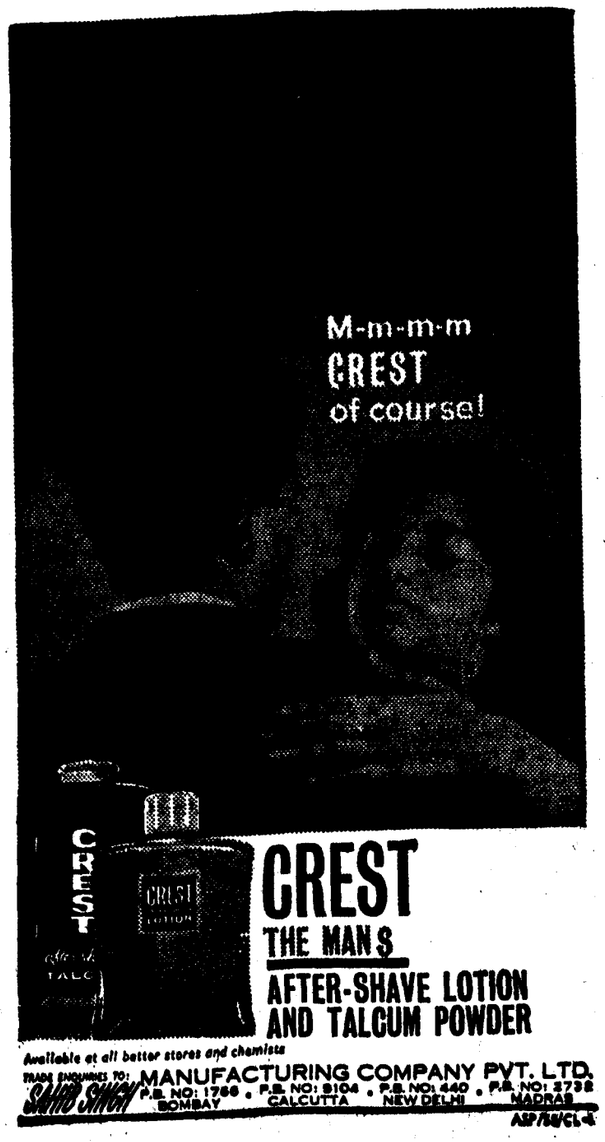
Dr. Balogh concludes that the setting up of the Common Market is not of over-riding importance in assessing the outlook for the export markets of primary products, either favourably for members, or unfavourably for non-members. The real question that, in his view, hesitating applicants for association need to ponder is the net impact of the EEC on their programmes of industrialisation. Africa today is to all intents and purposes not industrialised and it is unlikely that agricultural development alone can help its countries to an appreciably higher standard of living.

Although the French economists present at the Overseas Development Institute's conference assumed that the progressive industrialisation of Africa was a matter of course, Dr. Balogh was sceptical. He thought that the highly industrialised countries would tend to aid agriculture rather than industry in Africa. He readily conceded, however, that it was manifestly uneconomic for single African States to operate capital goods industries, such as steel and heavy mechanical and electrical engineering and chemicals, however, much the long run comparative advantage makes such development possible and necessary for African States grouped in regional associations.

Apart from the lack of technical knowledge and capital, the efforts of Africa's States to raise their living standards are impeded because their markets are insufficient to sustain large-scale industry. The very smallness of the size of each State and its lack of tribal, and geo-economic unity are even more decisive than the usual vicious circle of poverty.

The implication of this fact for their future is momentous. It brings out the overwhelming need for Africans to do all in their power to promote unity among themselves and close collaboration between their States.

We will consider these matters further next week.



The European Scene

LESS WORK, SAME PAY

From Our Special West European Correspondent

PARIS, May 20.

THE demand for a shorter working week is being added to, or in some cases is even replacing, the demand for higher wages in the claim-sheets of many West European trade unions. Following the lead of U.S. unions, some of which have presented truly extravagant propositions for a curtailment of working time, the European workers are informing their employers that they are at least as much interested in more leisure as in more money. On this side of the water, the move began in West Germany about five years ago at a time when the working week was extremely long; since then it has been reduced by about 12 per cent without reduction in wages. This explains, incidentally, why German workers seemed to others less pungacious in pressing for wage increases, and why they were so long content with a lower volume of consumption than in nearby France—they were taking their rewards in more leisure. The labour shortage in the Federal Republic has given them the opportunity to press for both more pay and shorter hours; a current agreement in the metallurgical industry foresees that the working week will be reduced from 44 hours on January 1, 1962 to 40 hours on January 1, 1965.

The British workers have also secured shorter working hours—but not because their unions pressed for it. The slowdown in the British economy wiped out much overtime and bit into the normal working week. What the British unions are asking today is that this involuntary reduction be consecrated in new agreements without loss of wages. The demand for shorter hours has appeared more recently in France, but it is at present intense. The legal work-week is already only 40 hours, but men actually work 46 hours in the private sector and about 45 hours in the civil services, the extra being paid at overtime rates. The unions are asking that the real working week be reduced, without loss of pay: that ultimately men should really work only 40 hours but still be paid for 40 normal hours plus six hours' overtime. The fourth four-year plan had allowed that around 1964-65 there might be a certain reduction in working hours, but the unions want the question taken up immediately.

The reasons for this renewed concern with shorter hours are different from those that lay behind the epic labour battles between the two wars for the 40-hour week and for paid holidays. Those struggles expressed the workers' resentment of conditions of life in urban industry, and were supported by the theory that shorter hours would combat unemployment — if each did less work, there would be more work to go around. This theory was largely mistaken, and if it plays any part in current labour thinking in Britain and the U.S.A., its falsity will soon be demonstrated again. The fact is that to enforce shorter hours in industries that produce capital-goods, at a moment when they are already depressed by poor business conditions, restrains the expansion of the economy and thus tends to perpetuate unemployment. The 40-hour week introduced by Leon Blum in 1936 certainly postponed the recovery of the French economy from the depression, far from providing extra work.

In contrast, the present campaign for shorter hours expresses the workers' confidence in modern capitalism and their enthusiasm for the mass of consumer goods it has made available to them. For example, the real consumption of the average Frenchman has increased by 44 per cent in the past 10 years, and similar increases are known elsewhere. This increase means, materially, a motor car, a television set, a more comfortable flat and often an extraordinary collection of garden furniture and tools, equipment for sport, do-it-yourself hobbies, camping and music. I do not want to exaggerate; few workers have all these things, and the European worker has certainly accumulated less bric-a-brac than the American; but it is sure that the European worker of today owns more material possessions that work, divert, make noise and require upkeep than did the "comfortable" middle-class family of my youth. Obviously, these things all require time for their use, and if you work 46 hours in a factory and spend another 10 travelling to and from the job, there is not a lot of time left, given that one comes home tired, that the days are short half the year and that any work at all on Saturday ruins a week-end planned for a car-trip. The aspiration for shorter working hours, which used to be a negative sign of distaste for the factory, is now-a-days a positive sign of enjoyment of the factory's products. The flood of consumer goods unleashed in an economy where the working week is still as long as ever produces a sense of frustration.

Moreover, no one is more keenly aware than the working man of the spectacular increase in productivity of machinery in recent years. When he tends a machine that does the work of 10 men, he naturally expects to see this progress translated into more leisure for some of those men at least. The argument that the democracies have to keep up the pace of expansion in order to match the progress of the communist economies does not impress him because he knows communist propaganda at first hand: he knows that the competition concerns living conditions, working conditions and leisure as much as output statistics. The communists boast (fallaciously, no doubt) that these things are better in their system; the propaganda they address to workers pays little attention to the production increases noticed by economists. The workers, in Europe at least, are the first to point out the absurdity of the engrossment, both in capitalist and communist countries, with constant increases in production, the "growth-rate fetish".

Coming down from these generalities to particular cases, one finds that the possibility of shorter hours varies widely from country to country, and from industry to industry. For that matter, different classes of workers have varying concern with the question. The employees of the public sector are usually the most interested in abridgement of the working week. They know the big advances that have been made in productivity in such sectors as the railways and postal services, and they are less anxious about more money than workers in the private sector (that is often why they are in the public service); for them, a shorter week is their most urgent demand. In the private sector, women workers (who make up a large part of the labour force in Europe today) are notoriously opposed to strikes for more pay but they are keenly interested in shorter hours, no doubt because they have domestic responsibilities that suffer when they work overtime, no matter how generous the extra pay. Men workers in the private sector are still more concerned with the size of their pay envelope than with more leisure, though their attitude has begun to change. They support the move for a shorter legal work-week mainly in order to boost their overtime pay.

Can the European economies afford to grant this reduction in the work-week? Economists give quite different answers for West Germany and France. The difference between the two cases is that the large increase in the Federal Republic's population has already occurred and from here on demographic growth will be



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slow, whereas in France the expansion of the labour force, consequent on the post-war baby boom, is yet to occur; it is slated for around 1964-65. In the former case, therefore, it is suggested that reduction in working hours is possible and in fact would be a good thing. Rather than try to overheat the West German economy, which is fully employed, in order to maintain a high growth rate, a shortening of the work-week would be desirable. The inflation of costs that would inevitably result could be met by rationalisation of production, and would be no worse than the inflation of costs that would appear just as surely from the bottlenecks created by forcing the pace.

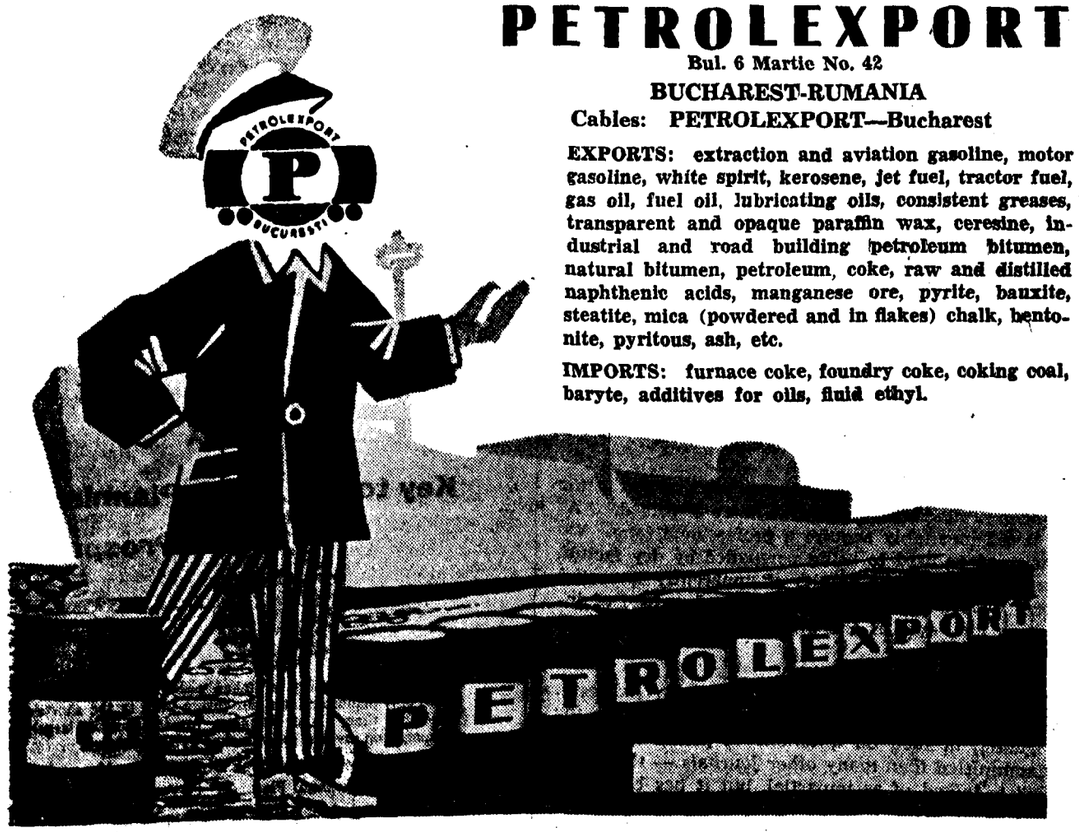
In France, on the contrary, the main problem is to have ready for 1965 the equipment that will employ the large numbers due to come on to the labour market. Shorter hours today could mean unemployment tomorrow if they restrained the production of capital-goods industries. To reduce the real working week from 46 to 40 hours would call for an extra 1,500,000 hands if the volume of production were to be maintained, and that volume of labour is not yet available. It is concluded that demands for shorter hours will have to be parried, except in certain industries like coal-mining where productivity is rising much faster than production. Shorter hours could be granted in those cases (are already being so, in fact) provided there was no contagion to other industries. If the unions reply that they are willing to go on working 45-46 hours a week, in order to maintain the volume of output, but want overtime paid on a larger proportion of that work-week, they are simply demanding a wage increase — of the order of 12 per cent, which would entail a 6 per cent rise in prices, since labour is half production costs. That takes us back to the familiar question of wage increases, and has nothing really to do with the pressure for less working time that is the new development in Europe. The same unions that claim to be more concerned with pay than leisure, however, are the most ardent supporters of the campaign for longer paid holidays (three weeks annually today, which they want to raise to four), showing that their members, too, want more time off to spend their money.

That is the crux of the matter, in all the West European economies; more time off to spend money, or to use the things that record wages have bought. It has nothing to do with sophistical Marxist theories about reduction in working time being the only way to limit the capitalist's expropriation of surplus-value; nor with the doctrine preached by the IWW in the 1930's, that the wage increases demanded by other unions were made illusory by price-inflation so that the only way to do down the employer was to work less hours. Workers infatuated with the consumer goods produced by industry and admiring of the recent advances in productivity are not trying to do anyone down, and no longer seriously believe in exploitation. Nor, despite some complaints from employers, are they being made lazy by prosperity; the labour of West Germany and France could not by any abuse of language be called indolent today. It may well be that their economics is all wrong, and that their countries could not stand the reduction in the work-week without dangerous inflation but then they are over-estimating, rather than aspersing, the ability of neo-capitalism to generate wealth and provide full employment.

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Special Article

THE PROFESSION OF INFLUENCE

By WILLIAM REES-MOGG

THE PROBLEM of influence in the modern world is one which has seldom been adequately considered, let alone properly analysed, yet it is obviously of first rate importance. It is immediately clear that what might be termed the technology of influence has changed immensely even in the years since the war. The style of business and of public affairs is now much more professional than it was; decisions may not always be better made, but they are certainly made in a more thorough way.

One can ask a number of questions about modern influence. How was the Government persuaded to start independent television? or to apply for entry to Europe? Why does the "Daily Express" have so little influence? or the "Economist" so much? Why did the British Aluminium takeover succeed? or the I.C.I. bid for Courtaulds fail? Does public relations work? Has market research much wider applications than it has yet been given?

These are just a few of the questions which relate to the central issue, of influence, which may itself be defined as the way in which decisions are determined. In considering any of them one is struck by the growing professionalisation of influence. Take for instance the I.C.I.-Courtaulds dispute, which I do not want to write about too much as I wrote a good deal (in the issue of "The Eastern Economist", dated January 19, 1962) about it at the time.

It is, however, clear that in both the Courtaulds and the British Aluminium disputes victory went to the side which gained the greater weight of press support. In both cases, for instance, Lex of the "Financial Times" was arguing in favour of the side that eventually won. In neither case, however, did the eventual winner have predominant support in the City itself. The City establishment tried to defeat Warburgs with almost hysterical fervour, and in the case of I.C.I. the traditional respect of the City for the quick profit and the big battalions had its influence. In fact, it was the professional efficiency of Warburgs handling of the press which won the day for them, and Courtaulds were also immensely skilful in exploiting the advantage of having been raided. They represented themselves, quite properly, as the innocent victim.

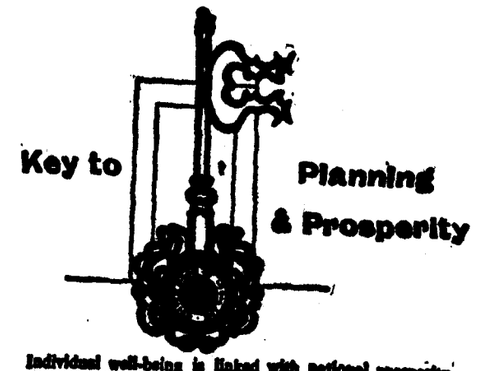
This was all, however, also a professional game in which professional judgments were involved. As such it did inevitably acquire a professional tone. We are now-a-days used to being persuaded by dry factual arguments, and by the results of apparently impartial research. Once bias is suspected the advantage of influence is lost, even if the bias is perfectly legitimate and reasonable.

This comes out in the case of the "Daily Express". Lord Beaverbrook has said that he runs his paper for propaganda; in fact, on questions of policy his is no more committed than many other journals — the "Economist" is talked of as impartial, but it has been just as devoted an advocate of British joining the Common Market as the "Express" has ever been of Britain staying out. Yet "Express" propaganda has openly proclaimed its own bias, and has lost credit with the people at whom it is aimed. The art of influence is at least to appear to argue in an impartial manner.

Another fact about modern decisions is that they have become increasingly technical. This is true at all levels, in business and in government. A number of rather contradictory effects flow from this. One is that decisions tend less to be taken on an old boy basis. You cannot usefully negotiate scientific formulae in a bar with an old pal; you have to sit in a committee with your advisers.

At the same time because decisions have become so much more technical fewer and fewer people are qualified to understand them. Thus, while jobbery has undoubtedly been reduced, because it is much less often relevant than it used to be, decision-making has not become more but less democratic. Take, for instance, the economic arguments for or against joining the Common Market. There are certainly not more than 50 men in the U.K. who have mastered them to the point of having a useful opinion to offer. More and more of statecraft goes behind the curtain of privacy, not, as with defence, because the arguments are not public, but because they cannot be presented in anything but an extremely complex form. In discussing such issues appeals to the emotions cannot normally carry much weight.

It is, therefore, tempting for administrators, and particularly for those who are not exposed to the electorate, to treat public opinion as a relatively unimportant variable, which can be worked upon. Up to a point this is true. Market research can eminently offer useful guidance on public attitudes. Public relations can avoid unnecessary frictions. Yet fortunately — as every politician knows — there remains an ultimate if often apparently blind instinct of public feeling. The public knows that it has to rely on expert judgment; it is used to the repetition of half comprehended statistics. Yet fortunately it also knows when it is being taken for a ride.



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THE BUSINESS WORLD

Tardy Tempo of Plan Targets

By CROESUS

DEFENDING the higher levels of taxation in his Budget proposals for 1962-63, the Finance Minister made this observation: "The point to remember is that there are only two alternatives to such taxation—inflation or stagnation". As a point to remember, this may be all right; it even sounds well to be worthy of memorising, but what is the reality? Even without the latest additions, we have not only enough taxation, but also inflation and stagnation. It is not merely in raising the taxes, therefore, that a solution to our present economic problem lies, as some seem to imagine, but in an all-out effort, which does nothing to discourage saving, investment and capital formation and does everything to encourage a higher tempo of economic development generally and more production in particular.

These thoughts force themselves on one from the gloomy outlook brought out by a recent study of the performance of certain selected industries during the last eleven years by a contemporary ("Financial Express", Bombay). At a time when there is talk of revising upwards the industrial targets in the Third Five-Year Plan, the conclusions of this study are disturbing in all conscience and should make our planners sit up. It cannot certainly redound to the credit of anyone that, out of as many as 44 industries selected for the study, only eleven industries should be found to be in a position, on the basis of the data available, to achieve the targets. It is a matter for immediate investigation whether the continuation of the present trend, namely, the rising rate of increase in output of capital and producer goods industries and the declining trend of production of consumer goods industries would not add to our problems, especially on the price front. An upsurge of prices at this stage, it is hardly necessary to add, would impose a severe burden on all sections of the community.

Let us take the question of cement, which is an essential commodity, what with all our tall talk of providing shelter to millions of houseless people. By and large, the cement industry has not fared badly. During the First Five-Year Plan period, cement production increased by over 70 per cent and during the Second Plan there was an increase of a little less than 64½ per cent. During the Third Plan the industry is expected to increase its production at least to the same extent as during the Second Plan period—by 64.10 per cent to be precise. During the first year of the Third Plan (or, to be more accurate, during the greater part of the first year of this period covered by the calendar year, 1961) the increase in production was no more than 5.13 per cent! This rate of growth cannot be expected to lead to an increase of over 64 per cent during the remaining years of the Third Plan, unless the rate of growth of output is more than doubled. But, as the study, in question points out, it is the price that will determine the future trend. And, to quote the source, "the restraint under the price policy will be a major handicap".

Now what is the position with regard to prices in the cement industry, which is one of those industries the prices of which came under control as early as in 1942, under the Defence of India Rules. Even after the lapse of these Rules, price control on cement continued to be maintained albeit under a gentleman's agreement —among the producers, supplemented by legislative measures by the States. From July, 1956, however, cement prices came to be regulated by the Cement Control Order issued under the Industries (Development and Regulation) Act, 1951. It is at this point too that the State Trading Corporation (S.T.C.) came into the picture. Since 1953, when the Tariff Commission made its first recommendations on prices of cement, cement prices have been revised thrice, once in 1958, a second time in 1960 following the implementation of the recommendations of the Wage Board for the Cement Industry, and, again, in November, 1961. In the normal course, there should have been a price revision in July last or atleast some interim relief, as pleaded by the industry. This, however, was not to be. Even after the Tariff Commission made its recommendations, there was not only a delay in the announcement of the revised prices but also an advancement of the effective date for the enforcement of the new prices. The Government of India also scaled down even the meagre effective increase in the retention price allowed to the industry, after a detailed and expert scrutiny by the Tariff Commission. Apart from advancing the date of enforcement of the revised prices, as fixed by the Tariff Commission, the Government also made the new prices operative for a full five-year period ending with March 31, 1966, which is yet another deviation from a sound price policy. "In an era of steadily rising costs", as Mr. Dharmsey M. Khatau, Chairman of the Associated Cement Companies Limited, remarked at the last annual general meeting of that company, "a fixed price for a period of nearly five years is bound to affect the industry adversely".

Whether it is as a result of the present unsound price policy or of some other factor or factors, the production of cement in the country has not been rising as planned. As a result, cement shortage is becoming more and more acute, especially for the past three or four months. This has adversely affected the housing programmes of not only private agencies but also of Government Departments and Co-operative Housing Societies. The Controller of Cement in Bombay has openly expressed his inability to satisfy the demand for cement to the full extent, because, he says, he has been receiving only a third of the total requirements of Greater Bombay. Indeed, the position has deteriorated to such an extent that there has been a reversion to the war-time exhortation to the people to restrict the use of cement and adopt alternative building materials. Although commendable efforts are being made, in the meantime, by the Control authorities to effect equitable distribution of cement, there are many instances of unsatisfied demand even from quarters that are supposed to have been accorded top-most priority.

But cement is only one of the many essential industries that are so placed. It is high time, therefore, that the Government of India (or the Planning Commission) took notice of the seriousness of the position,

even as the National Economic Council has done in the U.K., by setting up a series of studies into various sectors of the economy to see whether the rate of growth as envisaged under the Third Five-Year Plan is possible without overstraining the economy, by taking appropriate and timely action. In other words, is there a case for an extended Third Five-Year Plan, as was made out by Messrs. N. Dandeker and Ranvir Khatau some time ago? The difficulties we have begun to encounter with our foreign aid only serve to emphasise it.

Practical Training in Banking in India

By

CROESUS

THE increasing calls that are being made on the commercial banks in this country, consequent on the problems posed by the programmes of planned economic development, evidently explain the steadily rising number of bankers' training institutions. It was not until the other day when I went to the Bankers' Training College, established by the Reserve Bank of India in 1954, for training officers of commercial banks that I learnt there are today not less than ten training institutions for bankers in the country. Apart from the Indian Institute of Bankers (which only holds periodical examinations in banking and allied subjects, but does not offer any practical training) and the Reserve Bank's Bankers' Training College, there are, I gather, institutions run by commercial banks, either solely or jointly with other banks, such as the institutions run by the Punjab National Bank, the Canara Bank, the Central Bank, the Dena Bank, the United Bank of India, the Bank of Baroda, the Indian Overseas Bank, the United Commercial Bank, and the State Bank of India, among others. When there are so many institutions and the trend is to add to them, the question naturally arises as to whether so many institutions are at all necessary and whether, in the interest of all concerned, there should not be a close understanding and co-ordination of efforts on the part of all these institutions. True, the object of training by the different banks is not the same, but, at the higher level, such as the supervisory staff, for whom, in fact, the Bankers' Training College is intended, the nature and course of training cannot differ from institute to institute. It will be interesting to know if any effort has been made, either by the Reserve Bank or by the Banks' Associations, to have a detailed study of the scope and objects of training, as also of the syllabus and curriculum of studies of each of the different institutes, if only with a view to ensuring effective co-ordination. If it has not been done, I think, the time is now ripe for it.

But to revert to the Bankers' Training College, about which it is my purpose to say a few words here, it is interesting to recall the genesis of this institution. Following the introduction of the scheme of inspection of commercial banks by the Reserve Bank of India, several shortcomings, it would appear, came to the notice of the Reserve Bank, and one of these was the absence of adequate trained personnel to man the commercial banks. It was to give an opportunity to those already in service in commercial banks but did not have the benefit of practical training that the idea was conceived of establishing a training college. The B.T. College accordingly seeks, in the main, to impart all-round training in practical banking to the supervisory staff of commercial banks in the country.

Sir Benegal Rama Rao, the then Governor of the Reserve Bank, formally inaugurated the College on September 14, 1954. Thanks to the Colombo Plan, the College was fortunate enough to secure the services and assistance of two trained officers of the Midland Bank to run it for two years. It is these two officers of the Midland Bank — Mr. F. H. Hayne, as Principal, and Mr. T. H. Harvey, as the Chief Instructor — who started the first senior course of eight weeks' duration — the duration was subsequently raised to nine weeks and has since been raised to ten weeks. At present, the College is not only conducting the senior course (for branch managers) but an intermediate course (for branch accountants and other supervisory staff), and also a specialised course on Industrial Finance for officers of financial corporations and banks which are interested in term lending to industries. The last course, namely, that on Industrial Finance, is conducted only once a year. It is gratifying to learn that the College will shortly introduce one more course — a specialised course — on foreign exchange.

Besides the Principal and the Chief Instructor, the teaching staff of the college includes a number of tutors who have not only had years of banking experience but also the benefit of extensive practical training in training establishments of the Midland Bank in London. In addition, some senior officers of the Reserve Bank of India, as also prominent men in the field of banking and finance, are invited periodically to lecture to the trainees. The tutorial system followed offers scope for intensive training and the fact that the College is a residential college, located in excellent surroundings near the sea, enables the trainees to concentrate on their work under ideal conditions. Since the College began, nearly 1,200 trainees have completed one or other of the different courses offered by the institution, and it is interesting to note that these trainees are drawn from all banks, including the State Bank, the I.F.C., the State Finance Corporations, and lately, even the I.C.I.C.I.

Now that nearly eight years have elapsed since the College began, it is time that some evaluation was made (as, in fact, has already been done) of the usefulness of the courses conducted by the College. After considering whether the questionnaire approach or the seminar would yield satisfactory results, a seminar was held last year in which representatives of banks participated. It is stated that the seminar approved the training arrangements and also offered a few suggestions for enlarging the coverage and extending the duration of the courses. It is as a result of this evaluation, incidentally, that the proposed course on Foreign Exchange is to be instituted from September next. Even more important than this evaluation, according to me, is the informal stock-taking, as it were, by the trainees themselves, at the end of their respective courses of training, and the suggestions emanating from them for improvements, if any, in the courses. For, who would be in a better position to do this than those for whom the courses in question are specifically intended?

I cannot conclude this brief note on the working of the Bankers' Training College without a word of praise to those who are in charge of the College and, more particularly — in the prevailing context — to those who insisted on the introduction of a specialised course on Foreign Exchange. To a country which has an export programme of Rs. 3,600 crores during the Third Five-Year Plan and has to import no less in order to fulfil the Plan targets, it is hardly necessary to stress how important a thorough knowledge of foreign exchange is. It is only lately that the leading banks of this country have entered this field earnestly and the need of these banks for people fully conversant in handling foreign exchange business cannot be over-emphasised.

Business Notes

Banking

ACCORD ON DEPOSIT RATES

THE EIGHT-MONTH-OLD controversy between the big and medium banks over the All-India Inter-Bank Agreement has ended. The agreement between the member banks of the Indian Banks Association will be revised with effect from June 1, 1962. The new agreement classifies the banks into four categories in place of the present two. All the scheduled banks with more than Rs. 10 crores of deposits are to be divided into three categories: big, medium and small. The fourth category of the banks will be with deposits below Rs. 10 crores. The new agreement allows the fourth category banks—the banks with deposits below Rs. 10 crores—to quote any rate they like for term deposits. The third category—between Rs. 10 crores and Rs. 25 crores—will be at liberty to quote ¼ per cent more than the standard rates laid down in the agreement for term deposits from time to time. Medium banks other than State subsidiary banks—deposits between Rs. 25 crores and Rs. 50 crores—may, if they want, offer 1/8 per cent more than the standard rates. The large banks with deposits above Rs. 50 crores will have to quote rates not higher than the standard rate of interest. One very important clause of the agreement defines term deposits as time deposits for a fixed period of at least six months. It may be remembered that the definition of the March 1961 agreement included deposits of even very short period.

The new agreement is certainly a step forward in the sense that it has avoided the deposit rate war which could be harmful to the healthy growth of banking industry. The agreement would certainly be of considerable assistance in preventing the vicious competition for charging higher deposits rates; it would also go a long way in uniting the banking institutions. This agreement would also help to stabilise the lending rates which would have continued to increase following the scramble for deposits. By allowing certain amount of premium to the small and medium banks, this agreement brings them at par with the larger banks which usually attract larger proportion of institutional deposits. The smaller banks would also be able to face the competition of larger banks in smaller places where the profit margins are not supposed to be very high. It is hoped the spirit of the agreement would prevail and the individual banks would co-operate with the Association in making this agreement a success.

INCREASE OF P.N.B. DEPOSITS

MR. P. N. GOENKA, Chairman of the Punjab National Bank Limited, indicated at the annual general meeting held recently in New Delhi, that the downward trend in deposits of scheduled banks witnessed in the second half of 1960 came to a stop in 1961. In fact deposits of all scheduled banks excluding the State Bank of India increased by nearly Rs. 135 crores during the year as compared to an increase of only Rs. 72 crores in 1960. Deposits of the Punjab National Bank crossed Rs. 150 crores mark during the year. The chairman was, however, of the opinion that the rate of growth of advances had been much higher than the rate of growth of deposits. This comparative slow growth of deposits, he believed, was partly due to the upward revision in the Inter-Bank Agreement of interest rates on deposits. The advances of the Punjab National Bank increased considerably and as against Rs. 87 crores in 1960 the advances towards the end of 1961 were nearly Rs. 102 crores. He was of the opinion that investments in real property and certain other forms have channalised resources which usually would flow to the banking institutions because the yield in the latter were comparatively unattractive. The Government also was borrowing on a large scale. He also expressed his disappointment over the manner and the method followed by the Government in initiating compulsory deposits insurance which had become a drag on the big banks and in the case of smaller banks it had actually cut into their earnings. It seems that the whole working of deposits insurance needs further examination.

He strongly recommended that the banking institutions should break ground by going to areas not hitherto served by banks and also by taking a more realistic view of financial needs of the different sectors of the economy. This, he added, could be done only if the banks strengthened themselves with a properly trained staff. On practical side, this expansion involved the training of the staff and an intensive study of the local conditions. In this connection the Punjab National Bank has remained in step with the need of the hour. It has its own training college which started functioning in October 1958 and its officials now are better equipped. It is hoped that all other banks pursue this practice.

Textile Industry

COTTON SHORTAGE MIGHT CREATE CRISIS

THE ACUTE cotton shortage presently being experienced in the country is the direct outcome of the sharp fall in the production of cotton in the 1961-62 season. At 43 lakh bales, the cotton output in 1961-62 compares with as much as 54 lakh bales in the previous season. It is not at all surprising, therefore, that the subject should be claiming the attention of every company chairman of late. Mr. Naval H. Tata, Chairman of the Tata Group of Mills, when he addressed the annual general meetings of the Swadeshi and the Ahmedabad Advance Mills, also drew pointed attention to this, last week, in Bombay.

Dwelling at length on the extremely alarming position in regard to our raw cotton supply, Mr. Tata observed that the situation had become further aggravated due to the country's inability to import adequate quantities of cotton to bridge the gap, thanks to the acute shortage of foreign exchange in the country. Even so, he felt, taking into consideration the standing of the cotton textile industry — the largest national industry employing nearly 8,00,000 operatives and having a total turnover of over Rs. 600 crores — the industry should be provided with adequate supplies to keep it going. In fact, he went so far as to describe it as a "compelling necessity in the interests of national economy."

Mr. Tata was afraid that the industry would have to curtail production, unless the supply position improved before the middle of September, 1962. According to him, the present shortage of 7,00,000 cotton bales is estimated to lead to a curtailment of production of some 15 to 20 per cent. Others have placed the figure even higher, that is nearly 30 per cent, which might mean the closure of the mills for a period of about six weeks! Happily for the country, an announcement was made from New Delhi, only last week, about the signing of an agreement between the U.S.A. and India for the supply of 1,80,000 bales of American cotton. Along with the 35,000 bales of cotton out of the recent barter deal, this supply from America would undoubtedly help retrieve, to some extent, the present perilous position. Besides the supply stemming from this agreement, there is also the welcome news of the Indian Government's offer to buy 2,00,000 bales of Sudanese cotton, provided Sudan agrees to buy Indian textile and other goods. A four-man delegation from Sudan has been in India to discuss and negotiate the details. Fortunately for us, Sudan has had a bumper cotton crop this season, and it may be hoped that a mutually satisfactory agreement would be reached soon.

But, while all these may serve to relieve our immediate anxiety, we must not forget that reliance on

imports all the time is hardly a satisfactory solution to the raw material problem of our cotton mill industry. In this context, it may be noted that Mr. Tata opined that even the Third Plan target of 72 lakh bales was beyond the country's capacity to attain. "With all the will in the world," he declared, "this target is unattainable." He was not exaggerating the position in the least, because, if we continue to produce no more than 90 lbs. per acre, as against the per-acre yields of Egypt's 540 lbs., America 450 lbs. and, nearer home, Pakistan's 230 lbs., we can never expect to reach even the modest target of the Third Plan. As he appropriately urged, a permanent solution to this problem could only be found through a substantial increase in our per-acre yield.

Power

FIRST FLOW OF KOYNA POWER FOR BOMBAY

THE COMMISSIONING, last week, by the Chief Minister of Maharashtra, of the first stage of the Koyna Hydro-Electric Project provides a welcome addition of 60,000 KW. of power to the power-starved and heavily industrialised Bombay-Poona region. The first stage of the work, comprising the installation of four generators, which will be commissioned one after the other, every six months, would when completed — i.e. by the end of 1963—account for a total addition of 240,000 KW. of power.

In the context of power shortage in the other regions to be served by Koyna, it is just as well that the civil works for the second stage also have been taken up simultaneously, the idea being that, as the fourth generator of the first stage goes into commission, the first generator in the second stage too should be ready for commissioning. All in all, by the end of the Third Five-Year Plan, a total of 480,000 KW. of power would be released from the Koyna Project. The power so released will be transmitted to six districts in the State and the Bombay-Poona area, for which four transmission lines are being laid — Koyna-Trombay (Bombay), Koyna-Karad, Karad-Sholapur, and Karad-Miraj. It is noteworthy that the Koyna-Trombay transmission line will be linked up with the Tatas-Central Railway grid so as to complete the grid for the entire western Maharashtra.

The Koyna Hydro-Electric Project was first conceived of by the Tatas as far back as the 'twenties. But they were forced to give up their plans owing to vehement opposition by the public at that time. The farmers of the region, whose lands would have been inundated by this project, offered Satyagraha—popularly described as the Mulshi Satyagraha—which lasted for more than a year. Ironically enough, the demand for inclusion of the Koyna Project in the Second Five-Year Plan came from the people of the same region, but after a lapse of more than thirty years. Following four years of intensive propaganda, (which included the threat to name every new born baby as Koyna until the demand was conceded) the scheme was launched in January, 1954.

Some of the highlights of the Koyna Project may be noted here. In the first place, a 207-ft. high dam has been constructed to create an artificial lake of 21 sq. miles 2,000 ft. above sea level. This area having been closely associated with the activities of the Hero of Maharashtra, the lake is appropriately named as "Shivaji Sagar". Secondly, the water stored in the Shivaji Sagar in the east is taken to the power house in the west at Pophali, through a 21-ft. head race tunnel 1900 ft. above sea level. The length of this tunnel is 12,300 ft. A novel feature is that the tunnel and the power house have been built in the heart of the western side of the Sahyadri mountain. It is claimed that this underground power house, a unique feature of which is the generation of extra power from the same quantity of water, will not only bring about an overall economy in the initial costs, but also lead to considerable saving in foreign exchange in the future.

Cables and Wires

PLEA FOR EXEMPTION FROM EXCISE LEVY

THE DELHI PLASTIC CABLE MANUFACTURERS' ASSOCIATION in a memorandum has pleaded that the small scale unit, manufacturing cables and wires be exempted from the present excise duty. The Government of India has levied an excise duty of 15 per cent ad valorem on electric wires and cables upto 10 amperes and 250 volts and 5 per cent above 250 volts and 10 amperes. Since small scale units are manufacturing electric wires mostly below 10 amperes and upto 250 volts this levy has particularly hit them hard.

The thing difficult to understand is that when units in the small sector are earning less profits they should be subjected to higher levy. In a socialist pattern of society, it is desirable that both the sectors must be kept on par and, particularly when the small sector is not very well organized, it is all the more reason that it should be meted a fair treatment. Large-scale units, on the other hand, enjoy numerous advantages in the form of financial resources, in technological and staff matters and are also able to manufacture those varieties of goods which cannot be manufactured by the units in the small sector. So they decidedly are in a position to sell goods at monopoly rates and subsidise the sale of those items which are manufactured in small sector as well.

The principle of levying any tax should normally be based on one's capacity to pay and when the small sector is not in a position to bear such a heavy levy, there is no reason why it should be made the scape goat and subjected to all the inconvenience. Under the circumstances it seems, therefore, essential that the plea made by the General Secretary of the Delhi Plastic Cables Manufacturers' Association be given due consideration. Exemption is certainly not claimed by the small-scale units for increasing their profits. Higher excise levy is not the only factor which is causing a good deal of heart burning in the small sector, but inequitable distribution of raw material too is causing a good deal of concern. It is high time these disparities were removed.

Electricity

PHILIPS INDIA

THE PRODUCTION capacity of Philips India increased considerably during 1961 and consequently their sales increased to Rs. 6.82 crores against Rs. 5.55 crores a year before. A number of factors were responsible for this rise in output. The company's Light factory in Bombay which it acquired in December 1960 started producing lamps of standard quality towards the end of 1961. At company's other factories at Loni and Calcutta production of radio sets and number of components also increased satisfactorily. The Directors have, in their annual report, indicated that the company is now making use of indigenous contents of radio sets to the extent of 70 per cent as against only 48 per cent in 1948. It may be added that the company's factory in Calchtta is also manufacturing fluorescent light fittings.

The gross profits during the year at Rs. 66.2 lakhs were nearly 7 per cent more than the last year's figure of Rs. 62.9 lakhs. The Directors have, however, pointed out that there was a decline in the net profit margin essentially due to rising expenses. The company transferred Rs. 3 lakhs towards depreciation rebate reserve and the Directors have recommended the payment of dividend at the rate of 12 per cent subject to tax which is a clear sign of company's continued prosperity.

The company has been able to conclude arrangements for foreign loans to cover imports of capital equipment needed for implementing the early stages of expansion schemes. The company is also exploring possibilities for exporting the products, though immediately such prospects are limited.

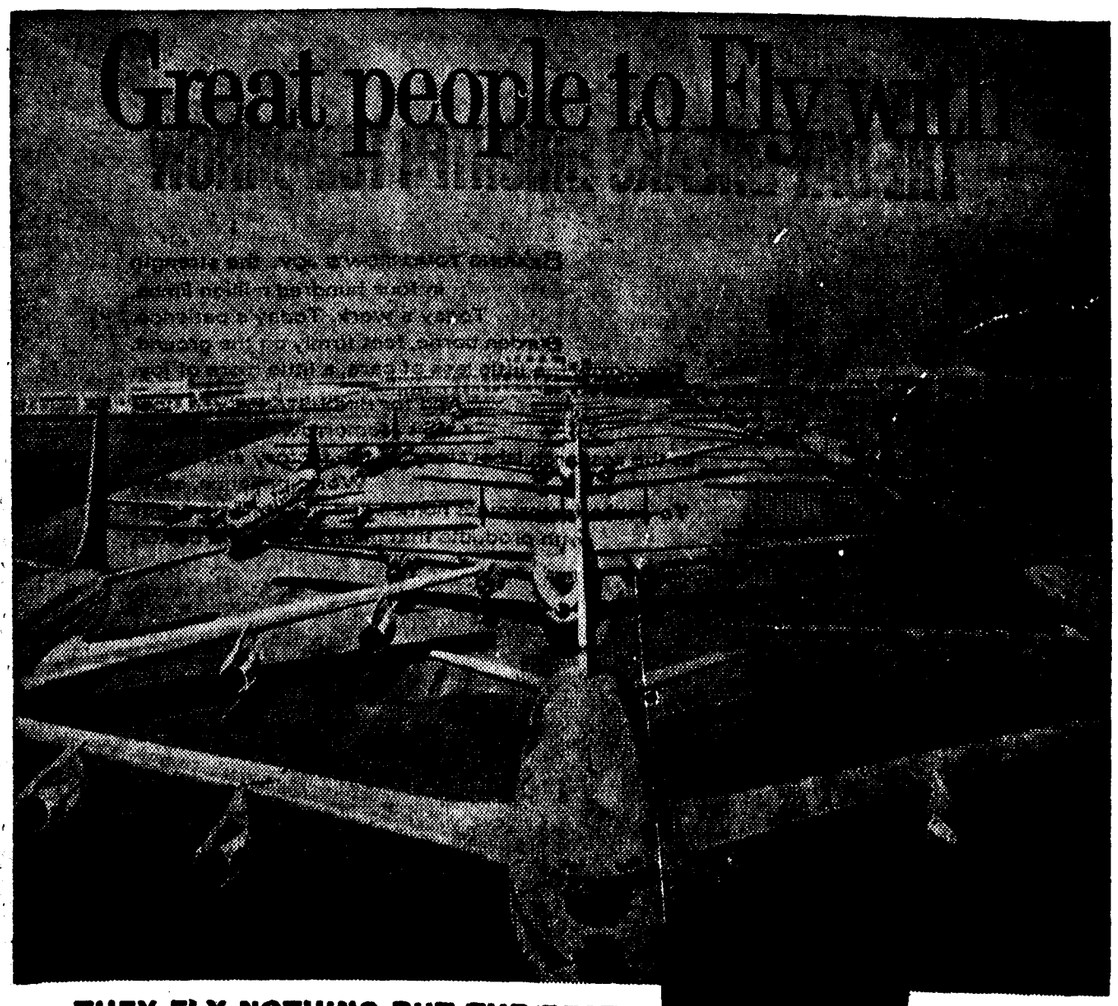
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FROM THE CAPITAL'S CORRIDORS

BOKARO STEEL PLANT

ACCORDING to reports from Washington, Mr. N. N. Wanchoo, Secretary, Department of Steel in the Union Ministry of Steel and Heavy Industries, has been able to finalise with the U.S. interests concerned the scope of the tour of a mission from that country which is expected here early next month to make a factual survey of the Bokaro steel project.

The curtain may now be raised from over the controversy that has been going on in respect of the U.S. assistance for setting up this fourth steel plant in the public sector in India. Apart from the availability of iron ore and easy transport, the U.S. steel industry had initially questioned the need for having a 10 million tons steel ingots output target under the Third Plan. Another factor that was responsible for hesitancy on the part of the U.S. interests for extending their assistance for setting up a steel plant in this country was that they wanted to have some latitude in selecting the site for such a plant. This implied that Bokaro's claims had to be judged on its merits. The third reason for the lukewarm response of the U.S. steel interests was that since Bokaro was envisaged to produce the same end-products as are to be manufactured at Rourkela, their contention was that Rourkela ought to be expanded to its full capacity before the setting up of the Bokaro plant is undertaken. An understanding is said to have been reached now on all these points. The U.S. Mission will be empowered only either to accept or reject Bokaro as the site for the fourth steel plant in the public sector; it shall not be allowed to consider any other alternative site.

Meanwhile, the Union Minister for Steel, Mr. C. Subramaniam, has reiterated in the Lok Sabha Government's intention to erect the Bokaro plant with U.S. assistance if possible and without it if necessary. This should imply that even if from U.S.A. aid is not forthcoming, the project shall not be abandoned. "Fortunately, we are not without friends in the world with ability, capacity and willingness to extend help," declared Mr. Subramaniam.

Who these friends are has been a subject of speculation in the lobbies here. Since both the British and the West German steel interests have already committed themselves to expand the Durgapur and the Rourkela plants, they are automatically ruled out. The French, the Belgian and the Japanese interests have ability to manufacture steel plants, but they have shown no inclination to finance the Bokaro project. This leaves only the Russians in the field. The Russians, it is stated, have indicated their willingness to build the Bokaro plant in addition to helping in the expansion of the Bhilai steelworks. The anxiety on the part of the Russians to help India in setting up its fourth steel plant in the public sector appears to be emanating out of their desire to show to the world that their steel technology is not behind any other country. The Bhilai plant does not produce the same high-quality steel products as are manufactured at Rourkela. If the Russians get a chance to erect the Bokaro plant, they will be able to show that they are as efficient in the manufacture of high-quality steel as West Germans or any other industrially advanced nation of the West.

Mr. Subramaniam, however, has amplified his Lok Sabha statement while talking to pressmen in Madras last week-end. There he said that he had no doubt about assistance coming forth from the United States for the Bokaro project and that when he had mentioned taking up of this job without U.S. aid, if necessary, he was only laying emphasis that the Government had set its heart on going in for this project.

STREAMLINING HINDUSTAN STEEL ADMINISTRATION

Mr Subramaniam has also given vent to his determination to streamline the administration of Hindustan Steel Limited. Speaking in the Lok Sabha last week, he said that at present much valuable time was lost in the game of passing on the buck that is going on between the public sector steel plants, Hindustan Steel and the Union Ministry. Mr. Subramaniam's solution to this problem is to entrust responsibility to individuals and sack them if they fail in their performance. The organisation of Hindustan Steel has expanded at a strident pace since it moved out from New Delhi to Ranchi. When it left Delhi, there were only 34 employees on its pay roll. It has now 415. Observers here opine that they would not be surprised if the dead wood in this organisation is done away with in the near future. Arrangements are being made to have a common staff, labour and raw material policy for all the three public sector steel plants.

Mr. Subramaniam agreed with the critics that Rourkela was a sick child. An official committee, he added, had submitted its report on the working of this plant. The defects of this plant (which had as many as 26 breakdowns since it was commissioned), he hoped, would be remedied soon, leading to stepping up of production.

Though he did not hold out any assurance that the Third Plan target of 10 million tons steel ingots output by 1965-66 would be achieved, Mr. Subramaniam promised to do his best to attain it. Work on the expansion programme of the Bhilai steel plant, he said, had reached an advanced stage. Tenders had also been called, he added, for completing the expansion of the Durgapur and the Rourkela plants according to schedule.

The search for finances for setting up the alloy steel plant at Durgapur continues. This project is now estimated to cost Rs. 60 crores, instead of Rs. 38 crores originally estimated.

PLEA FOR ANOTHER STEEL PLANT IN ORISSA

The National Council of Applied Economic Research, in its techno-economic survey of Orissa, has recommended setting up of a second steel plant in this State at Bonaigarh. The report says: "Investment in large-scale industries as envisaged in the report will give a strong push to the economy of Orissa. The spearhead of such a process of industrialization will be the establishment of industries based on locally available minerals. Investment in such industries accounts for 90 per cent (or Rs. 488 crores), out of a total investment of Rs. 538 crores in large-scale industries. The bulk of the investment will be absorbed by a new steel plant at Bonaigarh (Rs. 300 crores), expansion of Rourkela steel plant (Rs. 150 crores) and several other metallurgical and metal-based industries. These developments will step up the industrial output in Orissa by eight-fold. The industrial structure would also undergo a healthy change as the productivity of the structure as a whole will be more than doubled. This will be largely due to the preponderance of high value being added to heavy and metallurgical industries. Locationally, the bulk of industrial activities will be concentrated within the triangular area with Rourkela and Hirakud supplying the base and Cuttack forming the apex. Along with the development of large industries there will be considerable stimulus for the development of several small scale and processing, manufacturing and ancillary industries. It is expected that a number of industrial centres will spring up all over this region.

"The mining output is expected to grow at an annual rate of 37 per cent during the current decade and this

should lead to the establishment of several mineral-based industries within the State as well as large expansion of iron ore exports. But certain essential conditions must be fulfilled; namely, improvement of methods of mining and adoption of mechanized mining techniques, rapid expansion of transport facilities, including the development of Paradip port, training of mining labour and upgrading of skills and large-scale mining by the Orissa Mining Corporation."

ORE EXPORTS FROM GOA

The representatives of Goa mine-owners, who were here last week, were assured that the Government of India would honour all their existing contracts. They would also be free to enter into long-term contracts for the future.

Regarding prices, the policy generally to be followed would be that the Goa Administration would announce the prices for different varieties once every year. The mine-owners would be allowed to enter into contracts for long-term duration but prices might not be fixed for a term longer than three years.

They were further assured that on the basis of a long-term programme they should continue to develop their mines, modernize them and also undertake beneficiation and other diversification programmes. The Government would give all assistance for the modernisation and developmental efforts of the mine-owners.

Enquiries show that the State Trading Corporation will not handle ore exports from Goa. The Goan Administration, it is further learnt, had fixed prices of ore containing 55 per cent iron at Rs. 20.61 per ton for exports to Germany and Italy. The Government of India, it is pointed out, was not agreeable to this price, which was lower to that fixed last year. This might be the reason for mine-owners' visit to Delhi.

Japanese have a slightly different arrangement. They import ore in part payment of equipment supplied to Goanese.

BOARD OF TRADE

The first meeting of the recently constituted Board of Trade, with Mr. Manubhai Shah, Minister for International Trade in the Union Ministry of Commerce and Industry as Chairman, has been fixed for June 9, 1962. The Government has nominated Mr. G. D. Birla, Sir Ramaswamy Mudaliar, Mr. S. L. Kirloskar, Mr. Sachin Chowdhary, Mr. Khandubhai Desai and Raja Surendra Singh of Nalahgarh as the non-official members of this Board. Dr. P. S. Lokanathan and Mr. Padampat Singhania are likely to be co-opted as members.

As a measure of export promotion, the Government has decided to appoint directors to look after the work of productivity, incentives, movement and production in various industries. In order to ensure quick transport of exportable goods, railways have been asked to introduce a system of fixing "for export" labels on such consignments. Some of the leading business and industrial houses like those of Birlas and Tatas have been advised to set up special export organisations. This, it is stressed, will not only help in fostering marketing research and establishment of contacts abroad, but will also enable the Government to give financial assistance for export promotion more freely than at present.

A proposal is also under discussion to levy a special cess on manufactured goods to enable the Government to collect adequate funds to be specifically spent on export promotion work. The Government is as well planning to set up an Institute for Applied Commerce to impart training to its own officers as well as the senior officers of the private sector concerns in order to enable them to undertake the export promotion task in a better way. The State Trading Corporation, which is envisaged to be given heavier responsibilities for stepping up exports, is also being re-organised.

MANUFACTURE OF ALUMINIUM FOILS

The disagreement between the Planning Commission and the Development Wing of the Ministry of Commerce and Industry over allowing of manufacture of aluminium foils has been resolved. The Planning Commission, it is learnt, has cleared the four proposals to manufacture aluminium foils (these proposals had been earlier approved of by the Development Wing) on the condition that these units will not go into production before 1965.

The Third Five-Year Plan does not lay down any target for production of aluminium foils, but the Development Wing had suggested a target of 9,000 tons by 1966 on the basis of the growing demand for these foils. On this basis, it had approved grant of licences to Venesta for raising its aluminium foils-making capacity from 2,000 tons to 3,000 tons per annum (the company had asked for expansion of its capacity to 4,000 tons), to General Industries Society for setting up a plant to produce 1,200 tons of aluminium foils per annum (as against 15,000 tons asked for by the company), to Indian Aluminium Company for producing 2,500 tons foils (as against 3,000 tons capacity applied for) and to the Aluminium Corporation of India for setting up a unit to produce 500 tons foils a year.

The Planning Commission's contention, it is stated, had been that aluminium ingots should not be utilised for the manufacture of foils till the time Indian aluminium industry is in a position to meet fully the internal demand for this metal. At present, aluminium requirements are estimated at about 60,000 metric tonnes, while the indigenous output is likely to go up to only 35,000 metric tonnes by the end of the current year. (In 1959, 1960 and 1961, aluminium production in India amounted to only 17,248 metric tonnes, 18,243 metric tonnes and 18,381 metric tonnes respectively). Demand for the metal is anticipated to increase to 1,15,000 metric tonnes by the end of the current Plan period. By that time, it is hoped, indigenous output will go up to the requisite amount.

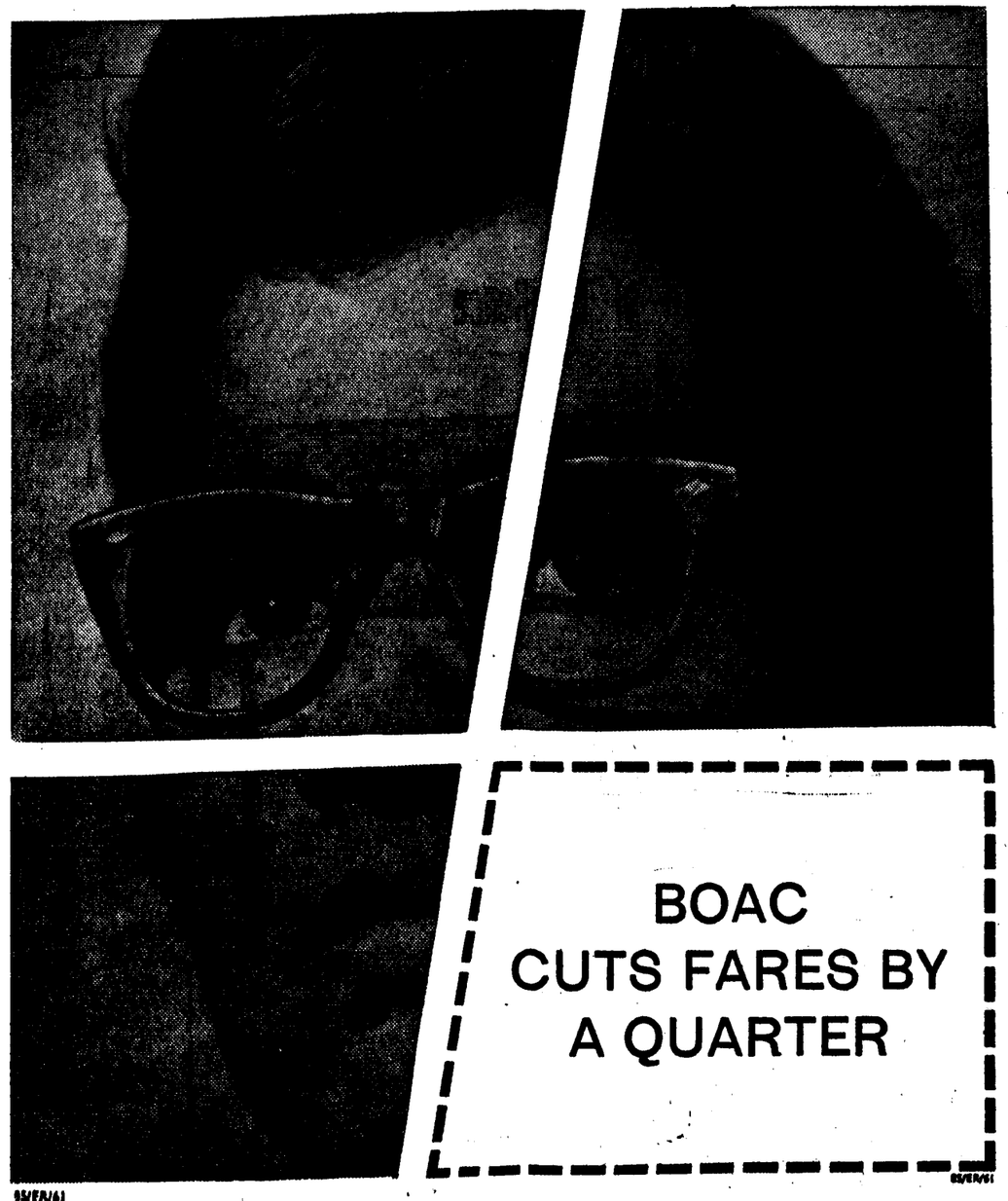
ESSO'S OFFER

The Esso Standard Eastern has informed the Union Government that it is prepared to consider abrogation of the Special Refinery Agreement under which its Trombay refinery was set up, and reorganisation of its corporate srtucture in India. The proposal is more or less on the same lines as was made recently by Burmah-Shell. The only difference between the two proposals is that whereas Burmah-Shell intends to set up two companies with Indian public participation in their equity capital to handle its existing oil processing and distribution business, Esso proposes merger of the two activities under the charge of one company to be incorporated, as in Burmah-Shell's case, under the Indian Industries Act.

Mr. J. W. Sinclair, General Manager of Esso Standard Eastern in India, who communicated the offer of the company to the Government last week, has said that the company foresees a period of expansion and development of the Indian oil industry and believes that it is capable of playing an important role in this development, contributing substantially to the expansion of India's economy.

Esso Standard's negotiations with the Government for setting up a lubricating oil plant, in which the Government of India would be an equal partner, are said to be progressing satisfactorily. An agreement in this

SECRETARY TO GOVERNMENT
31 MAY 1962
PUBLIC DEPARTMENT





respect is expected to be reached at none-too-distant a date.

So far as its petro-chemical project is concerned, the company does not appear to be in favour of going into partnership with the Government and is insisting on grant of a licence for a minimum capacity of 2,00,000 tons per annum.

Esso Standard does not appear to be much interested in oil exploration business in this country under the existing policy of the Government.

OIL INDUSTRY'S OUTPUT IN 1961

The total quantity of crude refined in India by the four private sector oil refineries during 1961 was as follows:

(Metric tonnes)

Assam Oil	448,346
Burmah-Shell	2,910,778
Caltex	997,708
Esso Standard (Stanvac)	2,046,317
TOTAL	6,403,149

Refined products output category-wise was as under:

('000 metric tons)

Product	ESSO	Burmah-Shell	Caltex	Assam Oil
Light Distillates	351	436	181	91
Kerosene	256	549	126	86
Diesel	530	744	319	75
Lubricating oils	..	..	..	25
Bitumen	138	290	..	10
Heavy ends	671	764	301	75
Other products	10	15	..	56

MEETING POWER SHORTAGES

The Government of India is making every effort to find foreign exchange for the purchase of six package units of 10,000 kW. each to meet the acute power shortage conditions prevailing in the States like Andhra Pradesh, Mysore and D.V.C. West Bengal-Bihar areas. These package units, which could be commissioned within a period of nine months to a year, would be in addition to those already sanctioned or included in the Third Plan. This was disclosed at the last week's meeting of the Informal Consultative Committee for the Union Ministry of Irrigation and Power by Mr. O. V. Alagesan, Minister of State in the Ministry of Irrigation and Power.

It was also stated at the meeting that used diesel plants could be made available to the States for tiding over their temporary difficulties arising from an acute shortage of power.

The Committee was also informed that a number of power projects would be commissioned in Andhra Pradesh by the end of 1965. These included the Nellore Power Project, expected to be completed by the end of 1963, and the Kothagudam and Ramagundam projects, which would be commissioned by the end of 1965.

Details were also given at the meeting regarding the development of rural electrification for agriculture and village industries in the Third Plan. A total number of 20,000 villages are expected to be electrified by the end of the current Plan, at a cost of approximately Rs. 105 crores.

BASIC RAW MATERIALS FOR ORGANIC CHEMICALS AND PLASTICS

The Distillers Co. Ltd., of Britain, has reached an advanced stage in its negotiations for the formation in India of a new company, Herdillia Chemicals. This project has been approved by the Indian Government and would provide basic raw materials for the country's organic chemicals and plastics industries.

Licences have already been granted to the Distillers Co. for the import into India of a number of raw materials. They are: cumene, 14,500 tons a year; phenol, 10,000 tons; acetone, 6,000 tons; diacetone alcohol, 2,000 tons; phthalic anhydride, 6,000 tons; and phthalate plasticizers, 3,000 tons.

The phenol process has been developed by the Distillers Co. in Britain and independently by the Hercules Powder Company.

MANUFACTURE OF FERTILIZERS

Khandelwals, it is understood, have returned the industrial licence granted to them to set up a fertilizer manufacturing unit at Itarsi. This unit was envisaged to be based on coal which, it is now considered, would render it uneconomic.

Meanwhile, interest has been shown to set up a fertilizer plant in Goa. Whether the Government should link these two projects and allow a private sector company to establish them or whether it itself should take up the Itarsi project is a proposition that is said to be under consideration here.

SMALL COLLIERIES

Government policy, it is stated, by and large, is not to encourage development of small uneconomic collieries which cannot raise their production to 10,000 tons per month or whose area is less than 100 acres. Under the provisions of the Industries (Development and Regulation) Act, 1951, factories which employ less than 50 workers, working with the aid of power, or less than 100 workers, working without the aid of power, are not required to obtain any licence under the Act. In order, however, to regulate opening/re-opening of coal mines on a scientific basis, the production of a licence under the Act is insisted upon by the Coal Board in the case of coal mines. A proposal to amend the Act, making it applicable to collieries irrespective of the number of workers employed, is at present under the consideration of the Government.

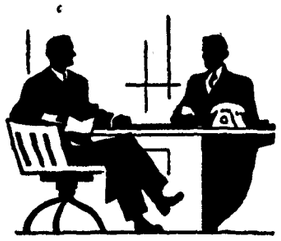
RAW COTTON IMPORTS

Efforts are being made to arrange imports of raw cotton from various countries to meet the shortage of the commodity apprehanded to occur in the near future.

An agreement has been signed between the Government of India and the United States under which India would be importing 1,80,000 bales of long-staple cotton (valued at Rs. 13.4 crores) under the U.S. Public Law 480. This pact forms a supplement to the sixth U.S. P.L. 480 agreement entered into between the two countries on May 1, 1962.

Under the Cotton Textiles Export Incentive Scheme, mills have been allowed to import cotton against exports of their cloth and yarn during the quarter April-June, 1962, and onwards. This has been announced in an Import Trade Control notice issued on May 18. Mills will be eligible for import entitlements for raw cotton worth upto 66-2|3 per cent of the f.o.b. value of cloth and yarn exported by them. They would be allowed to retain for their use all the imported cotton if their exports consist of fine and superfine cloth and yarn of counts 60s and above and if these exports are manufactured out of the foreign cotton imported by them. In othr cases, mills would be allowed to retain 30 per

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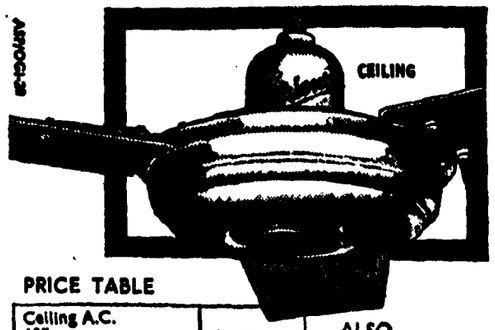
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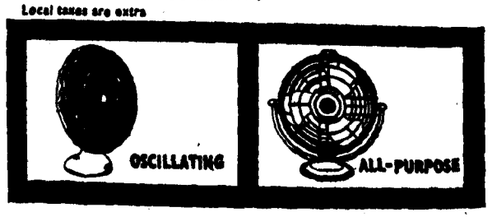


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cent of the imported cotton and the remainder shall have to be made available by them to the Textile Commissioner on terms to be prescribed from time to time. The Textile Commissioner will certify the import entitlements in each quarters. Applications for import licences will thereafter be considered by the Joint Controller of Imports and Exports, Bombay.

Possibilities are also being explored to import some cotton from Sudan in exchange for Indian cloth exports. A trade delegation from there is already here to negotiate sale of Sudanese cotton.

During the forthcoming talks between a trade delegation from Pakistan and the Government of India import of increased quantities of Pakistani cotton will be one of the major items of discussion.

ZETOR TRACTORS

"India is one of the biggest buyers of Czechoslovak tractors and other agricultural machinery", claimed by Mr. V. Kirsbaum, Trade Representative and Commercial Counsellor of Czechoslovakia in India last week. He added that "at present, there are three types of tractors which are being manufactured in Czechoslovakia. First is the ZETOR 3011-Major, 3-Cylinders Diesel 30 HP with the lowest speed of 12 kilometers per hour and the top speed of 24.5 kilometers per hour. The other type which is going to be introduced in the market is ZETOR MINOR of 22 HP capacity, 2-Cylinder Diesel. The third type is ZETOR SUPER 4-Cylinders 50 HP.

"Czechoslovakia is not only a supplier of tractors to India, but in collaboration with Messrs. Tractors and Buldozers in Baroda, a progressive manufacturing of ZETOR SUPER tractors was started. Nearly 50 per cent of indigenous parts are now being used in manufacturing of these tractors in India. The factory is having a planned capacity of 2,000 tractors per year."

IMPORT OF CAPITAL GOODS

According to an Import Trade Control Public Notice, applications for capital goods and heavy electrical plant licences for value in excess of Rs. 5 lakhs for import from countries other than Rupee Area countries and applications of value in excess of Rs. 20 lakhs for import from Rupee Area countries, should henceforth be submitted in the prescribed form to the Development Wing (Mr. M. Veeraraghavan, Deputy Director, Coordination), Udyog Bhavan, New Delhi, and not to the Chief Controller of Imports and Exports, New Delhi. This step has been taken to obviate delays in the disposal of applications.

ICI INTRODUCES TRIPLE BENEFIT RETIREMENT SCHEME

ICI and its two associated companies, Indian Explosives Limited and the Alkali and Chemical Corporation of India Limited, have introduced a Non-contributory Pension Scheme as service conditions for their 5,500 non-management staff, including hourly rated workers. This pension, which is in addition to the existing two retirement benefits of Provident Fund and Gratuity, will be paid every month to an employee during his retired life. The scheme takes effect from January 1, 1961, and applies to all staff who give a minimum of twenty years' satisfactory service.

The scheme will provide a pension which together with the annuity value (at the LIC rates of annuity) of sums received under Provident Fund and Retirement Gratuity will approximate 50 per cent of the last seven years' average earnings consisting of basic pay and dearness allowance. This guarantees minimum pensions of Rs. 45 a month for general staff and Rs. 20 for subordinate staff and hourly rated workers. While there is a guaranteed minimum, no maximum has been stipulated and all members of non-management staff irrespective of grade and pay are covered.

Pension will also be considered even where the employee is prematurely retired for reasons of health or other circumstances provided he has given a minimum of twenty years' service and the premature retirement is within five years of the normal age of retirement.

IN BRIEF....

The Union Government proposes to set up shortly a Joint Committee of Parliament to supervise the working of public sector enterprises, it was announced in the Lok Sabha last week. This would help in improving the work of these undertakings. A Government motion for setting up this Committee would be introduced in the House soon.

*

The U.S. Government has communicated to the Government of India its approval for a loan of Rs. 9.6 crores to finance the foreign exchange cost of the Pamba Kakki Hydro-Electric Project. It is intended by the Government of India to secure a rupee loan of Rs. 15.31 crores from the U.S. Public Law 480 counterpart funds to finance the rupee expenditure on this project. No loan agreement, however, has been signed in this respect.

*

The Government has approved the proposal of the Kulu Valley Development Company to set up a newsprint manufacturing unit in Kangra (Punjab) in collaboration with a Canadian firm.

*

One lakh metric tonnes of sugar have been released for export last week. This is in addition to 50,000 metric tonnes released for this purpose on May 1 and one lakh metric tonnes released in February last.

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.
Agents for : The Oriental Fire & General Insurance Co. Ltd.
Royal Exchange Assurance.

COMPANY AFFAIRS

ORISSA CEMENT

There was a substantial improvement in the working of Orissa Cement Ltd., during the year 1961. Gross profit at Rs. 1.61 crores was nearly 40 per cent more than last year's figure of Rs. 1.1 crores. After separating Rs. 36.82 lakhs towards depreciation, Rs. 2.91 lakhs towards development rebate, Rs. 44 lakhs towards taxation and Rs. 30 lakhs towards general reserve, the Directors recommended the distribution of dividend at a rate of Rs. 1.50 per ordinary share of Rs. 10 each, which will absorb Rs. 33.75 lakhs. The Directors have reported that production of both Clinker and Cement registered an improvement as against the previous year. Rather strained situation regarding the availability of wagons was responsible for only a negligible improvement in dispatches. Production and dispatch of all types of refractories was, however, considerably higher than the previous year which contributed significantly towards higher profits. The Directors also reported that the ex-work price per ton of cement payable to the company has been increased from Rs. 60.80 to Rs. 69.50. The Government of India has, however, not accepted the recommendations of the Tariff Commission in full nor was the increased price made effective from 1st July, 1961, as recommended by the Commission. It was made effective from 1st November 1961. The Cement Manufacturers' Association has submitted a representation to the Government for reconsideration of the prices fixed by them. A separate representation has also been made by the Company in respect of various increases in costs consequent on governmental action including the 15 per cent duty on electricity levied by the Government of Orissa with effect from 16th October, 1961. Since the several increases have taken place after completion of the Tariff Commission enquiry, their incidence was not included in the cost computations.

TRAVANCORE RUBBER

The working results of the Travancore Rubber and Tea Company Limited recorded a net profit of Rs. 5.09 lakhs after making usual provisions for depreciation, income-tax, etc. This compares favourably with the net profit recorded last year of Rs. 4.75 lakhs. The directors recommended a dividend of 10 per cent which was highest during the last four years. Dividend for 1960, 1959 and 1958 was 9 per cent, 7½ per cent and 5 per cent respectively.

The rubber crop harvested during the year was 6,26,992 kgs. as against an estimate of 5,30,703 kgs., or an increase over estimate of 96,289 kgs. and 76,130 kgs. more than the crop harvested during 1960. 1961 has established a fresh record for rubber crop in spite of the abnormal South-West Monsoon resulting in a heavy toll of tapping days. The main reason for the improved crop return is the intensification of the tapping system, more particularly in those areas scheduled for rehabilitation in the years ahead. It is estimated that a crop of 7,25,000 kgs. rubber will be collected during 1962 at an estimated estate expenditure of 162.47 nP. per kgm.

Tea crop harvested was 5,78,898 kgs. which is 26,647 kgs. below estimate and 10,638 over the crop for the year 1960. This is most satisfactory when taking into account the adverse weather conditions experienced during the year under review. In 1962 it is estimated that the tea crop will be 5,86,000 kgs. to be secured at an estimated estate expenditure of 310.15 nP. per kgm.

NEW ISSUES

The following companies have been granted consent to issue fresh capital. Of these, one is a new company, two are State Corporations and one is a bank. The consent of the Controller in all cases is valid for 12 months.

Mastic Products of India Limited, a new company proposed to be incorporated in Maharashtra, has been granted consent to the issue of capital of Rs. 80 lakhs divided into equity shares of the value of Rs. 65 lakhs and preference shares of the value of Rs. 15 lakhs.

Out of the equity issue of Rs. 65 lakhs the company will issue shares worth Rs. 23.80 lakhs to Ruberoid Company of New York, U.S.A., for consideration other than cash being the value of plant and machinery to be supplied by them. The company has obtained a licence under the Industries (Development and Regulation) Act for the manufacture of various types of tiles for which a factory will be established in the Maharashtra State.

The Industrial Development Corporation of Orissa Limited is to issue capital of Rs. 50 lakhs in equity shares of Rs. 100 each for cash at par to the Orissa Government. The proceeds will be utilised for the establishment of a cement and a cable factory.

Bimetal Bearings Limited, Madras, is raising equity capital of Rs. 40 lakhs (in addition to Rs. 10 lakhs already issued) for cash at par. The proceeds of the issue will be utilised for the manufacture of shell-back bearings, bushings for automobiles etc., in collaboration with Clevite Corporation, Cleveland, Ohio, U.S.A. and Renco Limited, Melbourne, Australia.

The Union Bank of India Limited Bombay, will issue further capital of Rs. 40 lakhs (nominal) divided into 8,00,000 equity shares of Rs. 5 each, fully paid-up, for cash at a premium of Re. 0.50 nP. per share. The proceeds will be utilised for strengthening the bank's capital base. The present paid-up capital is Rs. 60 lakhs.

Industrial Tools Private Limited, Calcutta, is to issue 25,000 equity shares of Rs. 100 each for the manufacture of House Service Meters for which a licence has been obtained by the company under the Industries (Development and Regulation) Act. The company will convert itself into a public limited company and offer shares for public subscription.

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M. J. Maclaren
GENERAL MANAGER.

AB—22

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.0
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61 ..	120.0	109.9	120.0	145.4	130.6	122.8	123.9	124.9
1961-62 ..	120.1	100.3	122.2	142.6	138.8	124.6	126.6	125.1
February 1961 ..	116.3	111.2	121.7	159.4	134.2	128.6	129.3	126.8
March „ ..	117.5	113.4	121.9	159.1	137.3	128.4	129.7	127.5
April „ ..	117.6	112.0	121.5	153.1	136.0	126.1	127.5	126.0
February 1962 ..	120.0	99.0	122.4	138.7	137.9	124.3	126.2	124.3
March „ ..	119.2	99.8	123.0	136.3	135.5	124.9	126.4	123.6
April „ ..	120.5	98.8	122.4	135.1	136.5	125.2	126.8	124.2
24-3-1962 ..	117.7	99.2	123.0	135.0	135.4	124.6	126.1	122.6
31-3-1962 ..	118.5	98.8	123.0	134.7	135.3	124.8	126.3	123.0
7-4-1962 ..	119.3	98.8	122.9	135.2	135.7	124.7	126.3	123.5
14-4-1962	121.4	98.6	122.9	135.0	136.2	124.9	126.5	124.6
21-4-1962 ..	120.1	98.6	122.4	134.9	136.8	125.2	126.8	124.0
28-4-1962 ..	121.3	99.2	122.3	135.3	137.2	125.3	127.0	124.7

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	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	—	—	—
1956	336	352	244	142	847	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*	412	431	300	167	400	486	495	168	478	173	170	173
1961 August ..	419	438	302	171	410	491	501	167	481	171	171	177
September ..	417	436	302	169	410	491	499	169	479	171	171	177
October ..	415	434	302	168	417	499	501	172	480	176	177	177
November ..	415	434	302	170	417	508	497	174	481	180	178	177*
December ..	416	435	302	171	410	499	493	175	481	178	177	177*
1962 January ..	417	436	296*	170	399	513	495	178	482	177	174	177*
February ..	419	438	—	170	399	513	492	—	480	177	177*	175*
March ..	420	439	—	170	—	—	493	—	480	—	—	—

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

WEEK ENDED

	11-5-1962			4-5-1962			27-4-1962			20-4-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	121.55	120.45	121.13	122.05	120.35	121.43	121.60	120.05	120.73	121.85	120.75	121.24
Silver (per kilogram)	222.90	218.85	221.21	223.65	220.00	222.20	221.20	219.10	220.35	221.55	219.95	220.79

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1957-58 ..	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30.06	975,06	1,552,5
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	1,750,7
1960-61 ..	1,863,13	18.94	1,882.07	117,76	134,99	255,75	13.4	126.84	1,502,48	1,882.0
1961-62 ..	1,957,42	19,58	1,977,00	117,76	115,93	233,69	11.82	121,65	1,621,65	1,977,0
Average of Fridays										
Feb. 1961 ..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12,58	121,75	1,587.28	1,954.7
March „ ..	1,970,51	14,91	1,985,42	117,76	127,01	244,77	12.33	119,41	1,621,24	1,985,4
April „ ..	2,017,13	18,88	2,036,01	117,76	118,01	235,77	11,58	121,90	1,678,34	2,036,0
Feb. 1962 ..	2,022,55	18,29	2,040,83	117.76	126,11	243.87	11.95	119.51	1,677.45	2.040.8
March „ ..	2,066,22	20,06	2,086.28	117,76	121.86	239,62	11.60	116,49	1.730,17	2.086.2
April „ ..	2,136,62	23,21	2,159,83	117,76	110,61	928,37	10.57	118,65	1,812,81	2,159,8
Week-Ending										
20-4-1962 ..	2,141,06	21,07	2,162,13	117,76	108.86	226,62	10.48	118,48	1,817,04	2,162,1
27-4-1962 ..	2,123,04	39,92	2,162,96	117,76	105,86	223,62	10.34	119,33	1,820,01	2,162,9
4-5-1962 ..	2,145,14	14,84	2,159,98	117,76	105,00	122,76	10.31	116,35	1,820,87	2,159,5
11-5-1962 ..	2,161,30	26,94	2,188,24	117,76	105,00	222,76	10.17	114.61	1,850,87	2,188,2

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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	14,3
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	11,7
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	12,2
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	15,3
1961-62 ..	60,71	16,55	81,95	140,73	299,94	119,13	504,08	19,64	34,10	18,11	63,87	137,69	207,74	22,
Average of Fridays														
Feb. 1961 ..	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,0
Mar. „ ..	61,88	20,34	72,56	91,25	246,03	125,10	456,13	15,00	33,81	26,22	44,51	168,25	148,97	19,3
April „ ..	59,70	8,73	77,38	101,68	247,48	134,90	467,38	18,97	55,31	10,60	84,08	135,28	142,78	20,
Feb. 1962 ..	57,52	16,38	77,10	147,85	298,75	137,30	521,05	18,34	31.16	10,68	61.15	162.63	207.44	29.6
Mar. „ ..	63,22	13,26	77,37	151,76	305,62	141,78	532,39	20,11	44,87	10,88	75,55	179:66	168,20	33,1
April „ ..	65,39	7,96	86,56	153,71	313,62	146,14	544,76	23,28	66,02	8,27	112,72	136,79	162,58	35,
Week-Ending														
20-4-1962 ..	51,06	6,86	88,52	156,56	302,99	149,85	537,85	21,14	63,00	9,03	125,87	131,56	152,11	35,1
27-4-1962 ..	53,64	14,29	85,15	153,04	306,11	149,91	541,02	39,99	48,02	6,55	110,25	127,82	172,67	35,
4-5-1962 ..	51,36	16,06	78,98	151,60	298,00	159,35	533,36	14,89	52,10	5,99	113,64	129,57	181,32	35,
11-5-1962 ..	49,05	18,78	89,04	151,46	308,34	149,51	542,84	26,98	70,60	4,80	109,80	138,98	155,25	36,

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores 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.

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961

Name of Industry	1960: No. of Units	1960: Actual Production	1961: No. of Units	1961: Actual Production
Heavy Mechanical Engineering Industries				
Agricultural Implements (Tonnes)	58	17,400	52	22,895
Boats and Crafts (Nos.)	21	2,120*	21	3,423
Bolts, Nuts, Rivets and Dogspikes (Tonnes)	33	43,500*	42	53,985
Bright Bar Shafting (Tonnes)	6	5,015	7	6,865
Conduit Pipes (R. Metres)	11	4,210,000	11	2,604,097
Electrodes, Weldings (Th. R. Metres)	2	1,08,247	4	1,12,900
Lifts (Passenger & Industrial) (Nos.)	4	140*	4	214
Link Chains, Steel (Tonnes)	3	405	3	589
Pipes & Tubes, Steel (Tonnes)	8	1,11,785	11	1,33,925
Rolling Stocks (Rly. Wagons) (Nos.)	11	7,634	11	10,550
Steel Structurals (Tonnes)	122	1,50,000*	133	1,70,987
Utensils, Domestic (Tonnes)	51	11,770*	37	14,985
Wire Ropes (Tonnes)	2	3,280	2	2,775
Light Mechanical Engineering Industries				
Ball Bearings (Nos.)	1	2,698,899	2	3,216,109
Belting:				
(i) Hair & Cotton (Tonnes)	9	688.9	10	667.0*
(ii) Rubber Ply Transmission (Tonnes)	8	2,403	8	1,962*
(iii) Conveyor (Tonnes)			5	1,210
Bicycles, complete (Nos.)	19	1,050,090	20	1,052,760*
Bicycle Parts (Rs.)	27	36,986,639	29	40,768,656*
Building & Hardware Fittings (Tonnes)	25	9,161	24	9,204
Clocks (Nos.)	5	51,336	5	52,730
Crown Corks (Gross)	7	5,339,683	6	6,061,683
Duplicators (Nos.)	4	4,445	4	5,236
Expanded Metals (Tonnes)	4	1,773.3	4	1,445.0*
Hurricane Lanterns (Nos.)	11	5,196,002	11	5,586,802*
Incandescent Lamps (Nos.)	9	132,973	9	145,420*
Laminated Leaf Springs (Tonnes)	7	10,447.29	9	14,565.00
Machine Screws (Thousand Gross)	11	1,642.9	10	2,561.00*

INDIAN UNION

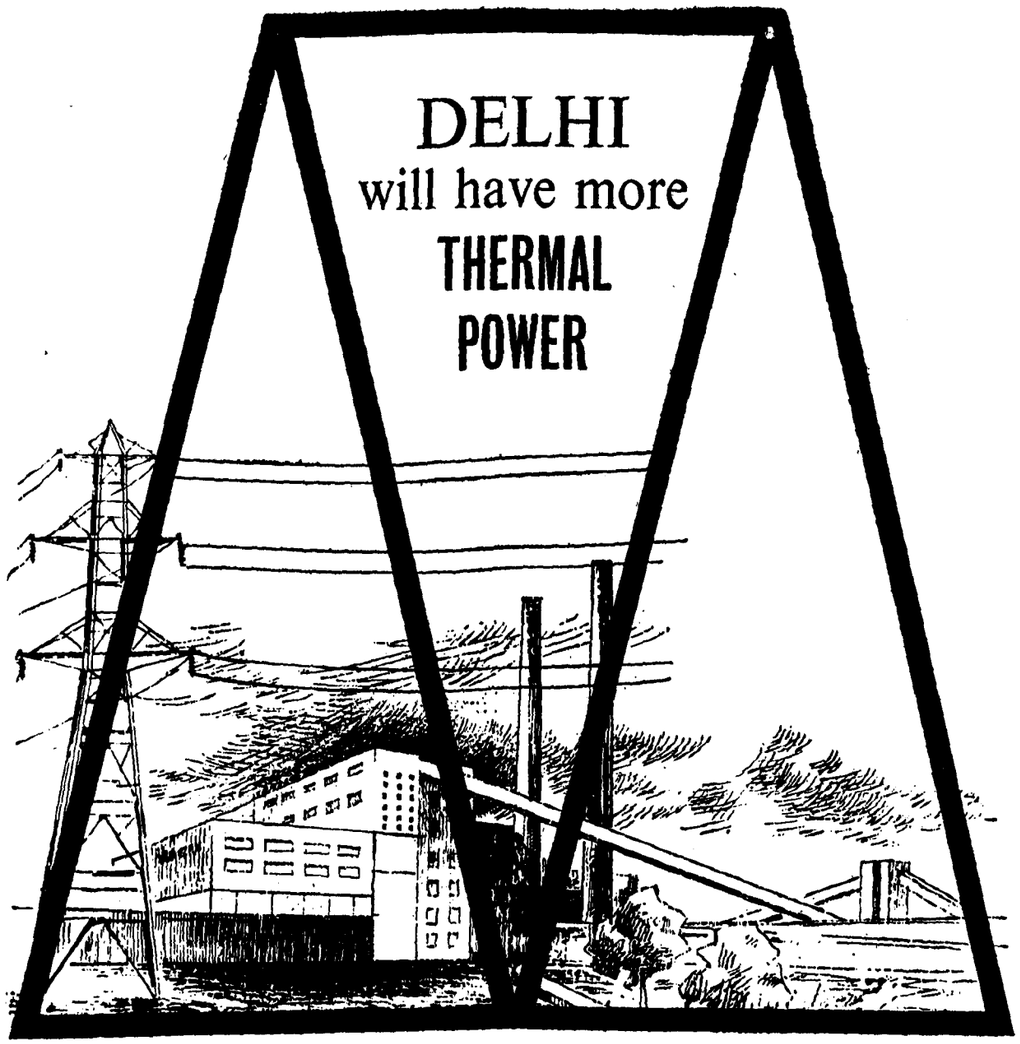
INDUSTRIAL PRODUCTION IN 1960 AND 1961 — (Contd.)

Name of Industry	1960		1961	
	No. of Units	Actual Production	No. of Units	Actual Production
Needles— (i) Gramophone (Million Nos.)	1	342	1	311.50
(ii) Sewing Machine (Million Nos.)	1	0.9	1	1.85
Razor Blades (Million Nos.)	5	565.2	6	769.6
Sewing Machine (Nos.)	7	297,281	7	317,400
Steel Belt Lacing (Boxes)	5	133,194	5	175,442
Steel Furniture (Tonnes)	21	25,914	22	31,837
Stoves (Nos.)	9	249,413	9	280,123*
Typewriters (Nos.)	4	23,549	4	31,101
Umbrella Ribs (Dos. Sets.)	11	823,275	11	1,077,903
Wire Products such as: Wire Gauze, Wire Netting, Chain Link, Chain fencing (Tons)	4	1,280	4	1,395*
Wood Screws (Thousand Gross)	20	9,961	21	10,562*
Zip Fasteners (Metres)	6	1,924,218	6	2,220,107*
Industrial Machinery				
Chem. and Pharm. M/c. (Rs. in lakhs)	31	139.01	34	216.73
Coal Mining M/c. and Coal Washery (Rs. in lakhs)	3	18.92	3	20.00
Constructional Machinery (Rs. in lakhs)	14	103.27	15	132.70
Paper Machinery (Rs. in lakhs)	5	2.47	10	44.80
Solvent Extraction Plant (Rs. in lakhs)	2	6.14	8	100.63
Tea Machinery (Rs. in lakhs)	7	121.47	7	176.51
Weighing Machinery (Rs. in lakhs)	6	60.50	6	87.80
Agricultural Machinery (Rs. lakhs)	35	141.6	35	191.56
Boilers (Industrial) (Rs. lakhs)	3	52.63	4	101.16
Cement Machinery (Rs. lakhs)	5	63.7	5	90.79
Conveyors (Rs. lakhs)	6	26.00	8	67.12
Drilling Machinery (Rs. lakhs)	5	11.49	4	12.95
Dairy Machinery (Rs. lakhs)	2	17.5	3	16.80
Printing Machinery (Rs. lakhs)	5	0.9	5	7.70
Reduction Gears (Rs. lakhs)	1	8.7	2	16.12
Sugar Machinery (Rs. lakhs)	15	419.0	15	466.55
Industrial Machinery (unclassified) (Rs. lakhs)	29	27.9	29	49.15

* Estimated.

Source: Ministry of Commerce and Industry.

(To be continued)



AVB's newest assignment: to supply high pressure boilers for the Delhi 'C' Power Station of the local Electric Supply undertaking.

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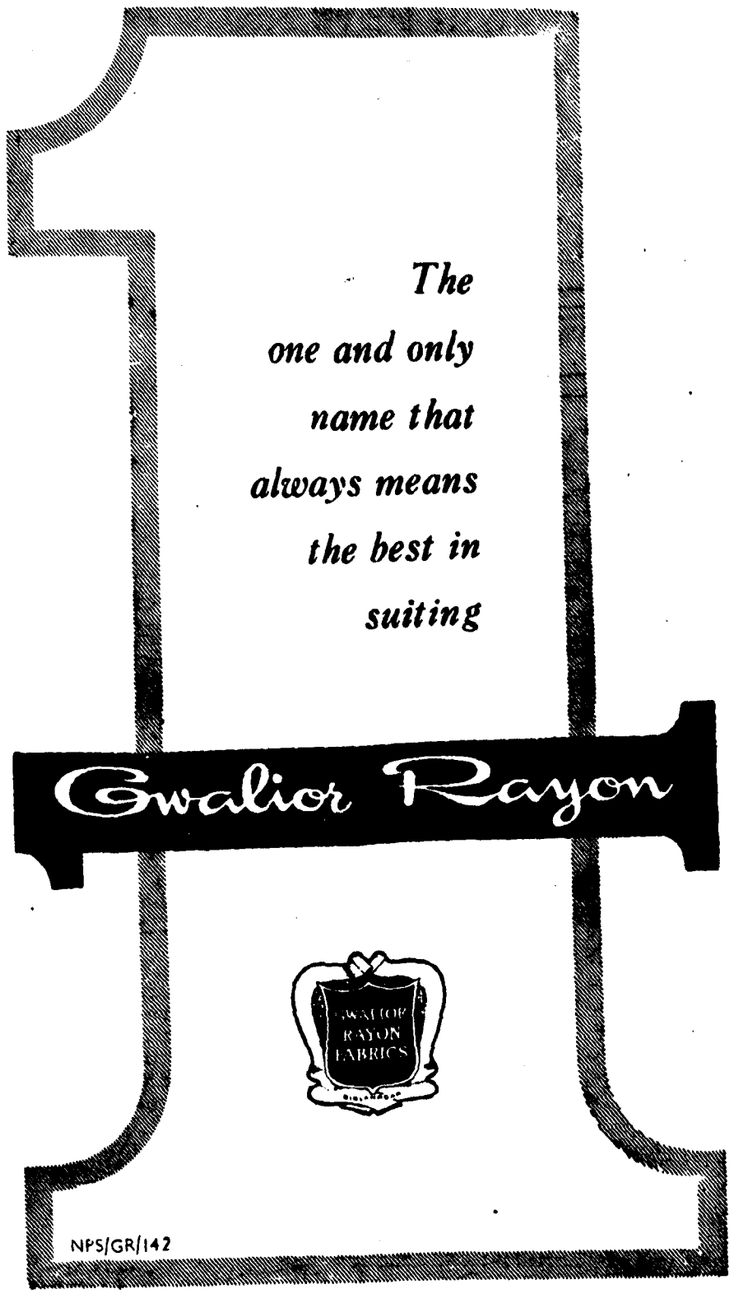
The Delhi installation is the latest in a distinguished series of contracts entrusted to AVB in Maharashtra, Madhya Pradesh, Uttar Pradesh and other parts of India.

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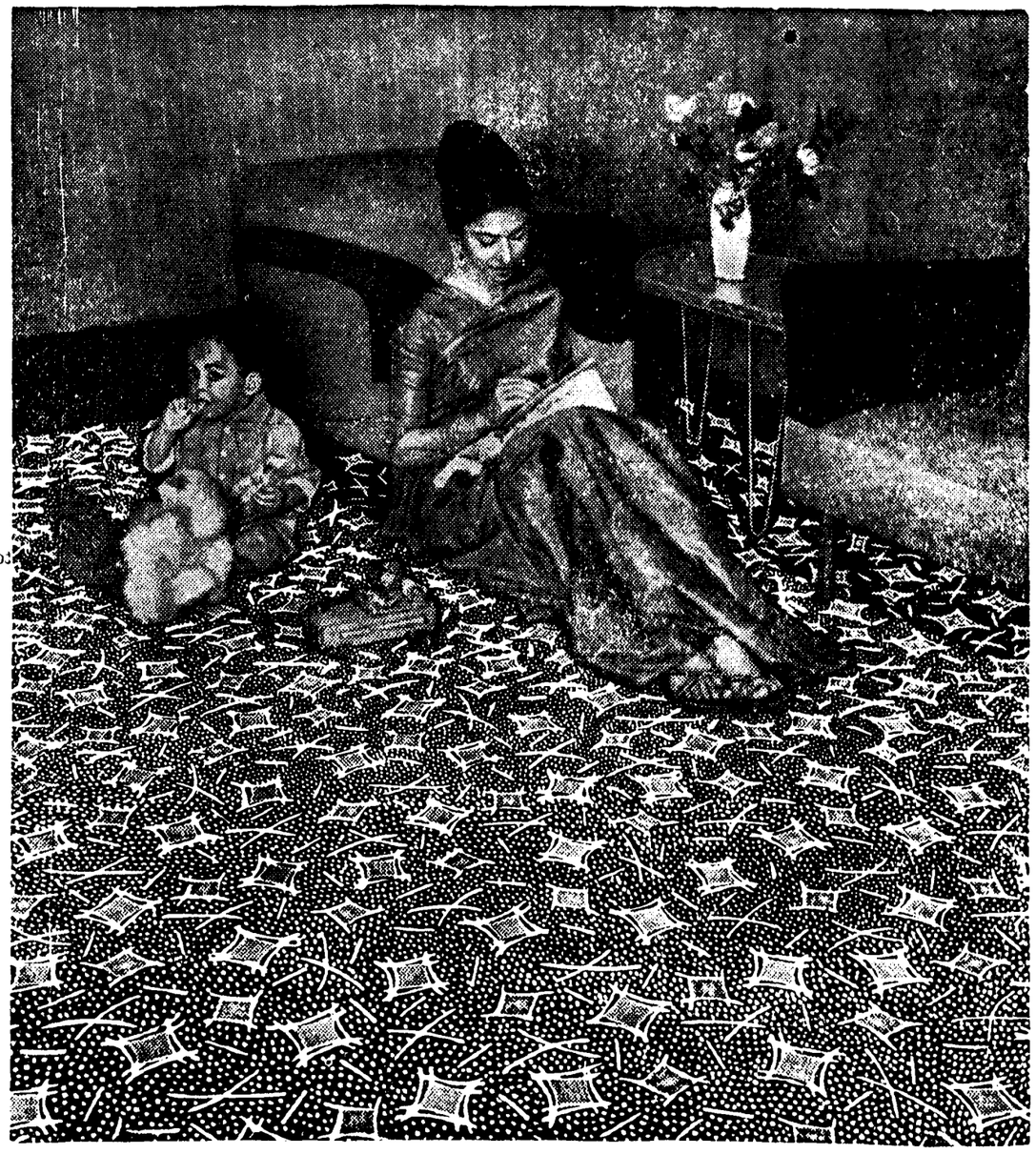
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THE EASTERN ECONOMIST

JUNE 1, 1962.

Aid Postponement: Implications

FRANKLY, the action of the Aid India Consortium in postponing its decision on the enlarged size of aid to India for the current year has caused keen disappointment in this country. Two months of the financial year have already run out and the few weeks which will elapse before the Consortium is reconvened will keep uncertainty hanging, making it difficult for us to finalise the specific programmes of development for this year and to place orders in time for equipment and materials required for them, since virtually all the loans will be tied to particular projects—even West Germany seems to have made up her mind to depart from her last year's practice to provide enough scope for free use of her credits at our discretion. The absence of untied credits heightens the element of uncertainty in the immediate context inasmuch as we have now no mentionable cushion of foreign reserves to meet the maturing obligations of external payments.

To put this reality in plain words is certainly not to create a scare that the expansion programmes of the second year of our present Plan stand threatened to be paralysed. The members of the Consortium announced in June last year itself their tentative allocations for 1962-63. But the crux of the problem is how completely the gap of $220 million in the combined share of the member-countries other than America will be wiped out. This depends on the increases in the amounts of the credits they finally decide to make in addition to what they declared in June 1961. Until certainty is reached in this matter negotiations for the individual projects to be tied to the credits are difficult to be taken in hand.

The temptation would be strong to attribute the indefinite postponement (when time is of the essence of the situation) to extra-economic, or to put it precisely, to political, reasons. Goa, the Kashmir dispute, India's policy on disarmament and other controversial issues at the UN and finally the MIG-21's may be recalled. It would be idle to pretend that these issues have not produced varying adverse repercussions in the different aid-supplying countries. But differences—sometimes acute—between India and the aid-giving friendly countries have been maintained on several vital questions and their existence is tolerated in a truly democratic spirit. It is regrettable enough that these differences arise intermittently. Whatever the immediate intensity of the reactions to them, the correct perspective is not lost and the fundamental objectives of economic aid for development are not subordinated to political moods.

This is to be seen from the communiques issued by the Consortium. At the end of the previous meeting of the Consortium held on January 29-30 this year, immediately in the wake of the Goa operation, the official communique stressed the central fact that, on an appraisal of India's requirements of assistance for 1962-63, the Consortium recognized the need for additional aid during the year. The drastic cut of 25 per cent applied by the Senate Foreign Relations Committee to the aid recommended for India by President Kennedy is likely to be picked up as an important factor setting the tone for the grant of aid. But this week's communique mentions the intention of the members to increase their contributions. There is another aspect to the cut. The cut in its revised form (at the hands of the Senate Committee itself) places $545 million, the amount of aid supplied in 1961-62, as the ceiling for 1962-63. This is to allow the provisional allocation of $500 million for the fiscal year 1962-63 to be raised by $45 million. But the practical difficulty posed is whether the other member-countries will raise their allocations to fill the gap of $220 million in their contributions to achieve parity with America's offer of $500 million. The ceiling of $545 million enhances the difficulty still further.

This is the issue which calls for patient endeavour if it is to be resolved as much to the best benefit of India as practicable. And in this regard the perseverence of Mr. Eugene Black is a matter of common knowledge. This week's communique contains the significant and encouraging statement that indications were available that the amounts of credit from individual countries would be raised. This, of course, is not the same thing as saying that every single member-country other than America gave such an indication or that the figures of increase hinted at were sufficient to eliminate the gap in a substantial measure, if not entirely. More than one-third of the shortfall in the aggregate contributions of the non-American members is estimated to be the order of these indications.

It includes the maiden credits of new-comers. Austria and the Netherlands participated in the Consortium's deliberations as full members. Belgium and Italy have shown interest in joining when sounded by the IBRD President and Sweden is mentioned as a likely participant. Mr. Eugene Black is using his good offices to persuade the members to be more generous in their co-operation to close the gap. The mention of "several weeks" to enable the members to reach the final decision on their contributions need not be interpreted as an inordinately long postponement. Fixing a definite date for the next decisive meeting of the Consortium would have served little purpose; rather, it may have created avoidable embarrassments in some cases.

The background to America's proposal about the combined contributions of the rest of the member-countries matching to her own need not be repeated here. The proposal-cum-stipulation was made last year, but she demonstrated the flexibility of her attitude by allowing some disequilibrium between the two components of the credits. Her allocation for the first year of the Third Plan was $545 million as against $500 million from the rest. Comparability rather than parity seems to be her condition in this behalf. Optimism will not be wrong if it is assumed that there will be no reverse action on the part of America to readjust her amount of $500 million for 1962-63 to conform to the criterion of matching con-

tributions. What will be the margin of tolerance and how high the rest of the members will increase their amounts need not be speculated. But the time-lag that will be involved may make it necessary for us to seek a loan from the IMF as an interim solution. There will always exist the need to fix priorities for development programmes for concrete implementation to suit the availability of external credits. But there is no warrant for the pessimism that the current year's expansion programmes will be frozen on a substantial scale.

Granaries—Today and Tomorrow

MR. S. K. PATIL indulged in no exaggeration when, in reply to the debate on the demands for grants for his Ministry in the Lok Sabha last week, he observed that "our granaries are full" and that "the food situation today is as it was never before in the history of India". Although this happy position has been largely brought about by heavy imports effected under the U.S. P.L. 480 programme or otherwise, it is also a reflection in some measure of the progress that Indian agriculture has made under the Second Five-Year Plan, especially during the last three years. Foodgrains output has been consistently going up during this period. In 1959-60 it amounted to 74.7 million tons. In 1960-61 it went up by 4.6 million tons to 79.3 million tons. During the current agricultural year, which is coming to a close this month, it is estimated to go up further by about 1.2 million tons to 80.5 million tons. The combined effect of higher indigenous output and massive imports, which since 1959 upto February-end this year have been of the order of 13 million tons, has been that wide fluctuations in food prices have been ironed out and the prices touched in the lean months during all these three years have been substantially lower than those recorded in 1957-58. Today India's food production falls short of domestic requirements by only about 3 million tons.

A part of the increase in grains output in the recent past may have been only of a statistical nature, as has been claimed by not a few statisticians. But that it has been maintained well above 75 million tons during the past three successive years despite the fact that they were not exceptionally favourable, is a pointer to the fact that the massive investment that has gone into our agrarian economy under the first two Plans has started yielding returns. Intermittent reversals coming from the vagaries of weather are not fully amenable to control. Their reduction will take many more years during which irrigation facilities will have to be extended persistently and supplies of other modern aids to farm production augmented. But as conditions obtain today, the country can well look forward to a comfortable food supply during the coming years.

It is sometimes argued that the rate of increase in food output during the past one decade has been such that it makes the Third Plan target of 100 million tons appear unrealistic. During the 'fifties India's food production went up from 54 million tons in 1949-50 to 65.79 million tons in 1955-56 and to 79.27 million tons in 1960-61, showing an increase of about 12 million tons over the five years of the First Plan and of 13.5 million tons over those of the Second Plan. On the basis of this trend, an increase of nearly 15 million tons can be expected over the five years to 1965-66. But the Plan assumes an increase to the tune of 20 million tons. That this is not out of our reach should be evident from the fact that the cumulative effect of the investment that has already gone into the agricultural sector and of the heavy investment that is envisaged upto 1965-66, will be felt only in the next few years.

But there is one danger which has to be warded off. It is that the present comfortable food supply position should not lull us into any false sense of complacency. The Food Minister's much publicised statement quoted at the outset conveys, if unwittingly, such a feeling. If anything is required to achieve the Third Plan food target, it is redoubling of effort. Not only the supplies of various aids to food production, particularly of fertilizers, have to be augmented, commensurate with the demand for them, but there is need to extend the principle of fixing support prices for as many food crops as possible. This has been done so far for wheat only. Rice should be the next beneficiary.

The progress that has been made during the first year of the current Plan in respect of the various developmental programmes of agriculture should temper Mr. Patil's exuberance. It is becoming crystal clear that the ambitious, but imperative, one million ton target for nitrogenous fertilizers is not likely to be achieved if the matters are allowed to drag on at the present pace. Although installed capacity for the manufacture of these fertilizers has been allowed to be stepped up to 1.25 million tons, as many as four important projects have been delayed and they may not go into full production by 1965-66. The Itarsi project appears to have been caught in the doldrums. The Neyveli project is about two years behind schedule. The Gorakhpur project too may not be completed according to plan. The Durgapur project meets the same fate and even technical collaboration has not yet been secured for it. Then there is every possibility of coal shortages hampering the production of fertilizers, as of so many other industrial products. In case the threatened serious shortfall in fertilizers output, which according to a recent appraisal by the Planning Commission may be of the order of 10 per cent below the target, is not compensated by imports, the achievement of the food production target is bound to become difficult. The severe rationing of foreign exchange is a limiting factor for imports of fertilizers too.

There may also be some shortfalls in the attainment of the targets for such development programmes as provision of improved implements (due to a grave set-back to the steel expansion plan), extension of multiple cropping and production of urban compost. If energetic action is not taken to set things right from now on, self-sufficiency in food by the end of the current Plan period may prove to be elusive as hitherto. It is not enough that the granaries should be full today. They must be full tomorrow and thereafter. But fullness is a relative concept. Unless the current intake of 2,100 calories per day is stepped up to 2,300 calories in 1965-66, the Plan will not have fulfilled its basic purpose. In the absence of adequate availability of protective foods, the masses in India will continue to take more grains than the Westerners do. Provision has to be made for it.

Kerala: Industrialisation

THE urge of the Government and the people of Kerala to make firm beginnings in the industrial expansion of the economy of the State is easily understandable. In this State, thickly populated as well as highly advanced in literacy, the compulsion of creating a broader and more diversified base for the expansion of the economy than heretofore is quite obvious. The Kerala Government itself is keenly aware of the injustice that would be done to the people, if it does not give a lead to accelerating the pace of industrialisation, instead of leaving it to the leisurely initiative of the local entrepreneural talent. The problems of Kerala's economy typically represent the problems of an economically backward region and hence there is the need for a determined effort to put an end to stagnation by the effort of the State as well as of the private investor.

It speaks for the earnestness of the Kerala Government that it is approaching this problem on the basis of a technical investigation of the issues involved. The report which the All-India Manufacturers' Organisation recently tendered to the Government at its instance on this subject throws light on the potentialities of exploiting the natural resources of the State. The time available to the AIMO for the laborious investigation that was needed was apparently inadequate, but it has been fortunate in having at its disposal considerable useful material collected on this subject by the National Council of Applied Economic Research in its preliminary survey. It is perhaps arguable that here some duplication of effort has been involved, but it is also true that two technical organisations, looking at the problem from somewhat different angles, would place before the State Government proposals of a varied nature.

An industrially less developed region like Kerala State has certainly a strong claim on the Centre for the allocation of financial and other resources for development on a large scale. Kerala's case in this respect is strengthened by the fact that it accounts for a share of something like 10 per cent in the nation's total earnings of foreign exchange. The margin of error in this estimation apart, the Kerala Government can maintain that its substantial share, relative to its size and population, in the earnings of this scarce resource entitles it to greater indulgence than other economically comparable regions. A grievance against an inadequate share in the allocation of resources for development by the Planning Commission has become a fashionable and stock plea with many States. But the AIMO's report suggests in somewhat emphatic terms that, when a similar grievance is voiced by the Kerala Government, it is based on sound reasoning.

One of the charges made by the State Government relates to the raw deal meted out to the region in the establishment of State-owned heavy industries for which a case could be made out. The argument for the industrialisation of Kerala rests mainly on stepping up its national income and employment and on both these counts the contribution made by heavy industries can hardly be considered to be as substantial as that made by other industries. Nevertheless, where economic factors justify the location of heavy plants in this State, they should be set up, irrespective of the fact that prestige is also a factor that enters into the pressure of demand for heavy plants.

The report contains an elaborate list of industries — large, medium as well as small in the scale of operation—and industries suitable for development under the auspices of the public and private sectors. To mention a few among them, chemicals, ceramics, plantation crops, electrical goods and a number of industries, which lean heavily on a variety of plantation crops, can be given priority with the expectation of reasonable returns within a modest period of gestation. There is also a good case for the expansion of the existing industries. Happily Kerala is situated in a position in which the pace of industrial development will not be retarded for lack of transport and power.

But a word about power is necessary. At the end of the Second Plan the production of power in Kerala was 1.64 lakh kW from where it is to be steeply raised to 5.48 lakh kW at the end of the Third Plan. This is a tall target indeed and if the experience of planning in any State in India is a useful guide, the State Government would do well to take full precautions against a likely shortfall of a serious nature in the Third Plan target. If one major argument for accelerated growth of industry in Kerala is the prospect of the availability of ample power at cheap rates, the programmes of individual industrial projects should be co-ordinated with the progress of the plan for power development. If this precaution is somehow overlooked much of the investment will be immobilised with consequent disappointment and a possible set-back to public confidence.

The Kerala Government has adopted a conscious policy of creating an attractive climate for investment in industry. And to this end a number of aids and incentives have been provided. Local savings are to be channelled into investment in industry by the offer of special facilities to acquire the different categories of resources from land to imported equipment and materials. Inducement is also offered to investors from outside the State to establish industries in Kerala either independently or in collaboration with local investors. The Government is aware that in certain spheres private capital should be enabled to overcome its shyness and here the inducement is held out of the sharing of risk by the State along with the private sector. All in all, a complex of measures are being adopted to attract the flow of investment capital of which there is a traditional dearth in this State. It is not as if Kerala has been free from set-backs to industrial enterprise before and the examples of certain industries being stultified in Kundara and Quilon provide object lessons. The report suggests preventive action to avoid such pitfalls.

Kerala has not ceased to be a problem State politically. Of great importance is the overriding necessity of a stable government without which the appropriate climate for the uninterrupted growth of industry will be hard to ensure. This is a vulnerable point in the political structure of Kerala and the AIMO's report has done well to focus attention on it.

THE WEEK'S NOTES

West Irian

DANGER IN DELAY

AS THE WEST Irian dispute keeps on dragging, its prolongation holds a threat of the element of pugnacity gathering increased momentum. This is confirmed by reports of landings of more Indonesian paratroopers, more important claims of towns or areas falling into their hands, counter-reports of the paratroopers being repelled, arrested or killed, large areas being evacuated under the Dutch authority's instructions for reasons of safety, and so on. Whether the dropping of Indonesian paratroopers in West Irian constitutes the beginning of organized aggression or whether it is part of the liberation movement by volunteers is a subtle point the niceties of whose interpretation can be debated without bringing the solution any the nearer. But it is an exaggeration to maintain that there is a present threat to peace in that region from an aggressive attack. Prof. Jan de Quay's letter to U Thant, drawing his pointed attention to Indonesian attacks on West Irian, has brought a meaningful reply, accompanied by an appeal from the Acting U.N. Secretary-General. He has asked both the sides to refrain from aggressive postures, implying that he is aware that both the parties could be considered as involved in preparations for open violence as a method of solution of the dispute. The Dutch Premier's suggestion for posting U.N. observers in West Irian was also unacceptable to the Secretary-General on the fundamental ground that such a suggestion ought to be endorsed by both the sides and also because the posting of observers may affect his efforts to bring the parties together for settlement by negotiation.

The course of prudence lies in resuming the thread of the talks for settlement. And for this purpose the ground prepared by Mr. Ellsworth Bunker during the negotiations between the parties at Washington provides a practical basis. The essentials of the Bunker Plan are immediate transfer of West Irian's administration to a third non-party official to be nominated by the Secretary-General, replacement of the present Dutch officials by neutral officials, transfer of the administrative control of the island to Indonesia with the retention of the neutral officials in an advisory capacity after a year but not later than two years and guaranteed safeguards by Indonesia thereafter for minority rights and above all for a free plebiscite by the West Irian citizens to decide their final political status. The Dutch Government is now coming round to the acceptance of the Bunker Plan, but its reservation on the transfer of administrative control substantially detracts from the proposed acceptance. Taking the issue to the Security Council will lead to procrastination and further complications. The present stalemate cannot continue for long, since this colonial issue has already consumed over twelve years. Russia's eagerness to strengthen the forces of liberation is a substantative factor which Holland must reckon before she places prestige above any other consideration. Wisdom lies in negotiating on the basis of the Bunker Formula.

Language Issue

VICTORY FOR COMMONSENSE

THE SILVER JUBILEE celebration of the Rashtra Bhasha Prachar Samiti at Wardha early this week provided an appropriate occasion for much fruitful thinking on the positions of Hindi and English in the administrative as well as educational, social and public life of the country. There can be no two opinions that English can never achieve the status of the national language of India and Hindi among all the Indian languages is the only language which is suited to emerge as India's national language. The Constitution speaks of replacing English by Hindi as the nation's official language. But popular opinion goes much forward and advocates the status of the national language for Hindi. But Hindi has to acquire a number of attributes before it can reach this peak.

The major issue in the language controversy relates to the period of transition which would be necessary for a smooth and rational changeover to Hindi. A good case may be spoiled by bad handling and this is precisely what a number of leaders from the Hindi-speaking regions have done to the cause of Hindi by their obsession with its elevation to the popularly agreed status here and now. The manner in which the propaganda for the substitution of Hindi as an official language has been conducted has created genuine and serious apprehensions in the minds of people in many regions, particularly the South and the East, that Hindi is being imposed upon them. There are also other considerations which we can ignore at our cost. In our international contacts and, more important, in our need to make scientific and technological advances, English will continue to retain its great value.

Language can certainly be a potent factor in national integration, but, if handled tactlessly and arbitrarily, it can be a force for disruption. The changeover cannot be hastened without the possible risk of disruption and already some extreme voices are heard in this behalf. In the reorganisation of States the linguistic controversy brought to the surface the ugly features of the language issue. This ought to serve as a timely warning to the enthusiasts of hasty substitution of Hindi. The Government, however, has drawn the right moral from this protracted controversy. It is to be congratulated on its decision to introduce a Bill in the next session of Parliament to maintain the status of the English language as at present. This declaration, solemnly made at this appropriate forum by Mr. Lal Bahadur Shastri, is a victory for commonsense.

In a multi-lingual State like India it is essential that languages other than the national language must be learnt on a wide scale. Real conviction about integration will be strengthened if, for instance, the languages of the South are deliberately propagated in the Hindi-speaking regions. It will also bring the much-needed realisation to the impatient advocates of Hindi about the genuine difficulties of learning extra-regional languages. In his message to the Conference, Mr. Nehru suggested that organisations like the Rashtra Bhasha Prachar Samiti should be set up in North India for the propagation of the knowledge of the South Indian languages. This is a valuable suggestion which needs to be energetically pursued.

Salan

SOFT JUSTICE

THE SENTENCE of imprisonment for life passed on ex-General Salan has come as a staggering surprise. That the arch-organizer of the putsch of April 1961 and the supreme commander of the OAS would not escape death sentence was taken for granted. The charges framed against him were treason and crimes committed under his direction by the OAS. In the earlier trial held in absentia for treason, he was sentenced to death. But it is a fundamental principle of criminal jurisprudence that no accused person should be condemned and punished without an opportunity being given to him to defend himself in a trial according to law. An accused, convicted in absentia, is therefore entitled to a retrial when he is apprehended. Salan's right hand collaborator and second in command of the OAS, ex-General Jouhaud, has been sentenced to death by the military court on the same counts. This makes justice depart from non-discrimination and, ironically enough, if non-discrimination is to be vindicated, a case may be claimed to have been made out for reprieve for Jouhaud.

The majority of the military court awarded the lighter sentence of imprisonment for life for Salan on the ground of mitigating circumstances. What these mitigating circumstances are can be gathered fully from the complete text of the judgment. But a fair idea of their nature may be formed from the tenor of the defence put up on behalf of Salan. It was alleged that General de Gaulle, who rose to power with the help of the army in Algeria on the eve of the Fifth Republic, gave an understanding about retaining a French Algeria. In the course of the trial there was little trace of the atrocities committeed by the OAS. Most of the time of the court was consumed by the evidence adduced on behalf of Salan to prove that he was misled by the alleged understanding. But how an illegal armed organisation operating in secrecy to subvert the authority of the State can maintain this stand and it can be accepted as a mitigating circumstance passes comprehension. Justice must be not only even, but it must also be stern. This judgment has done a great disservice to the nation which has produced the monumental Code Napoleon and established a high reputation for justice without fear or favour. If Salan had been condemned to death and his sentence had been commuted to life imprisonment, depending, of course, on the withdrawal of its blood and terror campaign by the OAS within a reasonable time, justice would have been tempered with grace. The Algerians have been dismayed and shocked. Their patience and restraint have been further overstretched. A presidential decree has now abolished the special military court to try this class of cases, but not before the mischief was done. The OAS feels incited to act with greater vehemence under the cover of the mitigating circumstances.

Student Indiscipline

CALCUTTA COMMOTION

INDISCIPLINE AMONG university students and their indulgence in acts of violence are not new to Calcutta. But the latest case shows that the infection is now spreading to a quarter which ought to be immune from it — the medical institutions. Self-control and devotion to duty are among the minimum qualities that are essential for the profession for which these students are qualifying themselves. Whether their grievance is genuine or frivolous is not an important consideration. The main consideration with the students should be that they must not subvert elementary discipline. In this particular case the students of first and final M.B.B.S. classes insisted upon a postponement of their examinations by a week. This in itself was a strange demand. But if at all the students felt impelled to press it, the proper course was to send a small deputation of their spokesmen to the Vice-Chancellor and pursue their efforts peacefully.

But the students resorted to questionable tactics and it would appear that they were not acting on their own judgment but under extraneous influence. Six hundred students virtually put the Vice-Chancellor and his staff in wrongful confinement in his room and refused to break the siege until their demand was conceded. It was right that the Vice-Chancellor refused to act under duress. A police force was called to handle the situation and a lathi charge as well as use of tear-gas were resorted to. It was unfortunate that matters reached such a pass. But the number of casualties involved gives an idea of the dimensions of the violent behaviour of the students. About 50 students, 24 policemen and the Assistant Commissioner of Police were injured in the clash. The next day about 1,500 students belonging to different medical institutions in Calcutta city boycotted their classes and adopted a resolution demanding the removal of the Vice-Chancellor and the Dean of the Medical Faculty. Meantime, the Vice-Chancellor had no other course but to put off the two examinations scheduled to take place on May 29. Student indiscipline may be a complicated problem involving complex considerations. But this cannot condone the increasing number of light-hearted acts of violence. There are minimum standards which ought to be respected. In the clash between the Calcutta medical students and the police, 127 students were arrested and thereafter released on executing personal bonds of Rs. 500 each during the pendency of the investigation. The circumstances attending this incident warrant that the law should be allowed to take its own course; nevertheless, a lighter punishment by way of disciplinary action may be imposed.

P & T

QUALITY — THE QUESTION MARK

IN HIS reply to the Budget demands for his Ministry, Mr. Jagjivan Ram made some important announcements. He has announced that the allowance of the extra-departmental staff would be increased after some careful examination of the issues involved and that the incentive bonus which has been introduced as an experimental scheme in certain workshops would be extended to benefit members belonging to other sections of P & T. Ostensibly, these announcements aim at providing a greater incentive for work. The extra expenditure which the department will incur will be justified if it is reflected in the quality of the work turned out by the department. On this score, past experience forbids any optimism. Year after year the departmental annual report of P & T parades figures of the growing volume of traffic which is only consistent with the expansion of official and non-official business, but improvement in efficiency is little in evidence.

Mr. Jagjivan Ram has made an important announcement about the simplification of the slabs in the telephone bills as well as in the rates for telephone calls. In substitution of the present 45 slabs, 10 are to be retained. Similarly, a uniform 50 per cent rate for night calls between 7 p.m. and 8 a.m. is to be charged. The Minister claims that this reduced rate will involve some loss of revenue. But this is a debatable point since others claim that actually it would be a case of a lower price stimulating a larger demand and increasing the revenue. At the end of 1960-61 the arrears pending on account of collections of telephone charges rose as high as Rs. 2.15 crores. This may be partly due to the multiplicity of slabs and the complicated system of concessional rates for night calls. The simplified procedure would be tested by the extent to which the arreares are reduced. But the revenue aspect and its collection is not the sole criterian of improvement. Quality of service easily takes priority.

The European Scene

THE DE GAULLE-MACMILLAN MEETING

From Our Special West European Correspondent

PARIS, May 26.

HAVING said here lately that the negotiations for Britain's entry into the Common Market were not, as far as one could see, being complicated yet by political considerations, I am bound to report the first sign that they are. This first sign came not in Brussels, where the affair is moving slowly because of purely economic difficulties, but in Luxembourg, during discussions on Britain's membership of the CECA, or Coal and Steel Pool. Economic difficulties exist in this field too, notably the adjustment of Britain's National Coal Board and her Iron and Steel Board to the market rules of CECA. But they were not the reason for the failure of the Six to agree on how they should negotiate with Britain. It was that the French Industries Minister, having already secured one postponement on a pretext about co-ordinated fuel policy, secured another delay by bringing up some unexpected procedural objections. The Six had to put off writing a reply to Britain's application until June 12, and the French Minister commented, "Between now and then new elements might intervene, thanks to forthcoming international meetings". In plainer language, France was stalling until Messrs. Macmillan and de Gaulle had held the conference scheduled for early June at Champs, near Paris.

Some people have said all along that, ultimately, Britain's entry into the Common Market, CECA and Euratom would depend on the upshot of a top-level political deal between Paris and London, in which the issues at stake would not be economic but power-political and military. One could only say that they might be correct "ultimately", but that meantime there was no evidence of this in Brussels. The proof was that the negotiations were being conducted, from the Continental side, by the ECM Commission, whose competence is only economic; no one of the Six, and certainly not France, had suggested subordinating the economic settlement to concessions by London in the field of international politics. It could still be that Paris, or Bonn and Paris together, had some such eventuality in mind, but they had not revealed their hand; the slowness of the negotiations could easily be explained by the intricacy of the economic issues involved, without invoking sinister ulterior designs. On the contrary, the breakown of the Luxembourg talks this week was openly related to the Macmillan-de Gaulle meeting, which will not be concerned with the economics of coal and steel but with international power strategy.

So it is reasonable to speculate what political and military conditions Paris might impose for Britain's admission to the European Communities. Speculation is easier after President de Gaulle's recent thinking-out-loud Press conference, where he outlined his ideas on European politics so clearly that within a few hours he had lost five of his Cabinet Ministers and had three others, who refused to resign, disowned by their party. Even then, it is necessary to read between the lines, to interpret his silences (for example, he said nothing about Britain although questioned about her entry into the ECM), and to connect up his remarks with what he has been saying and writing on world affairs in the last 30 years. Thus pieced together, the world-power context in which de Gaulle sets the question of Britain's connection with Europe is dominated by the desire to restore Europe's independence of both the super-powers. The Europe in question is not restricted to the present Six of the Common Market, but covers, as well as West Europe, many of the East European nations now under Soviet domination. In this independent Europe, France would have an eminent place but not necessarily a dominant one. It is a false trail to go interpreting all de Gaulle's designs as primarily nationalist, as a means to French hegemony; his thought on the matter is as "European" as that of any of the super-nationalist exponents of European Unity. One stroke in the picture is, if you wish, nationalist but it happens to be approved, openly, by Russia and, less frankly, by many in all Europe and America: namely, that in a free Europe able to stand between the two super-powers Germany must remain divided; division between several nation-states is the normal condition of the Teuton race, its unity being a dangerous exception that has always menaced Russia, France and the rest of Europe.

The alternative to this free and loosely united Europe is a permanent carving up of the continent between zones of Russian and American influence, such as exists at present. As long as Europe is weak and politically fragmented, de Gaulle suspects, both the super-powers will acquiesce in perpetuation of this halving of Europe between themselves. The present line of division between their respective zones leads to friction, so they are ready to make concessions, e.g. over Berlin, which will bring no benefit to the Europeans but will solidify the division. That is, when Washington offers concessions to Moscow, de Gaulle thinks the Americans and Russians are saying to each other, "You keep your half, we'll keep ours; just smoothe out the points of friction". That is why he opposes such concessions; not because he thinks nothing should be conceded to Russia but because an outsider, the USA, should not concede things to Russia without any gain for Europe.

In fact, the independent Europe de Gaulle has in mind would make ample concessions to Russia, beginning with perpetuation of the division of Germany, and the sum total of them would no doubt be much more impressive than anything Washington has ever considered. But then, they would be made by Europe and the countervailing advantages received from Russia would be so many gains for the Europeans, and not concessions in other parts of the world such as the USA might consent to accept. For example, if Europe gave Russia guarantees about the perpetual dismemberment of Germany and the close absorption of West Germany into a union of West European states that Germans could never dominate, then Russia could pay in the shape of a liberation of many East European countries. However, in order to make this grand settlement with Russia, Europe must be independent of US policy and for that must have her own modern armament. Independence of the USA does not mean hostility nor the break-up of the Western alliance; on the contrary, that must be preserved, for Europe's own arms could never (at least in the foreseeable future) hope to intimidate Russia. Behind them must stand, for extreme emergency, American might; but for bargaining with Russia it would suffice for Europe to have enough atomic weapons to dissuade Russian arrogance, and to be able to threaten Russia with an eventual Franco-German atomic force of greater proportions. In the first place, in order to be taken seriously by Russia as a bargaining

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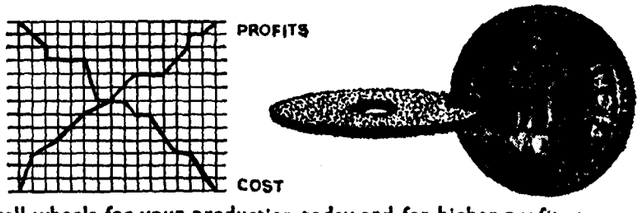
partner, Europe must demonstrate her independence; otherwise, Russia will prefer to deal with the USA on European questions.

Who would be acceptable candidates for membership of this independent Europe? The present Six provide the essential core of the union, because they showed that they took it seriously, when others doubted and opposed, by forming the present European Communities. But there is no need to restrict it to them. Any nation can join that is in Europe (as the USA is *not*) and is in it heart and soul, without global interests regarded as being as important as Europe, without special connections with non-European powers. Any such nation would be genuinely interested in European independence and would gain from the realisation of de Gaulle's plan, which is not a peculiarly French conception but a European one; no doubt, it best ensures French national interests but so it does for other European nations, for their situation today is basically identical. That Britain, for example, is bigger, richer and more respected than any single Continental power would be no obstacle to her admission; quite the reverse, for the design is to strengthen Europe and not to allot a privileged role to Paris alone. The question, however, is whether Britain regards herself as part of Europe, so much a part of it as to sacrifice the illusory consolations of the Commonwealth and her special connection with the USA.

Britain would have no place in this European design if the Commonwealth were still considered as valuable as Europe, and if she came in as the special instrument of American influence. So, on the first point, London must pay the price of giving up (gradually if necessary but irrevocably) every vestige of imperial advantage in trade. On this de Gaulle is not original, for the ECM Commission and most of the Six governments and their national industries take just the same stand. And, in truth, the Americans think the same thing. It is on the second point that de Gaulle's position is more original, while being far from simply a private idea. If the Americans persist, as President Kennedy has lately repeated, in giving Britain favoured treatment in atomic co-operation that is denied to the rest of Europe, then Britain of her own initiative must sacrifice this privilege by incorporating her independent nuclear force in a European force. Otherwise, Britain would be an unequal partner, and one whose attachment to the specifically European cause was always subordinate to dependence on the USA—when the whole design is to restore European unity for the sake of a European cause that will never be adequately defended by either of the super-powers, by America no more than by Russia.

Against this background one can appreciate the following imaginary speech written by a Paris paper for President de Gaulle to make to Mr. Macmillan next month: "I am reputed to be an adversary of Britain's entry into the Common Market. In fact, this is what I think: you don't enter economic Europe without entering political Europe, and there is no political Europe without the basis of a joint defence policy. So, if you want to enter Europe, agree to share atomic weapons. Up to now, you have enjoyed special relations with the USA. You cannot claim to join Europe and, at one and the same time, go on considering yourself different from and superior to Europe. No doubt, you benefit from special advantages in atomic matters and the Americans have given you some of their secrets. Very well. Keep those secrets. Yet nothing prevents you putting your strategic aviation at the disposal of the European Community right away. In short, are you ready to do in the atomic field what you have proposed in space research: construction in common of rockets? If so, I am in favour of your entry into Common Market. If not, not". Another well-informed source, giving a very similar presentation of the general's ideas, added, "Britain can take it or leave it; the general is inflexible on the matter." The foregoing sketch of the independent Europe he has in mind is essential to understand his position. Having never been present personally when heads of State meet in private, I do not know if they really talk to each other this way, but this might well be the gist of what is said at Champs next month.

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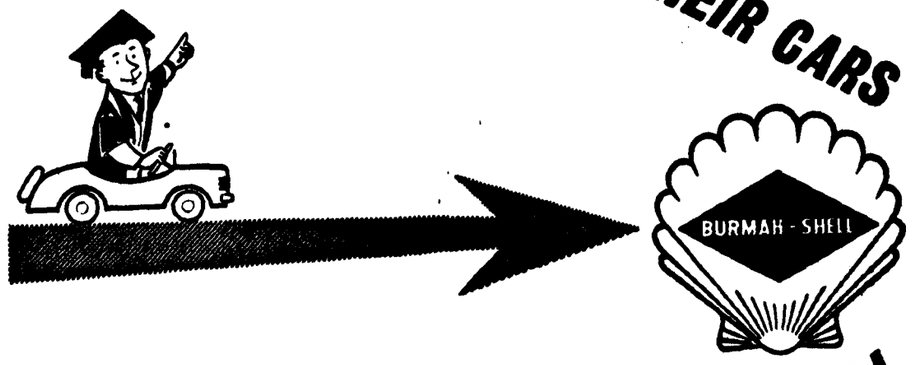
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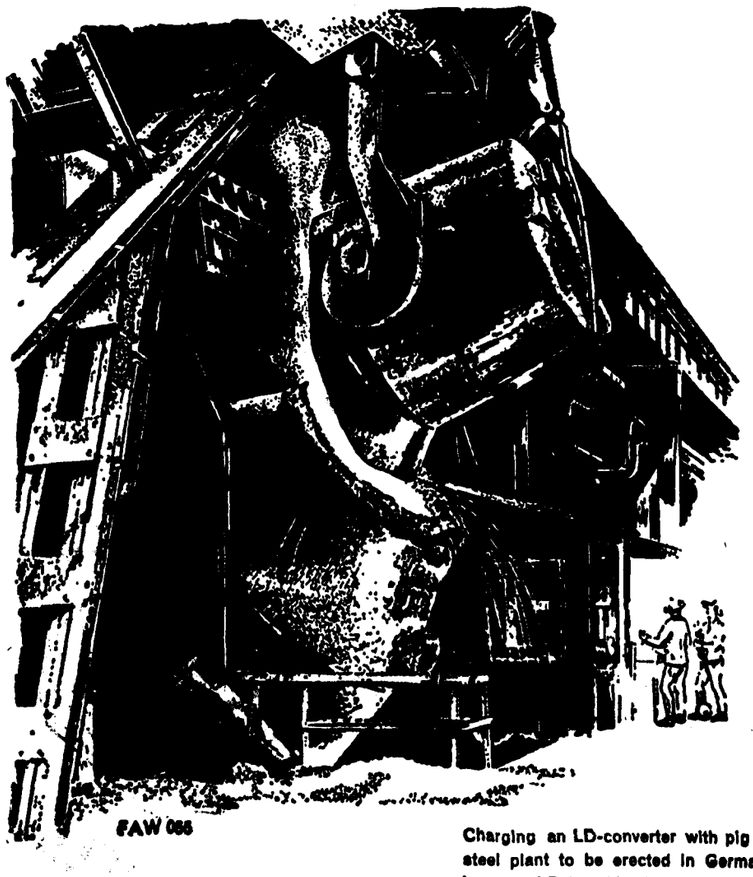
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OUR EDITOR ON PL 480

By a Correspondent

WASHINGTON, May 28.

THE noted Indian economist, Mr. Eric da Costa believes the U.S. Public Law 480 programme is rising above politics and has taken on a predominant role in American foreign aid programmes. He cites massiveness, careful planning and partnership in execution as the major characteristics of the P.L. 480 Programme. Mr. da Costa, Editor of "The Eastern Economist" and Managing Director of the Indian Institute of Public Opinion and the Marketing Research Corporation of India in New Delhi, is on a one-month visit to the United States to observe public opinion and market research procedures and to study the use of P.L. 480 funds in South Asian economic development. "I am very happy to be back after ten years and to see the tremendous changes that have taken place in this interval and the new interest in Indian problems," he told a reporter here. From his studies so far, he said, he has received "new insight into the operation of P.L. 480. I am more than ever convinced of its usefulness as an instrument of economic development in countries which are short not only of food and other commodities but also of financial resources in local currencies for their development programmes."

Mr. da Costa, who has already interviewed a number of officials concerned with the P.L. 480 Programme, noted that there is recognition that P.L. 480 "is now rising quite outside American politics and has taken on a predominant role in foreign aid programmes. There would appear to be characteristics of Marshall Aid assistance in these developments." He feels, "massivness, careful planning of projects and, finally, partnership in their execution with both public and private sector agencies are at work on both sides." The Indian economist and editor said he is doing what he believes is the "first connected study of every phase of the P.L. 480 programme, to indicate its current as well as its potential contribution to the economic development of underdeveloped areas. Arising from these studies there are to be broadcasts which will be presented by the Voice of America to explain the purposes of the P.L. 480 programme." Mr da Costa is taping interviews with a number of officials in Washington, and then will visit other parts of the country to interview a wheat farmer, a farm organization official, an agricultural economist and a shipper on the West Coast. He has already interviewed George McGovern, U.S. Food for Peace Director, W. Tyler Wood, Minister in charge of the U.S. Technical Co-operation Mission in New Delhi, and Indian Ambassador, Mr. B. K. Nehru, who, he said, "has been intimately associated with this programme."

Before leaving Washington on Thursday he will talk with former U.S. Ambassador to India Ellsworth Bunker who, he noted, "handled the largest P.L. 480 grant of 17 million metric tons for India in a single deal." He also hopes to schedule an interview with U.S. Agriculture Secretary Orville Freeman. Mr. McGovern, the Indian economist observed, "was particularly affected by the conditions he saw on his recent visit to India." Mr. da Costa said he attaches "particular importance to the new emphasis given by Mr. McGovern to what might be called the humanitarian side of the programme."

In Chicago the Indian editor plans to interview Professor T. W. Schultz of the University of Chicago, whom he describes as "one of the foremost authorities in the world on agricultural economics," on technological advances in U.S. agriculture as an element in the development of P.L. 480 programmes. He also plans to talk with Charles S. Shuman, President of the American Farm Bureau Federation, a farm organization associated with P.L. 480. In Kansas he will interview a wheat farmer and in Portland, Oregon, he will report from the dockside where a ship loaded with wheat is leaving for India. Mr. da Costa will continue his series of 13 planned 15-minute broadcasts with interviews in Rome with B. R. Sen, Director General of the Food and Agriculture Organization (F.A.O.) of the United Nations and Dr. Boerma, head of the World Food Programme which, said Mr. da Costa, "follows the inspiration of the P.L. 480, grants." On his return to India he said he plans to do a series of interviews "so to speak phased from the receiving end." He will talk with the Indian Food and Agriculture Minister, Mr. S. K. Patil, and visit a school where free food and milk are distributed under the auspices of the P.L. 480 programme. The Indian economist added that he hopes to visit Ceylon and possibly Pakistan "to study the effect of P.L. 480 programmes in countries other than India."

Shortly after his arrival in New York on May 12, Mr. da Costa met senior members of the George Gallup American Institute of Public Opinion, in Princeton, New Jersey, "to renew contacts with the Gallop organisation" with which his Institute, the Indian Institute of Public Opinion, is affiliated. "We have worked with the Gallup organization intimately for over ten years and we know how much we owe to it, both in inspiration and in detailed technical guidance," he said. The Indian visitor also attended the "impressive meeting" of the American Association of Public Opinion Research Workers at Lake George, New York. "One of my impressions," he observed, "is that the organization of public opinion research in the United States is, both in numbers and in creative capacity, almost equal to that of the rest of the world together." Mr. da Costa feels there is "much to learn from American Practice," particularly in India where public opinion measurement is fairly recent.

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Economic Report from the U.S.

BUSINESSMEN MEET

By GUY SIMS FITCH

WASHINGTON, May 23.

AT the invitation of the President, some 200 leaders of business, labour, government and the academic world gathered here this week to dissect the economy and prescribe remedies for its ailments, real or imagined. Behind the two-day conference lies the typical American penchant for self-examination, the need to isolate and eliminate the flaws and to find the means of achieving what might be called a more perfect society. This is in keeping with democratic man's commitment to responsible action—a commitment which in American society involves private no less than government initiative. In this light, one can understand why Americans are seeking to further improve their economy, which even now is operating at a record rate. Production, employment and incomes are well above previous peaks, and prices are generally stable. Yet to the Kennedy Administration, as to most Americans, good enough is not really good enough. The primary goal of a fully employed and productive economy, living up to its highest potential, is still to be achieved, and achieving it requires new solutions to new problems in a changing world.

Old generalizations offer small comfort in meeting these problems, which involve sophisticated, specific and often technical judgements in such complex and related fields as automation, wage and price policies, labour-management negotiations, and international competition. These, indeed, were the four headings under which the discussions were conducted. There is no single magical nostrum for all these far-ranging areas of economic activity—and none was forthcoming. But, then, no one really expected that this two-day meeting would provide definitive solutions to all problems. Its principal purpose was not to pass resolutions or reach final decisions, but to set in motion a constructive discussion—a great dialogue, or confrontation of views, so to speak—out of which there might emerge new approaches and ideas as bases for enlightened action in the realm of public and private policy. By this test, the conference succeeded very well. It was particularly meaningful in delineating and clarifying the factors involved in policy formulation.

This requires, in turn, more investment in modern equipment and the creation of greater demand for goods and services, while avoiding extremes of recession or inflation. It also requires a proper balance at appropriate times between monetary and fiscal measures to stimulate business investment and consumer demand, on the one hand, and to maintain a reasonable price stability, with wage rises generally geared to productivity increases, on the other. This wage-price approach of the Kennedy Administration is highly esteemed abroad, according to Secretary of the Treasury Douglas Dillon, who has just returned from an international bankers' meeting in Rome. Mr. Dillon also observes that the current record of U.S. price stability with rising living standards is a source of enhanced foreign confidence in the U.S. economy. This kind of price stability also is instrumental in enabling American businessmen to sell more of their products abroad. This export potential is not only an added source of strength to the economy, but can go far toward overcoming once and for all the deficit in the U.S. balance of international payments—a deficit which is the result chiefly of large U.S. outlays abroad for economic aid, defence, tourism, private investment and other purposes in keeping with commitments to international peace and progress.

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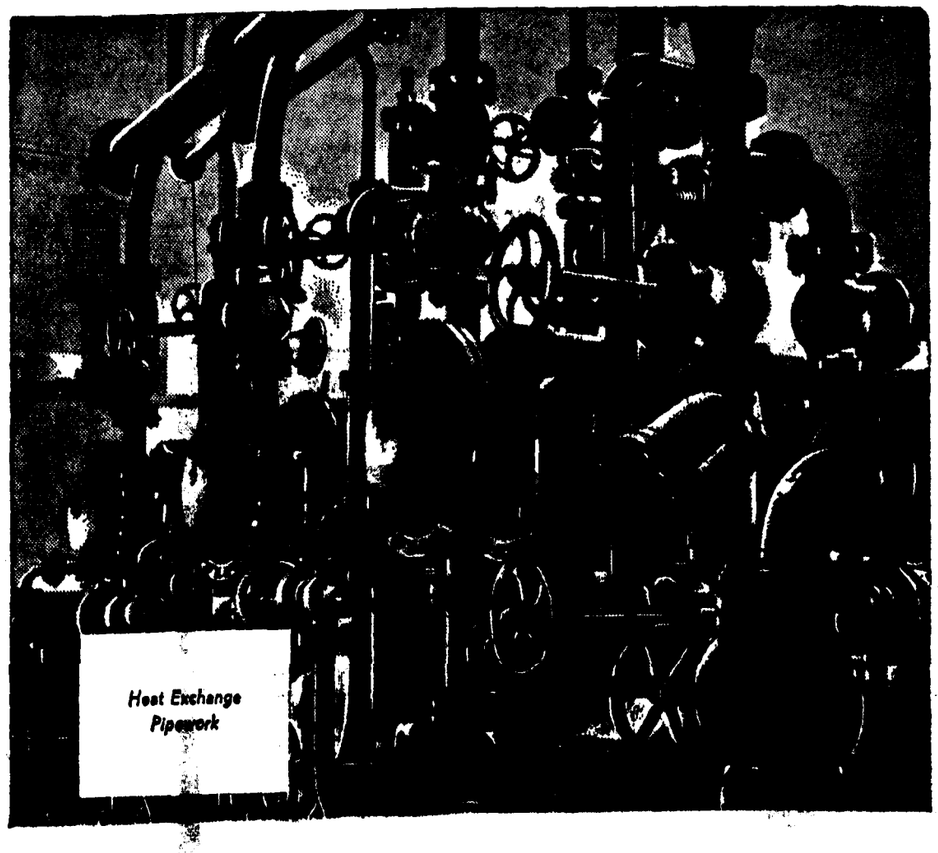
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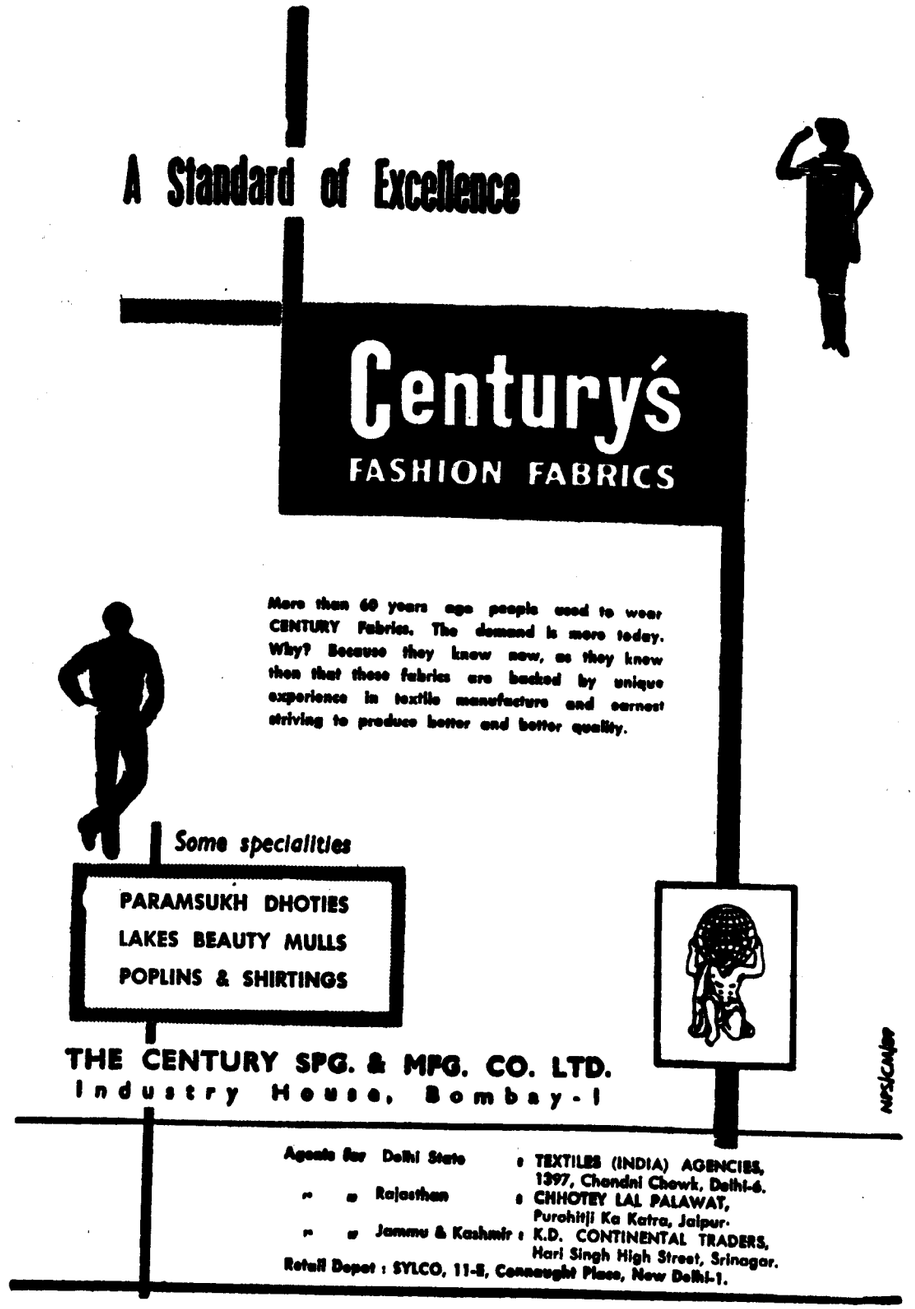
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Special Article

THE GROWTH OF THE CORPORATE SECTOR: 1958-59 TO 1960-61

THE Department of Company Law Administration has released its annual report for the year ending March 31, 1961, on the working and administration of the Companies Act, 1956, highlighting the phenomenal growth which has taken place in recent years with particular reference to the developments in 1960-61. The Report brings into sharp focus the new patterns in regional dispersion which are emerging along with the new shifts in favour of the processing and manufacturing industries as against the earlier trends in favour of commerce and trade as well as mining. The Report also pinpoints the fact that concentration of new companies continues to prevail in the Rs. 1 lakh to Rs. 10 lakhs size.

The growth pattern of the corporate sector is illustrated in Table I below which shows the number of companies at work between 1954-55 and 1960-61 along with the volume of paid-up capital in respect of both the public and the private companies. It will be seen that during the Second Five-Year Plan there was a slow decline in the number of companies at work, while the volume of paid-up capital exhibited a very encouraging growth. In percentage terms, the paid-up capital rose by about 70 per cent from Rs. 1,024.2 crores in 1955-56, the last year of the First Plan, to Rs. 1,724.6 crores in 1960-61, the last year of the Second Plan. The Department has explained that the fall in the number of companies was "the result of continued efforts by the Department to weed out moribund companies from the registers of live companies and does not indicate any decline in the growth of the corporate sector".

TABLE I

COMPANIES AT WORK: 1954-55 — 1960-61

(Paid-up Capital in Crores of Rupees)

Year	Public		Private		Total	
	Number	Paid-up Capital	Number	Paid-up Capital	Number	Paid-up Capital
1954-55 ..	10,056	661.3	19,569	308.3	29,625	969.6
1955-56 ..	9,575	690.4	20,299	333.8	29,874	1,024.2
1956-57 ..	8,810	714.6	20,547	363.0	29,357	1,077.6
1957-58 ..	8,296	773.6	19,984	532.7	28,280	1,306.3
1958-59 ..	7,646	805.0	19,757	710.6	27,403	1,515.6
1959-60 ..	7,306	811.6	19,615	781.5	26,921	1,593.1
1960-61 ..	6,745	876.1	19,363	848.5	26,108	1,724.6

The performance of the corporate sector in 1960-61 was extremely heartening because the new registrations were the highest on record for the last decade. Only in 1951-52, the number of new companies registered was a little higher at 1866 as against the total companies registered at 1,683 in 1960-61. Table II below shows that the rise in the number of new companies in the last three years was rather steep from 1,095 in 1958-59 to 1,683 in 1960-61. In terms of authorised capital, however, the increase was of a nominal nature. The bulk of new registrations took place among the private companies, the ratio in 1960-61 between the two being 90 per cent for private companies and 10 per cent for the public companies.

The Company Law Administration Department has divided the country into four zones and an examination of the growth of new companies zone-wise shows that "a slow but steady" dispersion of new companies has been taking place in areas which have hitherto been held as backward. However, the area of dispersion does not seem to be very wide. Table III overleaf sets out the State-wise distribution of new registrations indicating that out of the total authorised capital of Rs. 287.1 crores, nearly 89 per cent belonged to the four States of Bombay (Maharashtra plus Gujarat), West Bengal, Madras and Delhi. All the other States combined claimed about Rs. 32.6 crores in 305 companies. The State to top the list in regard to the number of

TABLE II

NEW REGISTRATIONS: 1958-59 — 1960-61

(Authorised Capital in Crores of Rupees)

Year	Public		Private		Total	
	Number	Authorised Capital	Number	Authorised Capital	Number	Authorised Capital
1958-59 ..	58	58.7	1,037	225.7	1,095	284.4
1959-60 ..	87	67.1	1,365	93.4	1,452	160.5
1960-61 ..	153	157.5	1,530	129.6	1,683	287.1

new registered companies was West Bengal, followed by Bombay, Madras and Delhi. The lowest in the ladder was Assam with only 5 new companies to its credit. Madras particularly has been gaining more attention in recent years. As against 113 companies in 1958-59 claiming an authorised capital of Rs. 3.5 crores only, it was able to rise in 1960-61 to as many as 343 companies with an authorised capital of Rs. 57.2 crores. The course of growth in Delhi, however, had been rather uneven. While in 1958-59 the number of new companies registered was 130 with an authorised capital of Rs. 50.2 crores, the number of companies in 1960-61 rose to 197, but the total authorised capital declined by 50 per cent to Rs. 25.2 crores. The conclusion is irresistible that the dispersion in new industrial growth is rather slow in relation to the fast expansion which is steadily taking place in the four powerful States of former Bombay, West Bengal, Madras and Delhi. These figures stress the already well known truth that the centres of industrial gravity still exist in these four pivotal States.

The trend towards greater industrialisation was pronounced in 1960-61, when both in terms of number of companies and authorised capital the manufacturing and processing industries of all kinds stood at the head

TABLE III

STATE-WISE DISTRIBUTION OF NEW REGISTRATIONS

(Authorised Capital in Crores of Rupees)

State	1960-61 Number	1960-61 Authorised Capital	1959-60 Number	1959-60 Authorised Capital	1958-59 Number	1958-59 Authorised Capital
Bombay ..	335*	88.0	293	67.5	240	89.2
	72**	24.5				
Delhi ..	197	25.2	141	13.3	130	50.2
Madras ..	343	57.2	345	20.1	113	3.5
West Bengal ..	431	59.6	399	33.9	364	17.4
Other States ..	305	32.6	274	25.7	248	124.1
Total ..	**1,683**	**287.1**	**1,452**	**160.5**	**1,095**	**284.4**

* Maharashtra. ** Gujarat.

of the list vide Table IV below. Commerce (trade and finance) had the next largest number of companies, but with a very much smaller authorised capital of Rs. 21.63 crores. The mining and quarrying companies also indicated a steep fall in terms of the authorised capital, but not in terms of number of new companies.

The size pattern of the new companies has consistently shown a marked preference for broad-based companies, though the bulk of them lie within Rs. 1 lakh to Rs. 10 lakhs range vide Table V on page 1287. The companies with more than Rs. 1 crore authorised capital showed a sharp rise in 1960-61; as against 22 such companies in 1958-59 and 31 in 1959-60, their number nearly trebled in 1960 to 89. Similar was the case with companies with an authorised capital between Rs. 50 lakhs and Rs. 1 crore. Their number also trebled between 1958-59 and 1960-61. Companies with authorised capital between Rs. 25 lakhs and Rs. 50 lakhs have doubled in number during the same period, while those between Rs. 10 lakhs and Rs. 25 lakhs have nearly trebled. As indicated earlier, the largest concentration of new companies continued to be below Rs. 10 lakhs. It is interesting to see that the 89 giants registered in 1960-61 claimed an authorised capital of Rs. 196 crores — more than 68 per cent of the total new capital. Among these giant-sized companies, the contribution of the Government was of Rs. 30 crores for 7 new companies. The balance of Rs. 166 crores belonged to the non-government sector, indicating clearly that the contribution of the government companies was not responsible for inflating the volume of contribution of the giant-sized companies.

TABLE IV

DISTRIBUTION OF NEW COMPANIES: 1958-59 — 1960-61

(According to major Industrial Groups)

(Authorised Capital in Crores of Rupees)

Industrial Group	1960-61 Number	1960-61 Authorised Capital	1959-60 Number	1959-60 Authorised Capital	1958-59 Number	1958-59 Authorised Capital
Agriculture and allied activities	37	3.20	40	2.87	33	0.84
Mining and Quarrying	21	11.22	21	6.10	22	71.59
Processing and Manufacturing (all kinds)	817	227.03	614	119.10	502	167.69
Construction and Utilities	37	7.06	30	2.13	26	1.21
Commerce (Trade and Finance)	424	21.63	367	16.80	302	37.39
Transport, Communication and Storage	277	13.25	283	5.36	104	2.97
Services of all kinds	70	3.66	97	8.18	106	2.67
Total	**1,683**	**287.05**	**1,452**	**160.54**	**1,095**	**284.36**

All in all, the figures demonstrate a healthy trend in the birth of new companies both under the aegis of the government and the non-government sectors, though it is quite reasonably arguable that regional dispersion is not taking place on a scale as would justify optimism at the current pace. The growth rate in new companies, however, speaks eloquently of the judicious manner in which the Companies Act of 1956 has been administered with due care to ensure that new company formation is not retarded by legal obstructions.

TABLE V

SIZE PATTERN OF NEW COMPANIES: 1958-59 — 1960-61

Size Group*	1960-61 Public	1960-61 Private	1960-61 Total	1959-60 Public	1959-60 Private	1959-60 Total	1958-59 Public	1958-59 Private	1958-59 Total
Below Rs. 1 lakh ..	5	365	370	2	344	346	3	249	252
Rs. 1 lakh and under Rs. 5 lakhs ..	5	561	566	15	534	549	14	428	442
Rs. 5 lakhs and under Rs. 10 lakhs ..	15	366	381	18	316	334	12	262	274
Rs. 10 lakhs and under Rs. 25 lakhs ..	23	154	177	12	110	122	8	55	63
Rs. 25 lakhs and under Rs. 50 lakhs ..	7	40	47	15	21	36	5	19	24
Rs. 50 lakhs and under Rs. 1 crore ..	31	22	53	7	27	34	7	11	18
Rs. 1 crore and above ..	67	22	89	18	13	31	9	13	22
Total ..	**153**	**1,530**	**1,683**	**87**	**1,365**	**1,452**	**58**	**1,037**	**1,095**

* According to Authorised Capital.

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THE BUSINESS WORLD

The Wall Street Panic

THE unforgettable memories of 1929 Great Depression were revived in the Wall Street on Monday, May 28, 1962, when prices of almost all the shares lost heavily. The Dow-Jones index at 576.9 indicated a fall of 21.5 per cent over its recent all-time high level at 734.9 on December 13, 1961. As many as 9.35 million shares changed hands on Monday and a still larger number at 14.75 million on Tuesday as against the all-time record of 16.41 million shares on Black Tuesday, October 29, 1929. In this shake-up, the international markets such as London, Paris, Frankfurt and Tokyo could not remain unaffected and a sympathetic downward trend in prices automatically emerged. The Indian markets also exhibited weakness, though not entirely for reasons of the international debacle. Postponement of the Aid-India Club meeting had a more pronounced effect than the Wall Street decline in prices.

What were the basic reasons for the plunge in the Wall Street? Did the malaise start all of a sudden on the fateful Monday? A study of the Dow-Jones index shows that the downward trend in prices had started early in March when the index ruled above 720. It started slipping gradually and had touched 610 before the steep decline occurred on Monday. In other words, the crash was preceded by "general weakness" or a "reappraisal". The firm attitude taken by President Kennedy in disallowing a rise in steel prices was also one of the root causes of the avalanche since the market circles interpreted it as a far-reaching step against inflation and quick capital gains. Communist gains in Laos also contributed towards weakening the sentiment of the market.

What has surprised the analysts is the unprecedented character of the crash at a time when the U.S. economy is in sound health. The President's report had indicated earlier in the year a rise in production, incomes and profits for 1962. A technical correction was certainly expected when the price-earning ratios attained new high levels but the economy and the stock exchanges were not anticipated to move in opposite directions.

The confidence, however, seems to have returned as fast as it vanished. By Tuesday evening all the losses registered on Monday had been made up. In the long run, it seems, the U.S. economy will not be permitted by the Administration to take a suicidal downward trend purely out of business sentiment. The armoury of the Administration has various weapons which can be pressed into service for reviving confidence in the economy. Perhaps the Administration as well as the Federal Reserve will not have to use their extraordinary powers since the market seems to have rallied already.

Business Notes

Automobiles

BABY CAR PROJECT MUST BE STALLED

IT IS not uncommon these days to hear of some industry or other passing through a bad time, and it is not surprising to hear that the automobile industry too has joined the band wagon. Notwithstanding several handicaps, it is noteworthy that the industry recorded a notable rise in production both in 1959 and 1960. The rate of progress in each of these years over the respective preceding year was of the order of 36 per cent and 43 per cent, but the rate of progress was miserably low at five per cent in 1961, as against the previous year's record. Thus, the overall production of cars, jeeps, and commercial vehicles in 1961 amounted to only 53,661, as against 51,189 in 1960. If this trend were to continue in the coming years, as Mr. Dahyabhai V. Patel, President of the Western India Automobile Association (W.I.A.A.), feared the target of 1,00,000 vehicles (30,000 cars, 60,000 commercial vehicles, and 10,000 jeeps) by the end of the Third Five-Year Plan would not at all be possible of accomplishment.

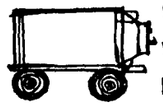
Reviewing some of the problems that the industry has been facing, Mr. Patel observed, in his speech at the W.I.A.A's 42nd annual general meeting, held recently in Bombay, that the high cost of production was perhaps the foremost, and this, he attributed, in the main, to heavy taxation. The "automobile industry is still in an infant stage". Mr. Patel maintained and urged that "until such time as it is able to stand on its own feet and withstand open competition, the Government has a duty to see that its growth is not throttled by excessive taxation". Deprecating the attitude of the Government for not evolving a 'long-range policy to place the industry on a firm foundation, the W.I.A.A. Chief pointed out that, without sufficient incentives in the form of reduction in the tax burden and the grant of adequate foreign exchange to enable the manufacturers to import raw materials and components, the industry could not step up the tempo of production and reach the current Plan target. Mr. Patel suggested, among others, that the baby car programme should be stalled. For, as he said, the industry apprehends that the introduction of the baby car is the easiest way to kill an industry which is being built up only since the past decade.

Yet another problem that the W.I.A.A. Chief dwelt at length was that of oil, which has been one of the very heavily taxed products in the country today. Whereas industrially developed countries like America have shown how successfully they are able to exploit oil by entrusting it to such organisations as have the requisite experience in the line, Mr. Patel remarked, it has become the "subject of experimentation and individual fads and fancies of those in power" in this country. In this connection, he also highlighted the fact that, while, from time to time, the oil companies had

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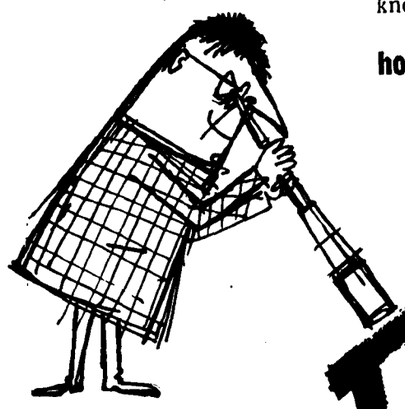
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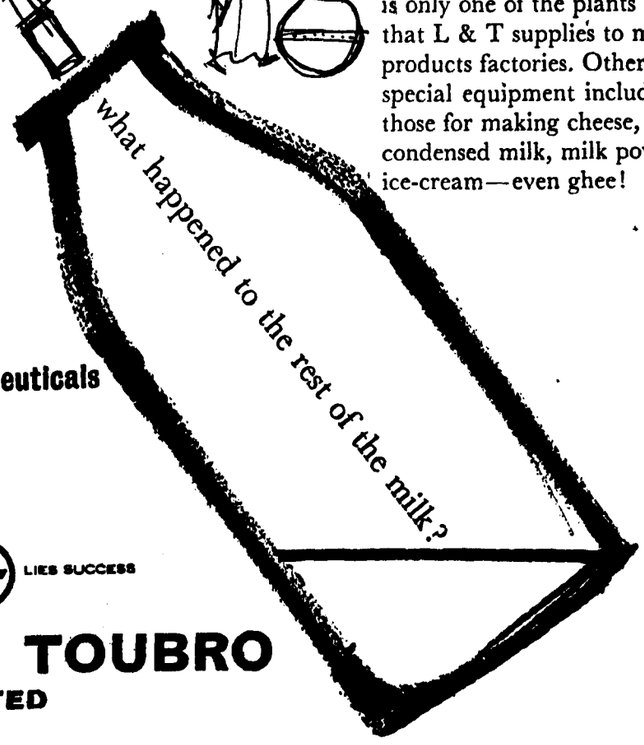
how many hours to churn 11,500 litres of cream?



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surrendered their duty protection, the resulting advantages had yet to reach the consumer! According to him, it is this lack of relief in prices that has, in turn, led to the lack of enthusiasm among people either in oil discovery or, for that matter, in the construction of refineries in India.

Oils and Seeds

F.M.C. AND OILSEEDS FUTURES

AN APPRECIATIVE reference was made by Mr. Ramdas Kilachand, President of the Bombay Oilseeds and Oils Exchange Ltd. (BO.O.E), to the reorientation of the Forward Markets Commission's (F.M.C.) policy towards the oilseeds and oils trade. He referred, in particular, to the removal of ordinary and special margins and the absence of any ceiling fixation (only a daily fluctuation limit is now imposed on the upward rise in prices above certain levels). This "new deal, he noted, was the outcome of the unanimous decisions adopted at a conference of representatives of recognised associations convened by the F.M.C. Presumably encouraged by this happy consummation, Mr. Ramdas suggested that the F.M.C. should also call meetings, every three months, of the representatives of each trade for mutual exchange of views. He probably felt constrained to make this suggestion in the context of the Government's decision of October last closing the oil and oilseeds markets in the wake of the sharp rise in mustard prices in the North Indian markets at the time.

The B.O.O.E. Chairman was speaking for himself as well as the trade when he recalled how unhappy the whole trade was with the intervention of the market during the currency of a given contract. He accordingly reiterated the feelings of the trade that the Government should decide the terms and conditions of trading before the commencement of any contract and adhere to them for the full currency of that contract. Inasmuch as the repercussions of sudden interventions in the middle of a contract period are known to and borne by only the trade, it is only fair that the representatives of the concerned trade are taken into confidence and consulted before any intervention, if and when such becomes necessary.

While on this subject, Mr. Ramdas made it known that the maximum prices fixed by the Government were very much below the highest prices touched for the contract. In fact, the prices prevailing in the latter half of October, 1961, he maintained, were not only lower than the opening prices in July, 1961, but also much below the prevailing ready prices at the time the maximum prices were fixed. Such a situation could be staved off, the B.O.O.E. Chief pointed out, if only the Government cared to decide the terms and conditions of trading before the commencement of contracts in consultation with the trade, as stated earlier.

Referring to the problem of export promotion, Mr. Ramdas welcomed the formation of the Ministry for International Trade, as also of the Board of Trade, and felt sure that, under the new set-up, export promotion efforts would be pursued in right earnest to achieve tangible results. However, he reminded the meeting that though the country's exports had increased considerably over the last decade, still our performance lagged far behind the target fixed under the Third Plan.. Holding that the traditional exports have an important role to play, he observed that, if proper and timely incentives were given and a long-term policy was formulated for exports of oilseeds, oils and oilcakes, this line would be in a position to contribute much more to the export earnings pool than heretofore. Hence his plea for an Export Promotion Council for Oilseeds, Oils, and Oilcakes. Referring to the current failure in the expansion of exports of groundnut oil, which has for long been a traditional export item, the B.O.O.E. President complained that the main drawback was that the exports of this item had been diverted from normal trade channels with the elimination of established exporters from all export promotion schemes and the importing, into this field also, of the State Trading Corporation. In view of the high competitiveness of Indian groundnut oil in the international market, Mr. Ramdas urged that its export could be best handled only by the established exporters who had the requisite experience.

New Issues

ASIATIC OXYGEN

WITH THE onset of the slack season, there has virtually been a spate of new floatations in the capital market. As many as four companies, namely Associated Bearing, Oriental Cables, Prabhat Udyog and Gammon India, have already approached the public for subscriptions to their capital during the past eight days. Another four, namely Asiatic Oxygen, Indequip Engineering, Hind Rectifiers and Tej Nath Films, are scheduled to enter the market in the next seven days.

Asiatic Oxygen will approach the public for subscriptions to its capital on May 31 with an offer of 6,70,000 equity shares of Rs. 10 each. The list closes on June 9 or earlier at the discretion of the directors, but not before June 4.

The authorised capital of this company is Rs. 2,00,00,000, consisting of 17,50,000 equity shares of Rs. 10 each and 25,000 9.3 per cent (subject to tax) cumulative redeemable preference shares of Rs. 100 each. The already issued, subscribed and paid-up capital is Rs. 70. The present issue comprises 15,99,993 equity shares. Of this, the directors and their associates and friends have agreed to take up 4,13,993 shares. Another 2,66,000 shares are to be given to the shareholders of the Asiatic Oxygen and Acytelene Company Ltd., as fully paid-up in exchange for their ordinary shares in that company which is the promoter of Asiatic Oxygen. One of the foreign collaborators, namely Air Products and Chemicals Incorporated, of the United States, is to be allotted 2,50,000 shares in consideration for the supply of equipment and machinery. The block offered for public subscription is the balance after allowing for the above three allotments out of the present issue.

The company has as its main object the manufacture and sale of industrial and medical gases such as oxygen, dissolved acytelene, carbon, hydrogen, nitrogen, nitrous oxide etc., of electrodes, welding and cutting equipment, welding transformers and generators and other equipment, apparatus and appliances relating to the foregoing or anciliary thereto. For producing gases, it intends to set up factories at a number of places included in which are Bombay, Rourkela, Durgapur, Patna and Gauhati. Initially the aim is to go in for a production of 176.4 million cubic feet of oxygen and 45.6 million cubic feet of dissolved acytelene per annum. The production of gases is expected to commence within a year.

For the manufacture of coated and uncoated electrodes, to the tune of 65 million feet per annum, a factory is to set up at Calcutta.

The factory to manufacture welding and cutting equipment and arch-welding transformers is also to be located at Calcutta. The manufacturing capacity of this factory is to be 90,000 units of regulators, 7,500 units of torches and 150 units of oxy-cutting machines per annum. The capacity of the welding transformers and motor generators manufacturing units will be 2,400 and 240 units a year respectively.

Technical collaboration for this massive programme of manufacture has been secured from four U.S. companies, namely Air Products and Chemicals Inc., KGM Equipment Co., Metal and Thermit Corpn., and Westinghouse Electric International Co. Air Products and Chemicals Inc. will also be participating in the equity capital of Asiatic Oxygen.

The project is estimated to cost Rs. 3.74 crores. This expenditure is to be met out of the share capital of the company to the extent of Rs. 1.6 crores, through loans from the Industrial Finance Corporation of India and other sources to the tune of Rs. 1.64 crores and through other bank borrowings to the remaining extent of Rs. 50 lakhs.

In view of the rapid progress that steel and engineering industries, as also medical facilities, are expected to make during the Third Five-Year Plan and onwards, the company should encounter little difficulty in marketing its products.

HIND RECTIFIERS

HIND RECTIFIERS LIMITED, which recently came into existence as a public limited company on conversion of a private limited company by the same name, floated about four years ago to take over from Messrs. Kaycee Industries Limited its business of manufacturing rectifier apparatus, is offering to the public 1,20,000 equity shares of Rs. 10 each. The list opens on June 7 and will close on June 13 or earlier at the discretion of the directors, but not before June 9.

The company has an authorised capital of Rs. 30 lakhs, all in equity shares of Rs. 10 each, out of which capital worth Rs. 5 lakhs is already subscribed and paid-up. The present issue consists of 2,00,000 shares, out of which 50,000 shares are to be taken up by the existing shareholders and another 30,000 by the foreign collaborators, Messrs. Westinghouse Brake and Signal Company Ltd., London, in lieu of supply of plant and equipment. The public issue represents the balance.

Besides Messrs. Westinghouse Brake and Signal Co., London, with whom there already exists a technical collaboration arrangement dating back to Kaycee Industries' period, the company is arranging for procurement of technical know-how and the patent rights of Messrs. Westinghouse Electric Corporation of U.S.A., for the manufacture of silicon semi-conductors, including transistors, photo-transistors etc.

The proceeds of the issue are to be utilised for making additions to the fixed assets of the company's factory at Bhandup (Bombay) to the extent of Rs. 6 lakhs and for provision of additional working capital to the tune of Rs. 5.5 lakhs, with a view to undertake the manufacture of silicon semi-conductors. The remaining sum is to be utilised for repayment of the borrowings out of which the existing fixed capital expenditure of the factory has been partly financed.

During the past three years of its operation as a private limited concern, the company has declared a dividend of 9 per cent in 1958-59, 18 per cent in 1959-60 and 10 per cent in 1960-61.

The rising tempo of industrial activity in the country is expected to generate a large demand for the company's products. As such it should find it quite easy to market its rectifier apparatus.

TEJ NATH FILMS

TEJ NATH FILMS LIMITED, a company promoted by a film artist, Gopi Krishan, in association with two film producers, one of whom is a film director as well, and some businessmen, is entering the market with an offer of 9,000 equity shares of Rs. 10 each and 5,600 12 per cent cumulative preference shares of Rs. 100 each. The list opens on June 6 and shall close at the discretion of the directors at any time but not before June 9.

The authorised capital of the company is Rs. 10 lakhs, divided into 20,000 equity shares and 8,000 preference shares. Of this, capital worth Rs. 20,000, all in equity shares, has already been subscribed by the directors, promoters, their friends and associates. The present issue consists of 16,000 equity shares and 6,400 preference shares. The public issue represents the balance after provision has been made for 7,000 equity shares and 800 preference shares to be taken up by the existing shareholders.

The company has been floated with the primary purpose of producing educative, cultural, social and recreative films for social reformation of the society. Its Memorandum of Association allows it to carry on the business of motion picture production and, for this purpose, construction and acquisition of studios and other prerequisites of film production and exhibition.

The proceeds of the current issue are proposed to be utilised for financing the company's first production "Adchane" which is expected to cost Rs. 10.50 lakhs. The difference between the cost of the project and the availability of resources by way of share capital and any additional costs are proposed to be secured through loans from banks, financial institutions and film distributors, etc.

To Mr. Gopi Krishan and his associates goes the credit of floating probably the first public limited company to finance film production in this country. The progress of this floatation, as also of the working of this concern, will be watched with interest, for on its success depends the future of this new trend in finding finance for the Indian film industry. It is noteworthy that the promoters have taken a decision that any payment to any director of the company for any services rendered by him during the course of its first production, will be made only after the premiere of the picture.

INDEQUIP ENGINEERING

THE SUBSCRIPTION LIST of Indequip Engineering Limited opens on June 4 and shall close on June 9 or earlier at the discretion of the directors, but not before June 6. Details of this issue were given in these columns last week.

Chemicals

SODA INDUSTRY'S PROGRESS AND PROBLEMS

ALTHOUGH THE caustic soda industry has made quite a substantial progress it has many of the problems which, if not solved in time, might hinder the further growth of the industry. Caustic soda is needed in industries like petroleum refineries, dyestuffs and intermediates, plastic raw materials, drugs and pharmaceuticals and organic chemicals, and therefore, it is all the more essential that this industry be given the required encouragement. Being a basic chemical, caustic soda plays a dual role in the country's industrial development. It not only helps in the growth of other industries, but is itself undergoing a process of development to make the country self-sufficient in caustic soda.

So far as production trend goes, it may be observed that the production of caustic soda has gone up by nearly 11 times during the past decade. In 1958, there were 15 units with an overall established capacity of 68,270 tons, today there are 18 units with an overall established capacity of 1,31,035 tons. Demand is also increasing day by day and keeping this development in view the planners have placed the estimated requirements by the end of the Third Plan at 3,40,000 tons. For producing this quantity the target of installed capacity has been fixed at 4,00,000 tons. But as the industry is beset with certain problems, it seems clear that unless they are dealt with effectively, it may not be able to gain the same tempo that it did during the past decade.

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prices. While its prices have remained constant over a long period, costs of production have been increasing owing to increases in prices of raw materials like power, fuel, freight and packing charges. The result is that the margin of earnings has been considerably pushed down below the modest 12 per cent return on employed capital allowed by the Tariff Commission. Again the rate of depreciation allowed under the Income Tax Rules is quite inadequate. Under the circumstances, it becomes quite essential that the Government should adopt a more liberal depreciation policy so that this industry may be able to play its full role. A marginal increase in the selling prices may also be allowed as it would help the industry to fully entrench its feet in the ground.

WIMCO'S NEW PROJECT

A PROJECT for the recovery of marine chemicals from the sea in South India is proposed to be started by the Western India Match Company Ltd. In this connection negotiations with the Madras and Central Government are under way. The company expects positive results which will be known quite soon. The project, as far as is known, is for the recovery of common salt which is in great demand from industry and which also has export possibilities. There are also wide possibilities of recovering from sea water potassium chloride which can feed the chloride industry and several chemical concerns. At the moment this chemical is being imported and naturally, therefore, this project when it goes through will result in the saving of considerable foreign exchange. This fact was disclosed by Mr. Chunilal Mehta, Chairman of the company at the annual general meeting held at Bombay recently. This new project that has been conceived by the company will further strengthen its working. The Chairman indicated that the mechanised sector of the match industry was being restrained from increasing its capacity. The new project in a way is also the result of the company's thwarted growth in normal channels.

Cables

A NEW UNIT

A NEW unit was established by Devidayal Rolling and Refineries Private Limited for the manufacture of ¼" non-ferrous wire rod for which the foundation was laid recently by Mr. S. K. Wankhede, Minister for Industries, Government of Maharashtra. It was realized that most of the cable producers required ¼" wide rod which was most convenient and economical raw material for them. In the Bombay region there was no producer to supply ¼" wide rod and consequently the Ministry of Commerce and Industry viewed that some such producer should establish a mill that could produce ¼" rods for the convenience of the cable manufacturers in the Bombay region. The Devidayals offered to provide this facility, in view of the experience that this firm possessed in the rolling of non-ferrous metals. The factory is likely to go into production in a year's time. Apart from ¼" wire rods, it will manufacture copper bus bars, transformer strips, earthing strips and such other products hitherto imported resulting in saving of foreign exchange to the tune of over a crore of rupees. It has been found out that a complete plant for the rolling of ¼" copper wire rods would, if imported, cost anything between Rs. 60 to Rs. 70 lakhs. The Company, however, has plans to complete the plant with the foreign exchange requirements for essential components which would not be more than 25 per cent of the total cost. This project fills an important gap and is likely to be of considerable use to the cable industry in the Bombay region.

Wool

PRODUCTION FORECAST

THE REPORT on the results of the fifteenth annual wool questionnaire prepared by the Commonwealth Economic Committee and the International Wool Textile Organisation shows a variety of trends. While there is a significant increase in production in some countries, there is a discernible decrease to the extent of 7 per cent in a country like Argentina. Falls are expected in the United States also. On the whole there has been forecast an increase of about 1 per cent in 1962 as compared with the previous season. Activity in general in wool textiles industry of the Free World in 1961 was at a higher level than in 1960. Production of wool and hair tops is estimated to have risen a further 3 per cent to the record figure of 1,318 million lbs. The larger increases can be seen in Japan i.e. about 14 per cent. Production of Commonwealth countries fell by 3 per cent to 455 million lbs, Germany, Italy and Belgium showing a substantial decrease.

So far as imports of raw wool in the fourteen major consuming countries of the Free World are involved, it is noticed from the report, that compared to 1960 there was an increase of 8 per cent. Substantial advances were recorded in Japan, the United States, France and West Germany. Exports of wool tops at the figure of 327 million lbs. were 3 per cent above those of the previous year although still slightly below the 1959 record.

Woollen and worsted yarn exports reached a new peak, 5 per cent higher than the previous year and totalled 162 million lbs. for the nine leading exporting countries. Sales of raw wool also showed a noteworthy increase.

EXCISE DUTIES ON MINERAL ACIDS, INDUSTRIAL GASES: AD VALOREM BASIS NOT FAVOURED

The Development Council for Inorganic Chemical Industries at its meeting held here last week, discussed, among other things, the ad valorem basis proposed for the levy of the new excise duties on mineral acids and industrial gases. It came to the conclusion that an ad valorem basis would not be a satisfactory basis for the proposed excise duties for the following reasons:

1. The actual prices realised by the manufacturers for a particular gas or acid would vary considerably from time to time and place to place. The ad valorem basis to be adopted for calculating the excise duty would, therefore, be a perennial source of controversy between basis to be adopted for calculating the excise duty would, create numerous administrative difficulties in the collection of this levy.

2. The production costs, and consequently the selling price for a given acid or gas, would be higher in certain locations than in others owing to higher transport, handling and power costs. To relate the duty payable to the manufacturers' selling price, would thus in effect be to require the consumer, who ultimately pays the excise duty, to pay an excise on the transport, handling and power differentials. This cannot be the intention of the Government.

3. Where sales tax or other similar imposts are leviable on the basis of the selling price, the effect of the ad valorem duty would again be to heap additional burdens on the consumers in the less favourable locations.

4. It is customary to adopt different price levels for bulk sales as against sales in smaller quantities in a production unit. Adoption of excise duty on ad valorem basis would lead to complications arising out of variable prices charged by the same unit. A uniform rate of levy would eliminate such a complication.

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FROM THE CAPITAL'S CORRIDORS

PLANS TO STEP UP POWER AVAILABILITY

THE Union Ministry of Irrigation and Power, it is learnt, has under consideration a proposal to advance the date of completion of some projects included in the Third Plan with a view to stepping up availability of power by 3 to 4 lakh KW in 1965-66. One such project is the Bhakra right bank power house. These projects were originally scheduled to be completed early during the Fourth Plan period. The decision to advance their date of completion to the last year of the current Plan, however, depends on the availability of foreign exchange required.

Meanwhile, the Central Water and Power Commission has accelerated the implementation of its plans to loan used diesel generating sets to States which may require them to augment power availability in their areas. The Commission is maintaining a list of such sets and any State which requires them can approach it for immediate lending.

The Union Government is also going ahead with its programme to secure foreign exchange for the purchase of six package unit of 10,000 KW each to meet the acute power shortage in States like Andhra Pradesh and Mysore and the DVC-West Bengal-Bihar Area. An approach to the U.S. Export-Import Bank for making available credits for the purchase of these units is likely to be made in the near future.

A REFINERY FOR SOUTH INDIA

The Government of India is planning to establish in South India a refinery to go on stream by March 1966 or early 1967. It has engaged the services of the Italian firm E.N.I. and the Indian Petroleum Institute to prepare a project report with the following terms of reference:

(a) Estimates of the quantity and the pattern of demand for various petroleum products, including lubricating oils and bitumen, by the end of the Third and the Fourth Five-Year Plans in India and in the South Indian States of Kerala, Madras, Mysore and Andhra Pradesh.

(b) How the existing requirements in these States of various petroleum products, including bitumen and lubricating oils, are being met.

(c) In the light of the refinery programme as laid down in the Third Five-Year Plan and as envisaged by the Department of Mines and Fuel for the Third and Fourth Five-Year Plans, particularly the expansion of the existing or the projected units, what would be the economic areas for supplies coming from the refineries lying north of these States by 1966 and 1971.

(d) Quantum and pattern of demand for various petroleum products, including bitumen and lubricating oils, in the South Indian region thus carved out.

(e) Size of the refinery to meet the requirements of this area and any deficit area in the North, by 1966 and 1971, if required.

(f) Probable location or locations, in order of priority, of the refinery from distribution and other angles.

(g) Crude oil or oils to be imported initially. Middle Eastern, Indonesian, North African, Russian (or other rupee payment sources) and other available and suitable crudes are to be considered.

(h) Suggesting of at least two alternate processing schemes — one for fuels and bitumen, if required, and the other for fuels, bitumen and lube oils — based on at least two alternate crudes or combination of crudes. The effect of replacement at a later date of the imported crude by an indigenous crude which may be like Ankleshwar or Nahorkatiya, on yield pattern, process scheme and other relevant aspects is to be examined.

(i) Economics of the refinery based on each of the proposed processing schemes should give:

(i) General description of main and auxiliary processing units and of sites;
(ii) Approximate cost of equipment for above;
(iii) Total approximate capital investment for the erected refinery, broken into foreign exchange and rupees;
(iv) Cost of crude oil;
(v) Requirements of utilities and chemicals and cost thereof;
(vi) Man-power requirements;
(vii) Total approximate operational cost;
(viii) Foreign exchange saving and return on capital;
(ix) Choice of the best processing scheme in consultation with the Department of Mines and Fuel.

EXPORT PROMOTION

The recently-created Department of International Trade in the Union Ministry of Commerce and Industry is getting into strides. As reported last week, the first meeting of the Board of Trade has been called on June 9. The following tentative programme of some of the major steps proposed to be taken to step up exports has been drawn up. It will form a subject for discussion at the Board's forthcoming meeting.

1. According of priority in foreign exchange allotment for industries producing exportable goods;
2. Promoting the establishment of a large number of export houses and international trading firms;
3. Enlargement of the scope of the State Trading Corporation and the various Export Promotion Councils and encouraging of exports through co-operative organisations;
4. Introduction of a programme for reduction in cost structure of major export industries and export commodities;
5. Fostering modernisation of industries by making imported capital goods and equipment available as a compulsory entitlement in every export promotion scheme, e.g., allowing 10 to 20 per cent, depending on the nature of the industry, of the foreign exchange earned to be compulsorily utilised by the exporters and exporter-manufacturers for import of machinery and plant for modernisation.
6. Introduction of various new fiscal measures such as excise bonus related to exports, besides refund of customs and excise duties already granted;
7. Provision of income-tax relief to exporters;
8. Intensification of activities like undertaking of marketing serveys and product displays;
9. Making availability of indigenous and imported raw materials easier to the export industries;
10. Liberalisation and expansion of financial and credit facilities to exporters;
11. Establishment of an effective system of quality control, grading and pre-shipment inspection; and
12. Providing of priority in movement and concessional railways and ocean freight rates of goods for export.

PLASTICS INDUSTRY

A rapid growth of the Indian plastics industry has been envisaged for the Third Plan period because the principal factor which has inhibited its vigorous expansion hitherto, namely absence of domestic primary materials, would be overcome to a great extent.

As regards the processed plastic goods, the basic approach underlining decentralisation and dispersal of processing activities which was recommended under

the Second Plan is to hold good in the following quinquenium also. The potential of the small-scale sector needs to be exploited fully in this field. To implement the policy of decentralisation successfully, it has been recommened that the processing activities of the primary producers should be limited to 25 per cent of the output of the moulding powders.

The creation of additional capacity in the processing sector to match the availability of moulding powders would involve substantial investment in overall terms as well as foreign exchange. In this context, attention has to be given to the indigenous manufacture of dyes, moulds and other equipment as well as to the planning of capacity in relation to its use on double-shift basis.

For meeting the domestic demand and export targets, it is envisaged that the indigenous production will have to be raised to 74,000 tons (165.0 million lbs.) in 1965-66. To achieve this level of production, the capacity target is visualised at 85,000 tons (190 million lbs.) which is distributed between the different plastic materials as under:

(In tons)
(Figures in brackets in million lbs.)

Material	Capacity	Indigenous requirements	Exports
P.F. moulding powder	6,700(15))	8,900(20)	1,340(3)
U.F. moulding powder	4,450(10))		
Cellulose acetate moulding powder (incl. Butyrate, propronate and ethyl cellulose)	6,700(15)	4,450(10)	890(2)
Polystyrene (incl. styrene alloys)	13,400(30))	40,000(90)	8,000(18)
Polyolefines	26,800(60))		
P.V.C.	13,400(30))		
Polyvinyl acetate	4,450(10))		
Cellulose nitrate	890 (2))		
Laminates	1,780 (4))		
Nylon	890 (2))	8,900(20)	890(2)
Acrylics	1,780 (4))		
Polyesters	1,340 (3))		
Polyurethanes	890 (2))		
Others	1,340 (3))		
TOTAL	84,810(190)	62,250(140)	11,120(25)

Although the application of straight polystyrene has its drawbacks, the co-polymers and styrene alloys have found extensive applications in many different fields. In view of the relative cheapness of this material, it is likely to be popular in many applications where other plastics were used previously.

The target capacity under this head includes both high-pressure and low-pressure polyethylene as well as polypropylene. A large increase in the consumption of polyethylene is foreseen because of its likely extensive application as a lining material in packing fertilizers. It has been roughly estimated that in this field alone, the requirements may reach the level of 10 million lbs. annually when all the fertilizers projects proposed under the Third Plan go into production. Another likely field of application of polyethylene is its use as liner for canals to prevent seepage. Furthermore, with larger availability of polyethylene and the lower price as a consequence of the expansion of the industry, much greater use of polyethylene is envisaged as material for packaging as well as for finished goods for exports. With the sugar target at 3.5 million tons, the supply position of alcohol for production of polyethylene may be somewhat easier than what was anticipated earlier, but by and large, future production of polyethylene will have to be based on alternative raw materials like natural gas, coke oven gas and petroleum naphtha and refinery gases.

POLYVINYL CHLORIDE

A large increase in the production of polyvinyl chloride powder has been envisaged because it will consume some quantity of unutilized chlorine produced by the electrolytic caustic soda plants. However, the production of the other major raw material, namely calcium carbide, in India has not yet been stabilised both in regard to its quality and price. Unless good quality carbide is produced economically, the target envisaged here may not be achieved. Opinions have been expressed that production of polyvinyl chloride via ethylene dichloride may be somewhat cheaper. If calcium carbide is not found economic as raw material, other starting materials such as natural gas, refinery gas or naphtha would have to be considered. Export of P.V.C. is also dependent on the cost of production and, therefore, the establishment of units of optimum economic capacity would be essential.

Among the important plastics under this head is cellulose acetate which is popular with the Indian moulder. This is based on indigenous cotton lenters.

The following schemes have been licensed for implementation:

Name of the Firm	Capacity (tons)
P.F. Moulding Powder	
Saurashtra Electrical and Metal Industries Ltd., Bombay	900 (New)
Hyderabad Laminated Products Ltd., Secunderabad	600 (New)
U.F. Moulding Powder	
Saurashtra Electrical and Metal Industries Ltd., Bombay	300 (New)
Polystyrene	
Polychem Ltd., Bombay	1,500(Exp.)*
Hindustan Polymen Ltd., Andhra Pradesh	7,500(New)
Polyethylene	
Alkali and Chemical Corporation of India Ltd., West Bengal	5,000(Exp.)*
Union Carbide India Ltd., Bombay	9,000(Exp.)*
Duncan Bros., Gauhati, Assam	4,000(New)
P.V.C.	
Ahmedabad Manufacturing and Calico Printing Co. Ltd., Bombay	3,600 (Exp.)*
D.C.M. Chemical Works, Kotah, Rajasthan	6,000 (New)
India Cements Ltd., Madras	6,000(New)
Standard Mills Ltd., Bombay	5,000(New)
Dhrangadhra Chemicals, Madras	12,000 (New)

*Expansion.

So far only polyethelene has been based wholly on indigenous raw material. It is expected that styrene monomer would also be produced before the middle of the Third Plan. Phenol would be available from the Durgapur coke ovens as well as from the Basic Chemicals and Intermediates Plant of the Central Government and certain other units in the private sector. Urea and formaldehyde would also be available indigenously during the Third Plan.

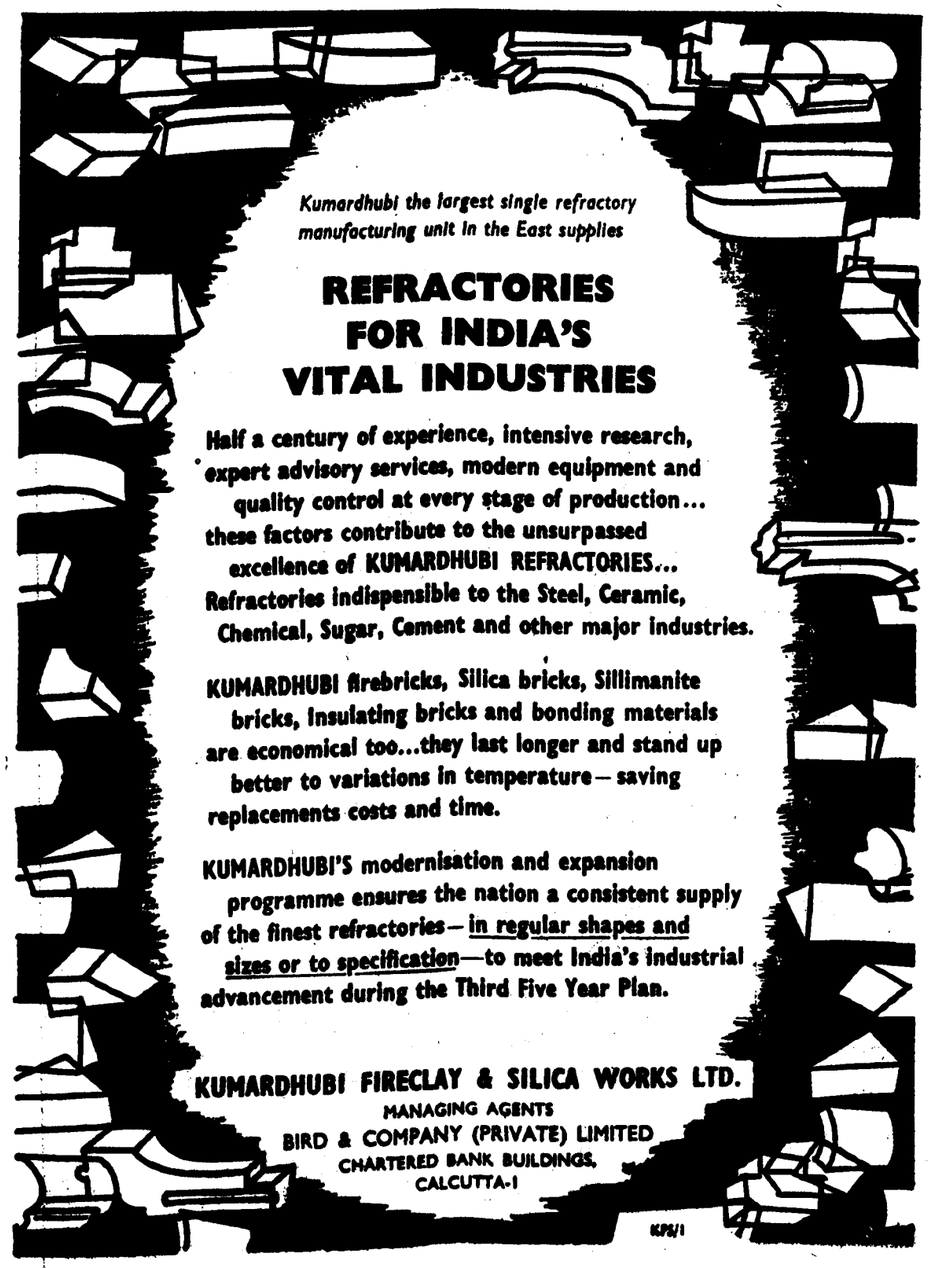
The following table gives in a summary form the programme of development of the Plastics Moulding Powder Industry during the Third Plan:

(In tons)

	1960-61	1965-66
Annual capacity	15,540	85,000
Production	9,463	74,000

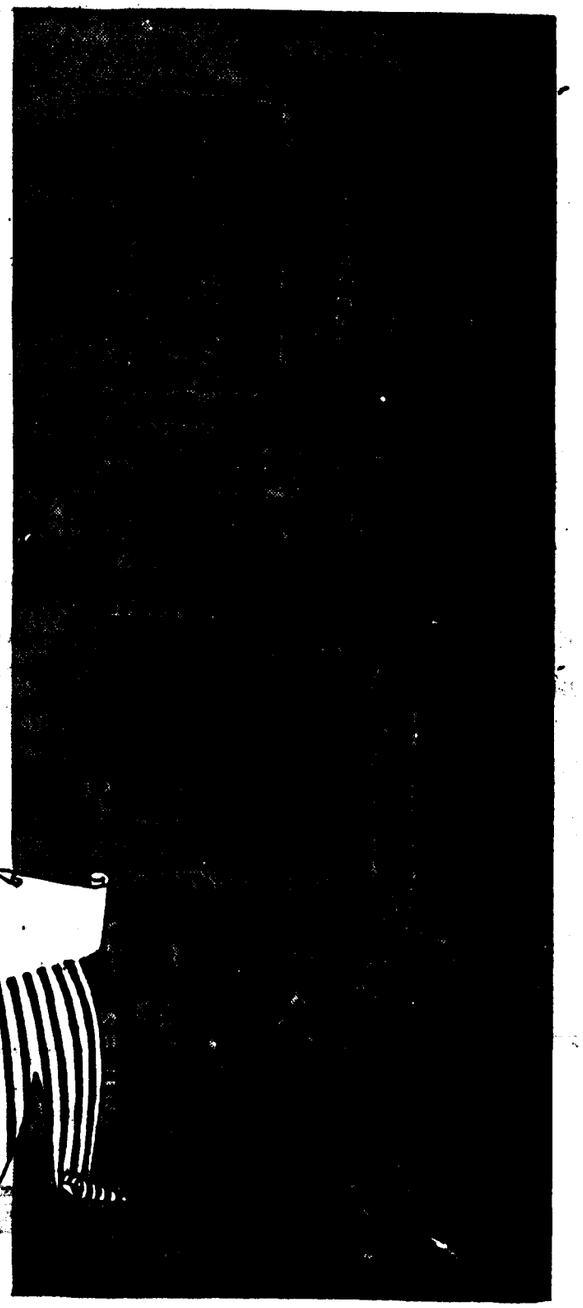
CEMENT MANUFACTURE

The Union Ministry of Heavy Industries has approached the Planning Commission with a view to getting the target of cement production under the Third



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Plan raised from 15.2 million tons to 18 million tons. In order to achieve this higher target, a request has been made that provisional licensing should be allowed to be done upto 20 million tons.

The cement industry, it is learnt, has assured the Government that it would be able to step up cement production by a million tons within the next 12 months, provided coal and transport are made available to it in adequate quantities. Stepping up of cement output has been necessitated by the growing shortage of this construction material in the country.

Although licences for putting up additional capacity to the tune of 5.8 million tons of cement have already been issued under the programme drawn up for the current Plan period, active steps have been taken so far to instal capacity to the extent of only 3.2 million tons. The need to goad the licencees to take concerted measures to implement the licences granted to them at an early date is thus obvious.

SWITCHING-OVER TO FURNACE OIL BY CEMENT INDUSTRY

In order to fulfil its commitment to the cement manufacturers who had started switching over to furnace oil in place of coal before the Union Finance Minister proposed giving of a general subsidy on rail freight on movement of furnace oil from the ports to the consuming centres, on the understanding that they would be allowed to raise their selling prices to the extent of the additional fuel costs, the Government has decided that these units should be permitted to increase their selling prices with such modifications as would reflect the general concession announced by the Finance Minister. Thus, supposing a unit switching over to furnace oil was originally allowed to enhance the price of its cement by "X" rupees per ton and the concession by general reduction in railway freight on furnace oil works to "Y" rupees per ton. the unit would now be permitted to increase its selling prices by Rs. X-Y per ton.

ROURKELA STEEL PLANT

The Rourkela Steel Plant is faced with some serious problems which are having repercussions on its expansion programme. Reports from Germany go to show that the German financial assistance for the expansion of this plant may not be forthcoming till adequate arrangements are made to reach the one million tons production target of the existing plant. It has also been agreed that a sum of Rs. 10 crores should be the first charge on the new German credit to India for the purpose of rehabilitation of this plant.

Following its teething troubles and the criticism in India of the working of Rourkela, the West German Government had sent out to Rourkela a six-man mission, headed by Mr. Solveen, Secretary in the Federal Ministry for Economic Affairs. The report of the Mission makes an uncomplimentary reading for the Hindustan Steel Limited. The present unsatisfactory state of affairs, it is pointed out, should be attributed to faulty operation of the plant and the unsatisfactory management by Hindustan Steel. It is estimated that about 30 per cent of the Indians trained in Germany were able to get employment in jobs for which they were not trained. Many trainees have also migrated to other firms.

Following this report, it has been suggested that India should have another team of German experts to set up proper operating and administrative procedures.

In building three steel plants, India had followed three separate patterns. One was the Russian pattern — a Government-to-Government package deal. The Bhilai plant has been a success not only because it had the best iron ore and coal, but also because the system of its commissioning and operation has been such as to make Indians believe that they were erecting and operating the plant. The Rourkela steel plant stands on the other extreme. It was designed by the West German Steel Industry, but its erection and commissioning was done by Hindustan Steel through over 40 German suppliers of equipment. In between stands the Durgapur plant, which was set up by a package deal with a British Consortium, Indian Steel Works Construction Company.

The working of the three plants so far has shown that there had been little or no trouble at Bhilai and Durgapur. Rourkela has had the worst luck.

For the expansion programmes, the Government has approved of another package deal with the Soviet Union. Notwithstanding the unhappy lessons of Rourkela, it is not prepared to have another package deal either with the British for the expansion of the Durgapur plant or with the Americans for the building up of the Bokaro steel plant.

COMPANY LAW CLARIFICATIONS

Two important clarifications of the Companies Act have been made in two press notes issued by the Department of Company Law Administration. One of these relates to announcement of capital issues by companies and the other to interpretation of Section 205 and 350 of the Act.

The press note concerning announcements of capital issues by companies states:

"Many companies offering shares or debentures to the public have been publishing in newspapers and other publications announcements of the issue of capital to the public with a note such as 'This is only an announcement and not a prospectus,' etc. However, these announcements are usually found to contain copious extracts from the relevant prospectuses filed by the companies with the Registrar of Companies concerned. Government have been advised that announcements of this nature would be tantamount to publication of prospectuses in an abridged form, and such practice is not in conformity with the provisions of section 56 of the Companies Act, 1956, which provides that every prospectus issued by a company shall state the matters and the reports set out and specified in Schedule II to the Act. Any default in this respect renders the persons concerned liable to the penalties under the law and also to pay compensation to every person who subscribed for any shares or debentures on the faith of the abridged prospectus.

"Company promoters and company managements are, therefore, enjoined to take all possible care to ensure strict compliance with the provisions of law relating to the issue of prospectuses and their failure to do so would not hereafter be condoned by Government.

"If for any reason a company should find it not possible to publish its prospectus in full in newspapers and other publications, it would be well advised to publish only a mere announcement of its intention to issue capital, indicating the names and addresses of the brokers, etc., from whom copies of applications along with copies of the prospectus can be had, without giving extracts from the proposed prospectus. In this connection, Government have devised a proforma for making announcements of the issue of capital by companies which may not consider it possible to publish the full prospectus in newspapers and other publications. A copy of the proforma has been circulated to all the Chambers of Commerce and Stock Exchanges for the information of their constituents and can be had by those interested in the office of the Registrar of Companies in each State. Though the adoption of the said proforma for making the announcement of a new issue in the press is not mandatory, if any company chooses to make the announcement in any other form it would do so at its own risk."

INTERPRETATION OF S. 205 & S. 350 OF COMPANIES ACT

The other press note states: "It has been brought to the notice of the Central Government that some company managements have been declaring and paying dividends without providing for depreciation on their immovable properties in the manner specified in section 205 read with section 350 of the Companies Act, 1956, on the ground that the immovable properties of the company from which a substantial portion of its profits is derived, are held as its capital investment and are not used for the purpose of the business carried on by it and that the Income-tax Law does not make any allowance by way of depreciation of those assets for calculating its total income.

"In this connection, Government would like to draw the attention of all concerned to the fact that the provisions of section 205 of the Companies Act, 1956, under which no dividend shall be declared or paid without providing for depreciation in the manner specified therein, are mandatory in nature and must be strictly complied with by every company before declaring any dividend.

"For the purpose of complying with the aforesaid requirement under the Company Law, it is immaterial as to whether depreciation in respect of any assets is actually admissible under the Income-tax Law. The only provision of the Income-tax Law that is relevant for the above purpose is the provision specifying the rates of percentage as contained in the Indian Income-tax Rules for the purpose of determining the depreciation of various assets referred to therein. Provisions of the Income-tax Law relating to the admissibility of depreciation allowance for the purpose of calculating the total income of the assessee company are not relevant for the purpose of section 205 read with section 350 of the Companies Act."

Defaulting concerns are liable to be punished under the penal provisions of section 629A of the Companies Act.

ACQUISITION OF LIGHT RAILWAYS

The Central Government, it is explained, has no contractual right to purchase certain light railways. The powers to purchase these lines vest in the local District Boards, in terms of the contracts between them and the light railways. Apart from this, the Government's general policy at present is not to nationalise the light railways so that, in order to create additional rail transport capacity under the Plan, all available resources are utilised on creating new assets rather than on the acquisition of the already existing ones.

In the case of Ahmedpur-Katwa and Burdwan-Katwa Railways, the Government of India, under the terms of the contracts, are paying sums to make up the shortfall in the guaranteed rate of interest of 3½ per cent per annum on their paid-up share capital. In the case of Howrah-Amta and the Howrah-Sheakhala Light Railways, the Central Government is not liable to pay any such subsidy, as the Government is neither under any contractual obligation to pay subsidy nor has it any financial interest in these two railways. The net profits of these two lines, equivalent to 4 per cent on the paid-up capital, has been guaranteed by the District Board of Howrah under terms of agreements with these companies, subject to a maximum of Rs. 28,000 per annum in the case of Howrah-Amta Light Railway and to a maximum of Rs. 950 per annum per mile of the line constructed and opened in the case of Howrah-Sheakhala Light Railway, which comes to a maximum of approximately Rs. 19,000 per annum.

BRITISH AID TO INDIA

Two further loans have been made available by the British Government for the economic development of this country during the Third Plan period. One of these is for £22 million and is to be utilised for the expansion of the Durgapur Steel Works. The other loan is for £10 million. This is to be used to pay for a wide range of British exports to India.

Both the loans are repayable over a period of 25 years, including a grace period of 7 years during which no repayment of the principal may be effected. The rate of interest on these loans will be governed by the usual formula applicable to Commonwealth assistance loans, which is the rate of interest applied by the British Treasury at the time of withdrawal to a loan for a comparative period from the Consolidated Fund of the U.K. plus ¼ per cent towards administrative charges.

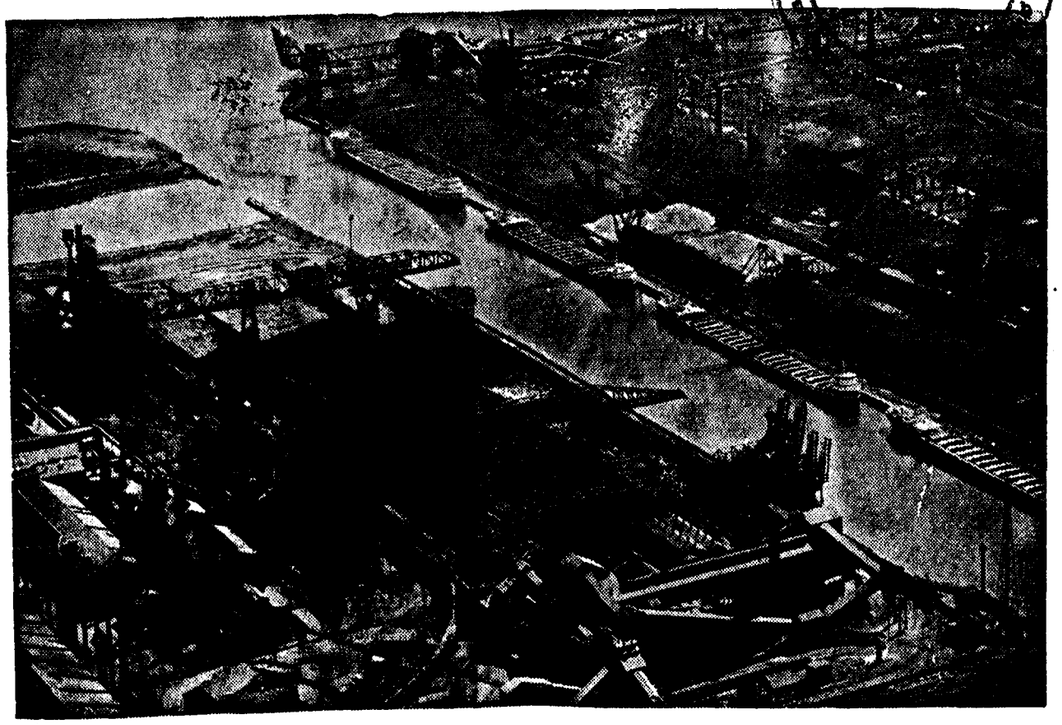
These loans are part of the £90 million credit which the British Government has so far undertaken to make available to India during the Third Plan period. Loan agreements for £45 million had been signed previously. The British credit for the Third Five-Year Plan finalised uptil now thus comes to £77 million. Negotiations for the remaining 13 million assistance already promised by the U.K. are still being carried on.

The following table gives the latest position of the assistance made available by Britain for India's economic development since the beginning of the Second Plan:

A.	Grand total of disbursed and committed assistance during the Second and Third Plans to date:	£170.5 million
B.	**SECOND PLAN**	
	Project aid for Durgapur 1958	£ 15 million
	General balance of payments aid 1958	£ 28.5 million
	General balance of payments aid 1959	£ 19 million
	Project aid for Assam pipeline 1959	£ 3 million
	General balance of payments aid 1960	£ 10 million
	General balance of payments aid 1960	£ 5 million
	TOTAL	**£ 80.5 million**
C.	**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
	General balance of payments loan — May 1962	£ 10 million
	Durgapur Extension Loan — May 1962	£ 22 million
	TOTAL Signed:	**£ 77 million**
	UNDER NEGOTIATION	
	Mixed project and development goods loan	£ 13 million
	TOTAL Promised:	**£ 90 million**

U.S. ASSISTANCE

The Government of India has also recently concluded five agreements with the United States, providing for American grants, totalling Rs. 33.9 crores, for malaria and small-pox eradication, establishment of primary health centres and for financing some elementary and medical education projects. This amount will come out of the money earmarked out of the U.S. P.L. 480 counterpart funds for provision of grants to the Indian Government for various developmental programmes. With the conclusion of these five agreements, the total grants made by the United States to



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the Government of India out of the P.L. 480 funds comes to Rs. 100 crores.

The break-up of the latest grants is as follows: (i) Malaria eradication programme — Rs. 15 crores; (ii) establishent of 1,000 primary health centres in the Community Development Blocks during the first two years of the Third Plan — Rs. 3 crores; (iii) expansion of facilities in medical colleges, medical teacher training institutions and dental colleges during the first two years of the Third Plan — Rs. 2.9 crores; (iv) small-pox eradication programme — Rs. 1 crores; (v) provision of free and compulsory education during the first two years of the Third Plan (the grants to be routed through the Central Ministry of Education) — Rs. 12 crores.

JUTE PRICES AND OUTPUT

The Informal Consultative Committee for the Union Ministry of Food and Agriculture was informed last week by Mr. S. K. Patil, Union Food and Agriculture Minister, that the Government was maintaining "a close and constant watch" on raw jute prices. This, he said, was necessary in view of "this season's good crop and the abnormal price conditions that prevailed in the previous season as a result of the shortage of raw jute".

Mr. Patil stressed the need to safeguard farmer's interests in "this internationally important crop". He recalled that incentives had been given to the producer in the past years to grow more jute. As a result of this intensive drive, the production of jute in India had increased from 16 lakh bales in 1947-48 to 62.69 lakh bales in 1961-62. Care had to be taken to see that the farmer was not penalised for increasing production in the national interest, he observed.

Mr. Patil expressed the hope that raw jute prices would be stabilised at a point somewhat higher than the agreed minimum of Rs. 30 per maund.

Mr. G. R. Kamat, Secretary, Department of Agriculture, disclosed that a study was being made of the cost of jute production as also that of the competitive crop paddy. After the study, he hoped, the Government would be in a position to decide upon further steps necessary to ensure a fair price to jute-growers for their product. Mr. Kamat also revealed that at present there was no proposal under the consideration of the Government to import jute from Pakistan or Thailand; only a small quantity of low-priced cuttings had been obtained from Pakistan.

The jute and mesta crop this year has been the largest since partition, amounting to 79.75 lakh bales — 62.69 lakh bales of jute and 17.06 lakh bales of mesta. But despite this, no overall surplus of this fibre is expected at the end of the current season. This is due to the fact that stocks with all jute mills which are members of the Indian Jute Mills Association, had declined to the "unprecedented low level" of 4.5 lakh bales at the end of the 1961 season. Mills' consumption of jute is going up and during the current season, the raw jute and mesta requirements, both of the mills and the domestic small-scale industries, are expected to go up to about 67 | 68 lakh bales. This will leave a balance of nearly 16 lakh bales which is about the normal carry-over stocks with the trade and the industry.

Efforts are to be made to maintain jute and mesta output at the 1961-62 level (which approximates the target fixed for this crop under the Third Five-Year Plan) in order to avoid any hardship to the jute mill industry which is an important foreign exchange earner for the country.

INCREASE IN COASTAL SHIPPING FREIGHT RATES

Coastal shippers will be allowed to increase their freight rates on all cargoes, except coal, by 15 per cent with effect from June 1, 1962. In the case of coal, the increase in freight rates to be allowed is 10 per cent from Calcutta to Cochin and 15 per cent for destinations beyond Cochin.

These increases in coastal freight rates are subject to revision after a year.

NEW EXPORT PRICES OF GOA IRON ORE

The Goan mine-owners have been permitted to fix the new export prices for iron ore somewhere midway between the 1961 prices and the prices at which fresh contracts were made last month. This follows a representation made by the Goan mining interests to the Union Government a few days ago.

EXPORTS OF SHOES AND HANDICRAFTS TO USSR

The State Trading Corporation has finalised two deals with the Soviet Union, one for the export of 2,30,000 pairs of shoes valued at approximately Rs. 66 lakhs and the other for the supply of handicraft articles worth about Rs. 13 lakhs. The shipment of shoes is to be completed before the end of the current year. The handicraft articles which the Soviet Union has agreed to import include brassware, scarves, zari-bags, knitted-ware etc.

The State Trading Corporation has also secured some orders for export of woollen textiles to the Soviet Union. But these orders are to be examined in consultation with the various manufacturers in India before any final commitment in respect of supply is made.

WORKING OF THE DEVELOPMENT WING

During 1960, 2,241 applications under the Industries (Development and Regulation) Act were received in the Development Wing for scrutiny and comments. Out of these, 1,907 applications were disposed of till the end of March, 1961. Some of these applications included schemes for manufacture of more than one item. The total number of schems for various items processed by the different Directorates of the Development Wing during the year comes to 2,449, as against only 1,987 in 1959.

Of the 2,241 applications, 1,440 were in respect of new units, 852 for substantial expansion and 157 for new articles.

IN BRIEF ....

Just after two years of the earth-breaking ceremony of the aluminium factory of the Hindustan Aluminium Corporation Ltd., at the Rihand Dam site at Renukoot in Uttar Pradesh, the first batch of aluminium was produced on May 23, from imported alumina. The alumina plant of this factory is expected to go into operation within the next two or three months. The company will start marketing its aluminium ingots within the next few days.

*

A team of Indian engineers, led by Dr. A. Nagaraja Rao, Chairman, Heavy Engineering Corporation Ltd., Ranchi, has left for the Soviet Union and Czechoslovakia for discussions with the foreign collaboration for the establishment of the heavy machine-building and coal-mining projects at Ranchi and Durgapur, respectively. The scope of setting up a Central Design Institute for Heavy Machine-Building and Engineering will also figure in these parleys.

*

The construction of the Bhakra Dam is likely to be completed by the end of October this year. Over 99.4 per cent of the concreting work on the dam had been completed by the end of April last. Total expenditure incurred on the dam upto the end of February, 1962, was Rs. 60.48 crores. The power house on the left side of the dam has been completed. The power house on the right side is in the preliminary stages of construction.

COMPANY AFFAIRS

BINANI METAL

The sales proceeds of the Binani Metal Works Ltd. during the year to December 31, 1961 recorded a significant increase. Against Rs. 1.41 crores in 1960, the sales during the year under review were to the extent of Rs. 1.76 crores, showing an increase of more than 20 per cent. Improved production methods adopted by the company resulted in the streamlining of the operations. The profit at Rs. 12.36 lakhs was far too attractive a figure against the profit of Rs. 2.97 lakhs during the previous year. The Directors have provided Rs. 90,000 towards Development Rebate Reserve, Rs. 6 lakhs towards taxation and from the balance a dividend at the rate of Rs. 1 per equity share of Rs. 10 each, subject to tax, has been provided. This will absorb Rs. 4 lakhs. Rs. 1 lakh is separated towards the Reserve Fund.

The company's new scheme sanctioned by the Government for the installation of plant and equipment for the Tool Room Project is proceeding well. The production of simple dies and moulds is also expected to commence shortly. The Government of India has approved a collaboration arrangement of the company for the milling machine production and the grant of foreign exchange for the import of capital goods necessary for the project is being considered by the Government.

BINOD MILLS

The Directors of the Binod Mills Co. Ltd. consider the working of the company for the year 1961 to be quite satisfactory. They, however, point out that with the steady rise in sales the costs too have been increasing. During the year under review the demand for the home market for the company's textiles remained steady during the first half, but a sort of slackness was registered during the second half. The company is, however, making certain changes in its production pattern to be in tune with the consumers' taste. The Directors have added that in the export market the company could not maintain its sales, but to face the situation, certain basic changes are being brought about and considerable amount of capital is being spent. A number of latest types of machines have been installed. The Government has granted permission for installation of 17,506 spindles and 380 looms. The company, under these conditions, will make considerable progress in the years to come.

During the year under review the profit recorded was to the extent of Rs. 50.36 lakhs. After making a provision for taxation and depreciation, the Directors recommended a payment of the dividend at the rate of Rs. 20 per share. This compares favourably against Rs. 12.50 per share of dividend distributed last year.

NEW ISSUES

Recently the following new issues have been sanctioned by the Controller of Capital Issues:

Hindustan Sugar Mills Limited (Bombay) has been granted consent to the issue of Rs. 60 lakhs bonus capital divided into equity shares of Rs. 100 each. This is to be allotted in the ratio of one bonus share for every equity share held.

Dyer Meakin Breweries Limited, Solan (Simla Hills), is to issue bonus shares of the value of Rs. 28,36,160 in the ratio of 1:1 on capitalisation of the company's reserves to a like extent.

Shree Hanuman Sugar Mills Limited, (Calcutta) is issuing 1,00,000 equity shares of Rs. 10 each as fully paid-up bonus shares on capitalisation of its reserves to be issued in the ratio of two bonus shares for every five shares held.

Indian Vegetable Products Limited (Bombay), is to issue bonus shares of the value of Rs. 3,02,500 divided into 3,025 equity shares of Rs. 100 each to be made in the ratio of one bonus share for every seven shares held.

Bharat Fire & General Insurance Company Limited (Delhi), is issuing 15,384 bonus shares of Rs. 10 each, to be issued on capitalisation of the company's reserves to a like extent.

National Steel Works Limited (Bombay), is to issue 4,259 equity shares of Rs. 10 each to be issued as bonus shares on capitalisation of the company's reserves to a like extent.

Multimetals Limited, a new company proposed to be incorporated in Calcutta, has been granted consent to the issue of 7,50,000 shares of Rs. 10 each for cash at par. Out of the capital of 75 lakhs consented, shares of the value of Rs. 25 lakhs may be issued to Revere Copper and Brass Inc. of New York who are the collaborators. The company will establish a plant at Kotah for the manufacture of copper|brass rods, tubes etc., for which a licence has been obtained. The total cost of the scheme is Rs. 150 lakhs.

Brakes India Private Limited (Madras), is raising equity capital of Rs. 1,50,00,000 for cash at par. The proceeds of the issue will be utilised for the manufacture of complete brake equipments for atomotive and non-automotive units in collaboration with M/s. Joseph Lucas (Industries) Limited, U.K. or their subsidiary M/s. Girling Ltd., U.K.

Structural Engineering Works Limited (Bombay), is to issue capital of Rs. 45 lakhs divided into 45,000 equity shares of Rs. 100 each for cash at a premium of Rs. 5 per share, to be made to the existing shareholders in the ratio of one new share for one old share held.

Trichy Steel Rolling Mills Limited (Madural), will issue equity capital of Rs. 40 lakhs for cash at par. The proceeds of the issue will be utilised for the establishment of a re-rolling mill.

Hindustan Gum and Chemicals Limited, a new company, has been granted consent to the issue of capital of Rs. 30 lakhs in 3 lakhs equity shares of Rs. 10 each. The company is establishing a factory in Hissar District for the manufacture of guar gum. Collaboration with a USA firm has been arranged who will invest 50 per cent of the capital the remaining 50 per cent capital will be subscribed privately.

Poysha Industrial Company Limited (Bombay), will issue further capital of Rs. 25 lakhs divided into 2,50,000 equity shares of Rs. 10 each, for cash at par.

Special Steels Limited (Bombay), is to issue capital of Rs. 20 lakhs in equity shares of Rs. 100 each for cash at par. The proceeds of the issue would be utilised for repayment of loans.

National Straw Board Manufacturing Company Private Limited, a company proposed to be registered in the State of U.P. for the manufacture of straw boards and mill boards, has been given consent to issue capital of Rs. 20 lakhs divided into equity shares of Rs. 100 each, for cash at par.

Digvijay Cement Company Limited (Jamnagar), is raising further share capital of Rs. 13.50 lakhs in equity shares of Rs. 100 each at a premium of Rs. 50 per share for cash. The shares will be offered to M/s. Johns Manville International Corporation of USA who will collaborate with the Indian company in the manufacture of asbestos cement.

NDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961

Name of Industry	1960 No. of Units	1960 Actual Production	1961 No. of Units	1961 Actual Production
Tools				
Coated Abrasives (Thousand Reams)	5	132	5	149
Grinding Wheels (Tonnes)	6	1,952	6	2,050
Machine Tools (Rs. lakhs)	28	669	28	852
(i) Complete (Nos.)		5,980		6,785
(Rs. lakhs)		586		732
(ii) Accessories (Nos.)		11,743		24,692
(Rs. lakhs)		16		29
(iii) Portable Tools (Nos.)		33,243		46,974
(Rs. lakhs)		67		91
Small Tools/Hand Tools				
(i) Bandsaw Blades (Million (Rft.)	2	1.9	2	2.2
(ii) Diamond Drill Bits (Nos.)	1	6,839	1	8,207
(iii) Hacksaw Blades (Th. Gross)	4	81	4	134
(iv) Lathe Tools (Tool bits) (Th. Doz.)	4	30	6	45
(v) Milling Cutters (Thousand Nos.)	9	87	9	127
(vi) Reamers (Thousand Nos.)	8	67	8	83
(vii) Steel Files (Th. dozs.)	5	254	5	268
(viii) Threading Tools (Taps, Dies and Chasers) (Th. Nos.)	6	371	7	418
(ix) Tungsten Carbide (Sintered) (Kgs.)	1	4,459	2	3,371
(x) Twist Drills (Th. Nos.)	4	1,536	4	2,743
Internal Combustion Engines and Allied Industries				
Transport Vehicles				
Road Motor Vehicles:				
(i) Automobiles (Nos.)	7	52,115	7	54,354
(ii) Motor Cycles (Nos.)	1	3,998		
(iii) Scooters (Nos.)	2	12,880	4	25,354
(iv) Three Wheelers (Auto rickshaws) (Nos.)	3	496		
Railway Locomotives (Private sector only) (Nos.)	1	94	1	81*
Internal Combustion Engines: Diesel Engine:				
(i) Stationary Type (Nos.)	21	42,182	27	44,471
(ii) Vehicular Type (Nos.)	2	10,556	2	9,821
Petrol/Kerosene Engines (Nos.)	1	1,001	1	917
Automobile Ancillaries				
Brake Assemblies—				
(i) Hose Assembly (ii) Master Cylinder kit (iii) Wheel Cylinder kit	Nos. 1	221,199	1	205,612

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 (CONTD.)

Name of Industry	1960		1961	
	No of Units	Actual Production	No. of Units	Actual Production
Internal Combustion Engines and Allied Industries (Contd.)				
Brake Lining (Metres)	2	296,482	2	N.A.
Clutch Assemblies (Cover assembly & Driven plate assembly) (Nos.)	1	56,504	1	59,458
Clutch Facing or Discs. (Nos.)	1	178,410	1	153,581
Cylinders Liners (Nos.)	2	104,378	2	138,666
Dynamos (Nos.)	1	7,191	2	13,779
Electric Horns (Nos.)	3	17,535	6	43,923
Gaskets (Million Nos.)	1	19.8	1	9.7
Gudgeon Pins (Nos.)	1	265,089	1	344,312
Pistons (Nos.)	3	362,690	3	615,210
Piston Rings (Million Nos.)	2	6.3	2	7.3
Radiators (Nos.)	4	36,810	6	41,720
Shock Absorbers (Nos.)	3	64,131	3	64,244
Spark Plugs (Million Nos.)	2	1.2	2	1.5
Valves (Nos.)	3	549,409	3	677,961
Earth Moving, Road making Machinery—				
(i) Road Rollers (Diesel) (Nos.)	3	387	3	515
(ii) Sheep Foot Rollers (Nos.)	3	95*	3	144
Power Driven Agricultural Implements :				
(i) Cultivators (Nos.)	1	90	1	64
(ii) Harrows (Nos.)	1	90	1	87
(iii) Ploughs (Nos.)	1	54	1	92
Tractors (Assembled) (Nos.)	2	808	2	202
Air Compressors (Nos.)	7	1,715	7	2,548
Fans and Blowers (Nos.)	5	975*	6	1,249
Fire Extinguishers (Nos.)	5	57,165*	5	35,728
Fuel Injection Equipments :				
(i) Elements (Nos.)	2	302,636	4	695,123
(ii) Delivery Valves (Nos.)	2	296,712	2	431,608
(iii) Injection Pumps (Nos.)	2	92,820	2	109,627
(iv) Nozzles (Nos.)	2	344,301	2	386,613
(v) Nozzle Holders (Nos.)	2	187,402	2	225,761
Filters :				
(i) Filters (Nos.)	2	39,205	2)	69,532*
(ii) Elements (Nos.)	2	166,084	2)	
Gliders (Nos.)	2	15	2	20*
Power-Driven Pumps (Nos.)	48	104,329	50	124,000*
Thin Walled bearings (Nos.)	1	325,905	2	345,333
Trailers (Nos.)	11	2,012	12	3,046*

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 (CONTD.)

Name of Industry	1960		1961	
	No of Units	Actual Production	No. of Units	Actual Production
Electrical Engineering Industries				
Cables & Wires :				
(i) Aluminium Conductors (Tonnes)	8	23,299	9	24,833
(ii) Bare Copper Conductors (Tonnes)	6	9,947	6	7,637
(iii) Power Cables (Kilometres)	1	916	2	1,654
(iv) VIR & PVC Cables (Million metres)	19	245.22	22	262.68
(v) Winding Wires (Tonnes)	8	4,217	9	5,879
Domestic Refrigerators (Nos.)	4	11,384	4	9,725
Dry Batteries (Million cells)	5	208.08	5	213.52
Electrical Accessories (Million Nos.)	12	16.08	12	16.98
Electric Fans (Nos.)	24	1,012,129	24	1,079,120
Electric Lamps :				
(i) Incandescent Filament lamps (Million Nos.)	11	39.87	12	45.34
(ii) Fluorescent Lamps (Million Nos.)	2	1.53	3	2.09
(iii) Miniature Lamps (Million Nos.)	8	18.19	10	24.64
Electric Motors (HP/Nos.)	32	740,646	27**	866,200
		132,907		144,800
Electrical Steel Sheets (Tonnes)	1	15,061	1	16,698
Gramophones (Nos.)	1	6,239	1	4,600*
House Service Meters (Nos.)	5	480,432	9	633,970*
Measuring Instruments (Nos.)	3	32,077	3	46,266
Power Transformers (KVA)	17	1,281,333	17	1,797,463
Radio Receivers (Nos.)	20	268,321	20	326,340
Room Air Conditioners (Nos.)	10	10,740	10	12,471
Storage Batteries (Nos.)	12	507,250	12	510,978
Switchgear/Controlgears (Lakhs Rs.)	24	400	24	450
Water Coolers (Nos.)	4	2,183	4	2,453
Instruments				
Box Cameras (Nos.)	2	18,156	2	34,501
Clinical Thermometers (Nos.)	2	182,970	2	248,365
Levels (Nos.)	6	3,869	7	4,006
Mathematical Instruments (Geometry boxes) (Gross)	3	20,148	3	19,607
Microscopes (Nos.)	8	5,000	8	5,200
Pressure Gauges (Nos.)	2	49,707	2	52,391
Theodolites (Nos.)	3	534	3	765
Water Meters (Nos.)	3	54,398	3	55,714

*Estimated.

**Excludes the single phase fractional horse power motor manufacturers.

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 — (Contd.)

Name of Industry	1960 No. of Units	1960 Actual Production	1961 No. of Units	1961 Actual Production
Metallurgical Industries				
(a) Virgin Metals				
Aluminium (Tonnes)	3	18,243	3	18,381
Antimony (Tonnes)	1	602	1	620
Copper (Tonnes)	1	8,933	1	8,725
Lead (Tonnes)	1	3,747	1	3,486
(b) Semi-Manufactures				
Aluminium Foils (Tonnes)	1	3,300	1	3,210
Aluminium Rods, Sections (Extruded) (Tonnes)	1	1,174	1	1,689
Aluminium Sheets|Circles and Strips (Tonnes)	9	16,029	11	16,000
Aluminium Wire Rods for A.C.S.R. (Tonnes)	4	4,657	4	7,500
Brass|Copper Pipes and Tubes (Tonnes)	2	195	2	600*
Brass|Copper Rods including Arsenical Copper Rods, Sections, Bars etc. (Tonnes)	6	2,230	6	2,417*
Brass|Copper Sheets|Circles (Tonnes)	27	30,565	27	32,500
Brass|Copper Wire for non-electrical purposes (Tonnes)	5	1,140	5	854
Electrolytic Copper Wire Rods (Tonnes)	2	22,268	3	25,822
Lead Pipes and Tubes (Tonnes)	3	369	3	534
Lead Sheets (Tonnes)	2	259	2	504
Zinc Sheets|Strips (Tonnes)	4	3,261	4	3,774
(c) Non-Ferrous Alloys				
Non-Ferrous Alloys such as Antifriction Bearing Metal, Ball Metal, Bronze, Gun Metal, Solders etc (Tonnes)	15	21,500	15	22,000*
(d) Steel Casting				
Steel Casting (Tonnes)	16	33,497	15	37,651
(e) Ferro-Alloys				
Standard Ferro-Manganese (Tonnes)	6	86,543	6	1,04,226
Alkalies and Allied Chemicals				
Bleaching Powder (Tonnes)	3	5,932	1**	7,129
Bromides (Tonnes)	1	188	1	181
Bromine (Tonnes)	1	166	1	144
Calcium Carbide (Tonnes)	2	10,074	3	19,460
Calcium Carbonate (Activated) (Tonnes)	2	818	2	761
Calcium Carbonate (Precipitated) (Tonnes)	3	1,090	3	2,980
Caustic Soda (Tonnes)	18	98,344	18	1,19,854
(a) Hydrogen Peroxide (Tonnes)	1	1,192	1	1,619
(b) Sodium Perborate (Tonnes)	1	111	1	103
Liquid Chlorine (Tonnes)	12	31,702	12	33,922
Phosphorous Trichloride (Tonnes)	2	143	2	192
Potassium Chlorate (Tonnes)	3	3,484	3	3,782
Soda Ash (Tonnes)	4	1,45,287	4	1,76,638
Soda-Bicarb (Tonnes)	2	7,693	2	8,671
Sodium Bisulphite (Tonnes)	5	899	5	583
Sodium Hydrosulphite (Tonnes)	2	662	3	4,110
Sodium Sulphite (Tonnes)	4	749	4	678
Sodium Thiosulphate (Tonnes)	5	1,313	5	1,099

* Estimated.

** Relates to Stable Bleaching Powder only. Two manufacturers of unstable Bleaching Powder have discontinued production because of lack of demand.

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 — (Cond.)

Name of Industry	1960 No. of Units	1960 Actual Production	1961 No. of Units	1961 Actual Production
Acids, Fertilizers and Allied Chemicals				
Alum (Tonnes)	14	4,510	14	4,495
Aluminium Sulphate:				
(i) Ferric (Tonnes)	16	52,285	17	52,677
(ii) Iron Free (Tonnes)	14	6,066	15	2,897
Ammonium Chloride (Tonnes)	2	12,984	2	19,716
Ammonium Sulphate (Tonnes)	9	3,83,973	9	3,95,413
Bichromates (Tonnes)	7	5,032	N.A.	5,237
Calcium Chloride (Tonnes)	3	1,558	3	684
Copper Sulphate (Tonnes)	9	3,839	5	4,341
Double Salt (Tonnes)	1	35,427	1	52,342
Ferrric Chloride (Tonnes)	4	29	3	53
Ferrous Sulphate (Tonnes)	9	2,155	8	3,750
Hydrochloric Acid (Tonnes)	26	9,893	28	15,385
Magnesium Chloride (Tonnes)	4	5,750	4	7,662
Magnesium Sulphate (Tonnes)	15	3,008	15	3,511
Nitric Acid (Tonnes)	22	5,333	23	36,463
Nitro-Chalk (Tonnes)	Nil	Nil	1	1,52,204
Phosphoric Acid (Tonnes)	3	1,644	3	2,238
Sodium Sulphate (Tonnes)	17	15,518	17	21,579
Sodium Sulphide (Tonnes)	8	2,302	8	2,600
Sulphuric Acid (Tonnes)	41	3,53,943	45	4,22,496
Superphosphate (Tonnes)	15	3,18,191	18	3,72,244
Urea (Tonnes)	1	8,667	1	13,192
Zinc Chloride (Tonnes)	3	1,128	3	935
Miscellaneous, Chemicals —				
1. **Gases:—**				
(i) Argon Gas (Th. Cu. Metres)	1	1.8	1	33.0
(ii) Carbon Dioxide Gas (Tonnes)	14	7,682	15	7,952
(iii) Dissolved Acetylene Gas (Th. Cu. Metres)	4	2,534	4	2,866
(iv) Nitrogen Gas (Th. Cu. Metres)	3	180	3	205
(v) Nitrous Oxide Gas (Million Litres)	1	89	1	97
(vi) Oxygen Gas (Th. Cu. Metres)	6	21,261	7	24,222
2. **Electroplating Chemicals —**				
(a) Basic Electroplating Chemicals				
(i) Chromic Acid (Tonnes)	4	216	4	236
(ii) Nickel Ammonium Sulphate (Tonnes)	2	7.1	2	6.0
(iii) Nickel Carbonate (Tonnes)	4	4.7	4	4.9
(iv) Nickel Chloride (Tonnes)	3	10.9	3	19.2
(v) Nickel Sulphate (Tonnes)	4	126	4	88
(b) Compound Electroplating Salts —				
(i) Brass (Tonnes)	2	6	2	1.1
(ii) Cadmiom (Tonnes)	3	41	3	20.5
(iii) Copper (Tonnes)	3	33	3	14
(iv) Nickel (Tonnes)	4	286	4	130
(v) Silver (Tonnes)	4	5	4	0.5
(vi) Tin (Tonnes)	2	14	2	1.4
(vii) Zinc (Tonnes)	6	29	6	10.5

N.A.: Not available.

INDIAN UNION

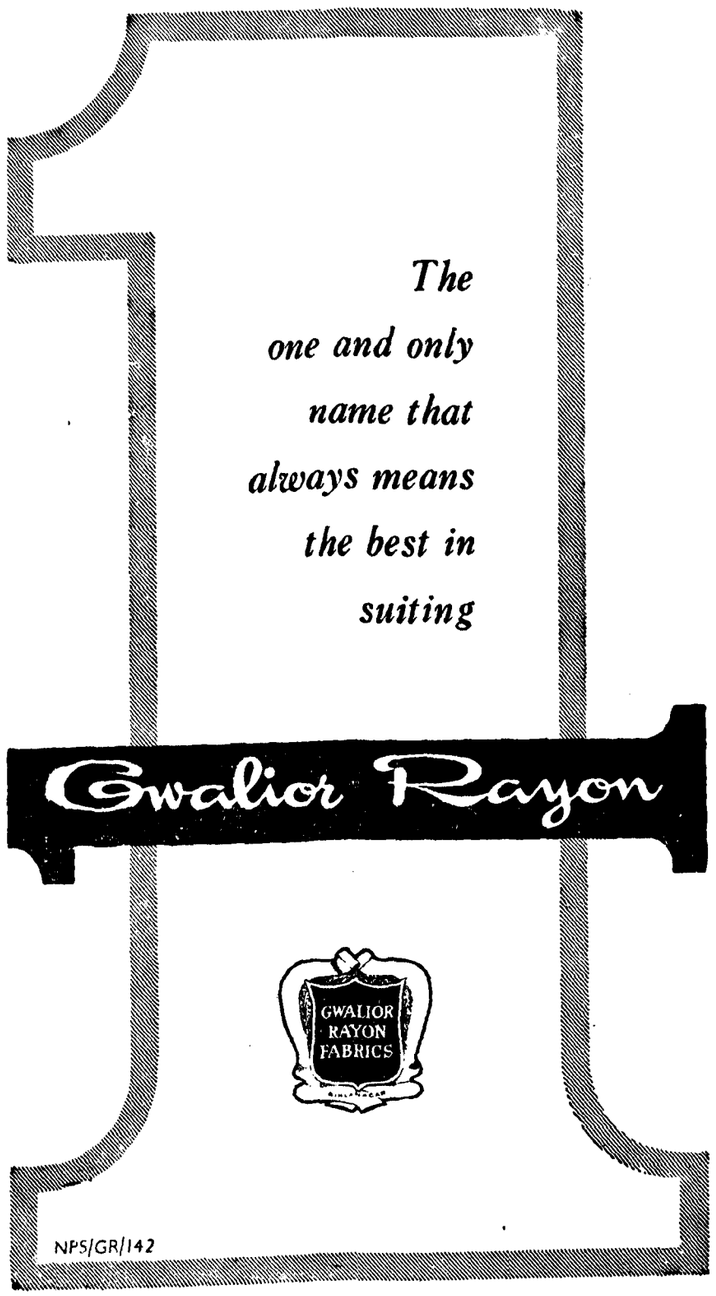
INDUSTRIAL PRODUCTION IN 1960 AND 1961 — (Cond.)

Name of Industry	1960		1961	
	No. of Units	Actual Production	No. of Units	Actual Production
3. Water Treatment Chemicals —				
(i) Alfloc Powder (Tonnes)	1	277	1	452
(ii) Sodium Aluminate (Tonnes)	4	566	4	198
(iii) Sodium Hexameta Phosphate (Tonnes) ..	1	471	1	638
4. Activated Chemicals —				
(i) Activated Bleaching Earth (Tonnes) ..	4	2,706	5	2,355
(ii) Activated Carbon (Tonnes)	3	465	3	508
5. Others —				
(i) Fluxes (Tonnes)	4	682	5	950
(ii) Gas Mantles (Th. Gross)	7	126	7	129
(iii) Heat Treatment Salts (Tonnes)	2	1,005	3	1,390
(iv) Metal Treatment Solutions (Th. Litres) ..	3	491	3	523
(v) Potassium Permanganate (Tonnes)	1	Nil	1	107
(vi) Rare Earth Chlorides (Tonnes)	1	1,665	1	1,821
(vii) Silica Gel (Tonnes)	3	53	3	49*
Organic Chemicals				
Absolute Alcohol (Kilo Litres)	20	49,327	20	53,779
Acetic Acid (Tonnes)	2	3,107	3	3,959
Acetic Anhydride (Tonnes)	1	3,135	1	3,188
Acetone (Tonnes)	1	669	1	759
Beer and Ale (Kilo Litres)	2	9,168	2	10,647
Butyl Acetate (Tonnes)		Nil	1	252
Butyl Alcohol (Tonnes)		Nil	1	152
Ethyl Acetate (Tonnes)	2	135	3	348
Hydroquinone (Tonnes)	2	26	2	35
Industrial Alcohol —				
(i) Denatured Spirit (Kilo Litres)	51	29,391	54	42,016
(ii) Rectified Spirit (Kilo Litres)	51	41,178	54	50,880
Phthalic Plasticizers (Tonnes)		Nil	1	139
Yeast, Bakers and Medicinal (Tonnes)		Nil	2	64

* Estimated.

Source: Ministry of Commerce and Industry.

(To be continued)



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THE EASTERN ECONOMIST

JUNE 8, 1962.

Debate on Defence

IT is rare for the parliament of any country to debate openly on the floor of the House delicate issues of preparation for security and defence. This is what happened in the Lok Sabha debate on the budget demands of the Defence Ministry. The issue would have been touched in very brief terms in the conventional manner in the ordinary course. Not that the purchase of supersonic jet fighters could have been kept a closely guarded secret. It was bound to come to knowledge sooner rather than later. But it was certainly extraordinary that a compelling necessity should have arisen to discuss the delicate circumstances leading to or attending the deal of purchase, even while the deal is under negotiation.

The defence debate was dominated by the discussion on the pending negotiations for the purchase of MIG-21 supersonic jet fighters from Russia and also very likely their manufacture under licence here in this country. There was a more important aspect to it. America and Britain were concerned about this projected contract and in view of its varied repercussions they could not but take anxious interest in it and watch the developments. If the exchange of ideas had been confined strictly to the diplomatic level and the kind of publicity witnessed in this country as well as abroad had not taken place, much misunderstanding could have been avoided and ways and means devised to iron out, or at least to minimise, the main differences of view-points on the acquisition of the supersonic fighters and related problems, including a possible race in augmenting the defence potential.

Matters had gone beyond this stage here and abroad and the final result was that the House expressly gave its consent to the MIG deal. The Defence Minister's reply, however, clarified the position that no decision had been made on finalising this deal and there was still time before the Cabinet made up its mind. This is a saving grace in a controversial issue which has been confused by publicity of a propagandist nature. Apparently, the fuller implications of this question are being scrutinised and there will be no haste in reaching a conclusion right now. The Defence Minister has deprecated in unmistakable terms the attempt abroad to make political capital out of this question and he has retorted, as is his wont, that where we buy our goods is largely our business. This display of temper (under provocation) may be overlooked. What is significant is that immediately in the same context he gave the meaningful assurance—"That does not mean that we want to irritate anybody".

The circumstances leading to the stage when the Government deemed it urgent to explore the possibility of the purchase of the MIG-21's are important for a correct appreciation of this question and it is this appreciation which can provide ways and means for rapprochement. It was about eighteen months or so ago that Pakistan received the first squadron of the F-104 supersonic jet fighters. India could not envisage with equanimity the prospect of her Air Force losing its defensive potential by having to rest content with subsonic jet fighters.

But the need to acquire matching military aircraft with Pakistan has been overdone. Undoubtedly the more overriding urgency is to arm ourselves for defence against China, whose ultra-aggressive postures in the face of India's determination to avoid an armed conflict are becoming increasingly menacing. Mr. Krishna Menon has added to his plain statement, that our need is to match our arms with offensive arms elsewhere, the rider that perhaps it is necessary to provide a deterrent. The latter reference seems to be intended to imply China.

Mr. Krishna Menon's exposition of the purchase of the supersonic jet fighters clarifies certain relevant issues. Cost, performance, availability of spares are important considerations entering into a contract for the acquisition of these fighters. But time is of the essence of the contract, it is already running out against India and as such the delivery date is a crucial term. Of much greater importance than the fighter aircraft is the question of the type of weapons they can carry and the supply of these weapons. The manufacture of the fighters and weapons in India under licence from the collaborating country is another vital question. And in this behalf the Government's solemn pledge to honour security commitments must be accepted and it has been amply borne out in all the previous deals.

An armament race is not in the interest of the countries of the Indian sub-continent. But it would be suicidal to relax efforts in defensive preparation against the northern aggressor. It should be possible to devise a solution from this angle. A departure from the conventional sources of supply and the deeper as well as long-term consequences of such a departure ought to be weighed carefully. They argue for rapprochement by an earnest effort by both the sides—the supplier and the purchaser.

Business at Brussels

MR. EDWARD HEATH'S statement in the House of Commons on May 31 is an authoritative indication that Britain's negotiations with the European Economc Community have entered the crucial stage, when the terms that should govern her entry are being discussed in a thoroughly business-like manner at Brussels. Before the ministerial session concluded on the previous day, Mr. Heath tendered the British Government's proposals on the selected items of exports from India, Pakistan and Ceylon to the enlarged Community. This grouping follows the prior pattern of putting Canada, Australia and New Zealand in one bracket. The deputies of the Ministers are now seized of the concrete business of examining the issues raised in the export trade of India, Pakistan and Ceylon to suggest solutions to their principals when they start their next session on June 27. The solutions will be debated by the Ministers. Nevertheless, this is a signal to the three Commonwealth members that the day of reckoning will not be far off.

The British proposals will serve as the basis of the deliberations of the deputies, but they cannot be the exclusive basis. Differences of approach between Britain, on the one hand, and the Commonwealth countries concerned, on the other, are no secrets. This is so in the case of Canada, Australia and New Zealand—and certainly with a much more pronounced emphasis than is to be noticed in the divergence between Britain and India.

Britain's approach aims at reducing to the minimum the area of controversy and with this end in view she has based her proposals on the reactions of the Six to the demand for safeguards for the Commonwealth trade with Britain, in so far as they could be gathered from the preliminary general discussions between her and the Six. This way of finding a solution to the problem inevitably falls too short of the expectation of the rest of the Commonwealth countries and cannot win their concurrence. India has presented her memorandum of proposals to the Chairman of the European Economic Commission and this memorandum, along with the British suggestions, is to form the joint basis of the investigation now being conducted by the deputies.

The British proposals divide the items of exports of the three countries into four classes on all of which India does not necessarily enter her dissent. Tea, a top-ranking Indian export, is recommended for duty-free entry in the enlarged community and there are besides other items on which India does not disagree with the British view-point. But controversy rages round cotton textiles and certain propositions about the Community's outer tariffs, which India has advanced in the memorandum, but on which the British proposals are silent. The silence amounts to an unreserved acceptance of the principle of the application of the outer tariffs in full on Britains accession to the Community.

Cotton textiles are a premier export in regard to which India has built up a definite position in the British market as well as in her aggregate structure of exports by reason of the Commonwealth scheme of preferences. The British proposal suggests the levy of 30 per cent of the Community's ad valorem duty of 18 per cent immediately on accession. This would clearly imply that right from 1963 India will be under a compulsion to nullify the competition of Japan, for instance, by cutting her export prices by about 6 per cent, if she is to maintain the flow of her exports to Britain. The next measure of the application of another 30 per cent of the ou er tariff would be due some time towards the middle of 1964 on an examination of the statistical position of India's exports at the end of the first year. The full imposition of 18 per cent tar.ff would be due some time around the beginning of 1970. The British scheme proposes suspension of the levy in case the exports are hit and pushed below a certain base level. But the entire decision on suspension is to be governed by a process of consultation with the European Economic Commission.

India's memorandum is to be viewed in the light of the unsatisfactory nature of relief in import duty and the inadequate transition period of about eight years, coinciding with the full enforcement of the outer tariffs by the individual members of the Community, as suggested by Britain. India's case for duty-free entry of cotton textiles is cogently argued and so are the pleas of nil tariffs on some additional items, or in the alternative, their duty-free access to the British market on the analogy of exports from Morocco and Tunisia to the French market. These pleas could be substantiated on the reasonable ground of warding off a distortion of her export trade and the inevitable serious upsets in her balance of payments.

But if the Community is averse to duty-free access and the Common Market's tariff discipline ought to be enforced, the Indian argument of last resort of the provision of a sufficiently long period of transition for adjustment offers a sensible basis for a compromise. The Community may not take an inflexible and adamant attitude in the matter of safeguards. This is illustrated in the case of Canada, Australia and New Zealand in regard to which its original positon has shifted noticeably from deferred imposition of the outer tariffs on a restricted range of industrial goods to all goods of this type. Likewise, the second stage of the levy of the tariff is fixed at a longer interval of four years in 1967. It is for the Government to press India's indispensable requirements on the Community and to convince a responsive party of the reasonableness of a mutually beneficial compromise. The Indian case ought to be argued by a senior member of the Cabinet, preferably the Finance Minister, following the useful precedent of the other three.

New Hope for Turkey

FOR some weeks Turkey has been in the grip of a political crisis which now seems to be resolving itself, thanks to the firm line taken by President Gursel and Mr. Inonu. The instability dates back to four landmarks, namely, the revolution of 27, 1960, the Yassida trials resulting in the execution of Mr. Menderes and two of his associates, the October elections which gave a sizeable vote—almost equal to that of the Republican Party—to the new Justice Party (a successor under a garb to Mr. Menderes' Democratic Party) and the abortive coup of February 1962. The almost equal strength of the Justice Party and the Republican Party in the National Assembly forced a coalition, but in practice it became impossible for Mr. Inonu to function effectively. Ever since this coalition came into being in October, all activities of an essential, if controversial, nature were suspended. In fact, no legislation of importance was enacted during this period. The friction between the two parties which was simmering beneath the surface for a long time, came to a head because the Justice Party wanted prompt amnesty to be provided to the prisoners sentenced at the Yassida trials.

A week ago it seemed that the ghost of Menderes stalked the land forcefully. The extremists in the Justice Party pressed for leniency towards the convicts at the Yassida trials. Their argument was that the mutineers of the February *coup* had been treated very leniently. Why were the leaders of the defunct Democratic Party who were rotting in jails not treated in the same manner? The demand for a complete amnesty for the prisoners was acceptable neither to Mr. Inonu's Republican Party nor to the military junta. They were afraid that the release of these leaders would take the country back on the road to corruption and inefficiency which prevailed before the revolution of May 27, 1960.

In a dramatic move Mr. Inonu submitted his resignation which was promptly accepted by President Gursel. The search for a new leader began and it was "discovered" by the President that there was no one else except Mr. Inonu who could muster the progressive elements under himself. President Gursel once again invited Mr. Inonu to form a new government and he readily agreed to take up the challenge. The only condition that Mr. Inonu put forward in forming the coalition government was that the participants must accept to put through a programme of legislation in regard to urgent economic and social reforms which could wait no longer. He particularly stressed the point that the question of the political amnesty to the Yassida prisoners should be shelved for the time being so as to divert the attention of the people from this ticklish problem, which had been worrying a sizeable section of the population due to the misleading and short-sighted tactics of the extremist group in the Justice Party.

With the active support of the military leaders, Mr. Inonu has now set about the task of forming a new government through a realignment of the various parties. The new Turkey Party which commanded 65 seats in the National Assembly (13.7 per cent of the votes) and 28 seats in the Senate (13.9 per cent of the total votes) has indicated its willingness to form a coalition with Mr. Inonu's Republican Party. It is expected that certain elements from the Peasant Party and some of the moderates from the Justice Party would also lend their support to Mr. Inonu to from a stable government in the country. This naturally sent a wave of discontent and frustration amongst the extremists in the Justice Party who see a bleak future for themselves. The Yassida prisoners, who were expecting a prompt release as a result of the crisis which their supporters in the Justice Party had succeeded in creating, are now doubtful about the chances of their freedom in the near future.

The only hope for Turkey now lies in charting a new path under the leadership of Mr. Inonu with the active support of President Gursel. It is necessary that the new government should keep religion away from politics. The process of westernising Turkey, which was started by Kamal Ataturk, must not be reversed. Recently some trends have been visible within Turkey indicating a new religious fervour. Even the coalition government which broke up only a week ago was not free from the influence of these trends. The support of the army and of the other political groups to Mr. Inonu now promises a stable future for Turkey.

No Regrets

NO tears will be shed in this country over the lapse of the eight-year old Sino-Indian Agreement on Trade and General Relations between India and the Tibet Region of China. The reluctance of the Government of India to renew this agreement is easily comprehensible. India's trade over this border had been reduced from Rs. 3.6 crores in 1954 to a trifle during the past three years. The agreement, however, had a greater significance for this country than that of a mere arrangement to govern the trade relations between India and Tibet. It was in this pact that the five principles on which India's foreign policy is based, were, for the first time, incorporated in an international treaty.

The lip sympathy that the Peking Government has paid to Panchsheel has undoubtedly created serious doubts in the minds of not a few Indians about the practical propriety of a foreign policy based on this philosophic outlook, insofar as it pertains to relations between two countries, one of which, China in this case, has expansionist designs. This makes nonsense of respect for mutual territorial integrity. An inference that India's foreign policy will undergo a change as a sequal to China's aggression on our northern border is obviously not justified. But the stab that Peking has given in India's back will continue to bedevil relations between the two countries as long as the *statusque ante* on India's northern border is not restored and friendly negotiations are not entered into for making any adjustments in border line.

Apart from these political overtones and the cloak-and-dagger policy followed by China as a reason for non-renewal of this agreement, its extension could have been hardly appropriate in view of the harrassment and hardships to which Indian traders had been persistently subjected to by the Chinese authorities in Tibet since the overthrow of the Dalai Lama's regime in 1959. Indians were made to pay exorbitant prices for exports from Tibet, particularly wool. Discriminatory tariffs were levied on exports from India. Indian goods were purchased at arbitrarily fixed low prices. Not only that. The stocks built up by the Indian traders in Tibetan villages and towns were invariably usurped. Recently, even the Indian currency was declared illegal in this region. The export trade of Tibet was forcibly oriented towards Peking and when this artificial diversion proved unsuccessful and acute hardships were experienced in the inaccessible parts of Southern and Western Tibet, overtures were made to Nepalese traders for procurement of essential supplies.

The difficulty of maintaining the supply-line for the Chinese armed forces stationed in the occupied Indian border areas appears to have been the main impelling force for China for making successive attempts in the last few months for getting this trade agreement extended. The Chinese official press organs were never tired of fabricating, for home consumption, propagandist statements to smear this country in spite of the fact that, on humanitarian grounds, India refrained from preventing Chinese settlers in the country from sending food parcels to their home country. This attitude was adopted in the face of the fact that India is still short of its domestic requirements by as much as three million tons per annum and has to depend on imports from abroad. But Indian Government could scarcely be expected to fall in this trap contrived for the eventual supply of food to Chinese troops in the occupied border.

One of the problems that the Government of India will now face is the rehabilitation of border traders. But that should not be difficult, firstly, because most of them have already taken to other avocations after having been squeezed out of the Tibetan trade by the Chinese, and secondly, because already an impressive programme is under implementation for economic development of these border areas.

THE WEEK'S NOTES

National Integration

TOWARDS POSITIVE ADVANCE

THE LAST session of the National Integration Council can claim credit for having achieved some positive advance in formulating a broad policy on one of the basic questions—language. But there are other facets to this all-embracing problem which underline the fact that the NIC is essentially dealing with an issue which has very powerful undertones of emotion and one which is fundamentally intangible.

Thinking on a concrete and rational policy for language is now crystallising. It would be absurd to rake up the controversy of Hindi versus English when the accepted position is that Hindi must be elevated to the status of the official as well as national language. But various trends have emerged whose cumulative effect is to equate the systematic expulsion of English with the promotion of Hindi. The resolution adopted by the NIC takes care to emphasize that both Hindi and English must be promoted consciously. English is necessary to prevent any likely barrier isolating India from the world currents of progress in knowledge, literature, science and technology. It will continue to be a link of communication between India and the world.

A formula has been devised by the NIC to place Hindi, English and the regional languages in their correct positions. English is to be retained indefinitely as an associate language for all-India purposes. In non-Hindi speaking regions, Hindi and English are to be deliberately cultivated since all-India contacts and a sense of integration through such contacts will require either of the two languages as an appropriate vehicle. But the regional languages are the very breath of the cultural and other life of the local population. The formula provides that regional languages will be entitled to predominance in their particular areas. A strong warning has been uttered against any artificial acceleration in the replacement of English as a medium of instruction by Hindi or the regional languages. It is left to the initiative and discretion of the universities to decide the pace of this replacement. A significant issue in the language problem has been emphasised by the NIC. It has urged that provision should be made for the use of English or Hindi as a medium of instruction in each university or in the colleges affiliated to the university with an option to the examinees to answer the questions in English or Hindi in the non-Hindi speaking areas.

Communalism is indisputably one of the most dangerous forces which can disrupt national unity and sow deeper seeds of disintegration. Its roots are embeded in the historical past, but essentially the question, even for outward treatment, depends upon a variety of intangibles. The NIC has appointed a committee to examine the question of the definition of communalism. Communalism is certainly not confined to religious divisions but transcends into the realm of casteism. To prevent both these forces from poisoning the national life is a long-term function depending upon a basic change in the outlook of the masses upon life and this means the predominance of the economic and other non-religious elements of life. The contribution of the Press to integration can be powerful and substantial. The NIC has urged upon the Government to consider the appointment of a committee to prescribe a Press Code in consultation with the Press. Voluntary observance of the code in the fullness of spirit may be a gradual process, but its effects will be enduring. All in all, the NIC is approaching its task in the right direction in seeking first to define the dimensions of the problem before concrete solutions are evolved.

Kerala

CRACKS IN THE COALITION

EVIDENCE OF the appearance of cracks in the Congress-PSP Coalition Ministry of Kerala has been emerging with the greater vehemence at intervals. There is hardly any room for doubt that at the present time feeling over the partnership is one of intense bitterness. The cracks are apparently widening and both the parties seem to be unmindful of the inevitable effect of the rot that will ensue in the administration in such a situation. Actually, the issue which has given rise to a difference of opinion between the partners is too small to force the extreme course of the dissolution of the coalition. Mr. Pattom Thanu Pillai has categorically refused permission to private agencies to set up lower primary schools in the State to meet the current demand of the increasing numbers of students. Mr. Pillai's contention is that the Government is quite capable of meeting this demand on its own. But it will be recalled that when a similar question of increasing the number of higher primary schools and secondary schools came up for decision earlier, permission was granted to private individuals to set them up. Since this is an issue which will be tested immediately with the commencement of the ensuing academic session, it would appear that Mr. Pillai would spare no resources to prove that he is in the right.

But the real point of difference goes much deeper. The PSP Chief Minister has announced, and stuck to his position, that the decision on the lower primary schools is a cabinet decision, implying that the Congress Ministers, in particular the Deputy Chief Minister, Mr. R. Sankar and the Home Minister, Mr. Chacko, are parties to it. This is flatly contradicted by the latter who maintain that it is the Education Minister's decision and not a cabinet decision. The controversy is only symptomatic of the manner in which Mr. Pillai is said to be riding rough-shod over his Congress Party colleagues. Mr. Sankar and Mr. Chacko urge that the issue should be forced even if it comes to the breaking up of the coalition. This is how differences are being overstretched. At a recent meeting of the Kerala Pradesh Congress Committee, the rift between the ministerialists and non-ministerialists made itself evident. The non-ministerialists took the opposite view on the lower primary school issue. They are emphatically of the opinion that this crack should not be allowed to split the coalition. This, of course, is the view which is held by the High Command, and even on an earlier occasion, Mr. Govindan Nair, President of the KPCC had advised Mr. Sanker to give up his extreme stand. The Kerala Congress Party is obviously a house divided against itself and it is highly doubtful whether the Congress Party would be able to run the Government on its own as Mr. Sankar and Mr. Chacko claim.

Mr. Pillai is exploiting full advantage from the situation and time and again he has given the gratuitous warning that the only party to benefit will be the Communist Party. But he entirely overlooks the fact that the PSP's fate would be far worse than that of the Congress Party. The Kerala electorates's verdict on his party in the parliamentary elections is quite unequivocal. It serves neither party to continue in an atmosphere in which mutual trust and respect are lacking. Both the parties have their internal troubles and they would do a service to themselves as well as to the State if they set their own houses in order and guard themselves against the blunder of letting the Communist Party benefit by their wrangles.

Everest Attempt

A HEROIC FEAT

THE SECOND Indian expedition on Mount Everest performed what is readily recognized by the Indian Mountaineering Foundation as an amazing feat. Major Dias and his party stood the severest tests of mountaineering as well as human endurance in the face of the worst inclemencies of weather in their attempt to reach the world's highest mountain peak. The expertise gained by the first Indian expedition under Brigadier Gian Chand was not only freely used but remarkably improved upon by the successor expedition. The party reached the height of 28,600 feet and was only 400 feet short of Mount Everest, when it had to abandon the effort under the sheer compulsion of extremely bad weather. Its heroic efforts have been reveald fully in the dispatches transmitted to the capital city and they unfold the story of a great romantic adventure. No expedition ever before spent more than a night at the altitude of 28,000 feet. But the claim of Major Dias and his colleagues to having achieved an amazing performance lies precisely in the fact that they spent three successive nights near about this altitude.

Hopes that escape from the adverse weather of the monsoons may be available by reason of the earlier start made by the team were unfortunately belied. The team was behind schedule by two weeks in reaching the South Col from Camp IV at the foot of Lhotse Face. While it was negotiating Lhotse Face, extremely bad weather began to foil its heroic efforts. This turning point decided the final result. For the rest it was to fight a losing battle. But if Major Dias and his men showed unique perseverence in continuing their battle, they gave proof of persisting until the limit of human endurance was reached. Since Tensing Norkay and Hillary hoisted the flag of triumph on the Everest in 1953, Indian mountaineering skill has achieved records worthy of mention—reaching Annapurna III and Nilkanth, not climbed before. The first Indian expedition of 1960 and now this one of 1962 have demonstrated that there is the expertise to achieve the utmost during the brief mountaineering season. There is already a talk of the third expedition being organized and it may be that, with the rich fund of skill and experience so far amassed, it will achieve the elusive success.

East Pakistan

RESTORATION OF CONFIDENCE

THE PRIME MINISTER'S statement in the Lok Sabha on the riots at Dacca and Rajshahi is reassuring. The two important facts which emerge from Mr. Nehru's statement are the admission of the Government of Pakistan to the effect that the riots in the two areas had assumed a grave proportion and the strong-handed action taken by that Government to restore normalcy.

At one time the Government of India entertained grave apprehensions that the exodus of the Hindu minority community from East Pakistan into West Bengal would occur on a substantially large scale and create a serious problem of their rehabilitation. This exodus had another sinister aspect and the possibility of retaliation which is common in such upheavels would have caused disturbance in India. The position as could be gathered from the statistics of transfrontier travel shows that the movements are no more than normal. The contingents of East Pakistan Rifles, posted in the areas of disturbance, acted promptly and effectively in rounding up over 1,900 persons directly involved in the riots or instigating the riots. What is further encouraging is the attitude of the local population of the majority community which prevailed upon their minority brethren not to migrate and gave earnest proof of their persuasion by actively co-operating in the speedy reconstruction of burnt houses and creating a sense of security in the rural areas. Panic does not now prevail in the minority community. It is in the interest of neither India nor Pakistan that communal riots should rear their head and assume dimensions creating the risk of migration and upsets in both the countries. The return to normalcy in East Pakistan does credit to the Government of that country as much as to the two communities.

Laos

INTRANSIGENCE

THE DEADLOCK in Laos over the formulation of a neutralist government in persuance of the Geneva resolution does not appear to approach its end. The Pathet Lao forces celebrated the first anniversary of the cease-fire by breaking it with open armed action and with a sudden sweep they captured the key town of Nam Tha commanding the North-West province of Laos as well as the road to Thailand. Contrary to the fears which were very strongly voiced by the Rightist Government of Boun Oum, they did not march either in the direction of the capital city of Vientiane or the royal city of Luang Prabhang. In fact, the withdrawal of the royalist forces was so complete that Pathet Lao could have captured at least some of the interior territory. But their action in stopping with the important gains they made is now being interpreted as an open military pressure on Prince Boun Oum to agree to the formation of a government of national unity.

It is no secret that the real obstacle to an agreement on the Coalition Government is Prince Boun Oum's Foreign Minister, General Phoumi Nosavan. So confirmed is his intransigence that even at this stage he is clinging to his contention that no Communists would be admitted in the coalition Government. In the prevailing context, Communists in Laos can be no other than Pathet Lao. He is not worried how a neutralist government can really be installed unless Pathet Lao, which has now acquired an accession of strength, is included. Prince Souvanna Phouma seems to be tired of his unending rounds of visits for negotiations to form a neutralist government and he has announced June 15 as a dead-line for the final effort. But General Phoumi Nosavan has retorted by interpreting it as a veiled ultimatum and consistently with his intransigence he has once again declared his opposition to the inclusion of Pathet Lao. The only way out of the stalemate is the removal of Prince Phoumi Nosavan. Of this fact the Kennedy Administration is keenly aware. How the removal comes about will determine the end of the impasse.

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The World Abroad

ECONOMIC CURES FOR AFRICAN DISUNITY

By

ODYSSEUS

IT IS SOBERING to reflect that, whereas, in 1951, there were only four sovereign independent states in Africa, and the greater part of the continent consisted of provinces whose administration was centralised under four colonial powers, today there are no fewer than 26 sovereign independent States—most with less than two years of existence—and another nine, or so, due to achieve independence within the near future.

Whatever the blessings of nationalism, it does not promote integration and unity. The developing countries are rightly anxious to catch up on European industry. We must hope that they will soon realise the imperative need to catch up on Europe's programme of unification. As Dr. Thomas Balogh, of Oxford, pointed out at the recent Anglo-French conference in London on Planning in Africa, the vicious circle of poverty is less of an impediment to development in Africa than is the smallness of the new States, their internal tribal divisions, and their lack of geo-economic unity.

The implication of these grim facts are momentous for their future. They cannot each singly devote enough resources to research or to specialised education, nor make a real start in establishing industry, because they cannot singly provide secure protected markets in most industries for anything but small and ineffectual units. To set up small units might raise the standard of living by giving employment to men now partly or wholy unproductive but it would, in the long run, seriously limit the maximum possible increase in productivity, and so perpetuate Africa's economic inferiority. Even large-scale units would need protection for an indefinite period until they could reduce costs to competitive levels.

Unless Africans can combine for industrial development, they will either be unable to create industry at all, or they will set up inefficient industries, which will set limits to the increase in their incomes. The fragmentation of the larger trading union, which existed between the French-speaking territories in Western and Equatorial Africa, and the failure of non-French territories to co-operate between themselves and with the French areas, is ominous.

Only if the African States join the European Economic Community not singly but in one large-scale unit (or possibly in three units: West Africa, Central Africa, and Eastern Africa) can the threat of perpetual economic inferiority be overcome. It cannot be too greatly emphasised that Africa's future standard of living depends on establishing co-operation between the numerous new small States. Many African leaders understand this. They have made efforts to promote economic co-operation and even political union, but the multifarious nature of the combinations proposed, is, when internal tribal divisions are added, a grave handicap.

OVER-HASTY INDUSTRIALISATION

Dr. Balogh believes that the very absence of industrial development should facilitate co-operation. It should be easier to build up from scratch than to reconcile the vested interests of existing industries. However, with independence, the growing pressure on African governments by their peoples for better employment and higher incomes must push them to speed up attempts to industrialise. If, at that point, co-ordination of economic planning between African States has not been achieved, the rift between them will become wider and wider and what Dr. Balogh picturesquely calls their "final income horizon" will be increasingly limited. There is this no time to lose.

At the same time, the multifariousness of, and the conflicts between, the inter-African agreements already reached, suggest that one of the reasons for their lack of success may be that they are too ambitious. It might be well, therefore, to seek examples for African development among cases in which the beginnings have been less ambitious, but which have proved themselves flexible. The development of European economic co-operation is an encouraging example, because its success was largely due to its flexibility, which accommodated the varied and often divergent needs of the co-operating countries. This flexibility is being copied in Latin America. Africa is vast: 11,500,000 sq. miles, i.e., thrice the size of Europe, and no less than ten times that of India and Pakistan. That is why economic grouping is imperative.

Regional groups are essential to promote co-ordination in (a) investment and (b) research, and specialised education, through some inter-governmental agency, such as the remarkably successful Organisation for European Economic Co-operation, set up in 1948 to work out the development needs of eighteen diffe-

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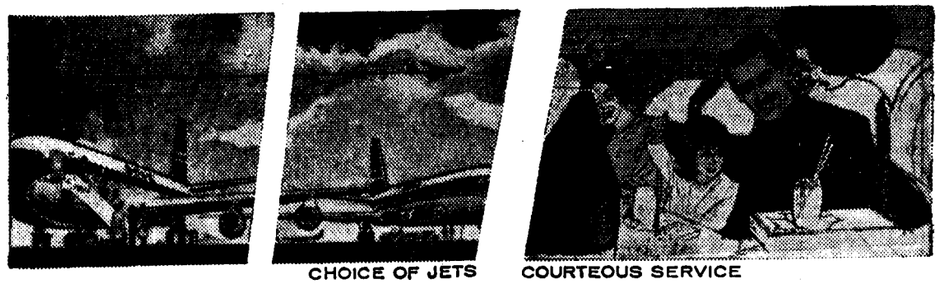
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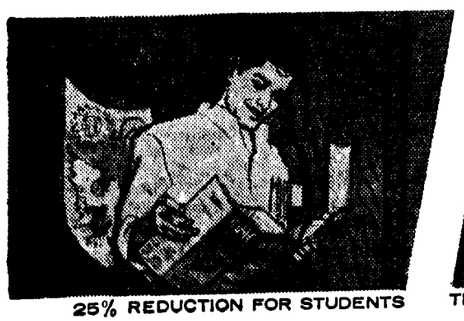
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rent States at a time when there was not only no co-operation, but when Europe was thick with trade barriers and nationalistic restrictions. When the OEEC was set up, European feeling was not yet ready to accept a supra-national body, and Africa would be wise to follow Europe's step-by-step precedent. Since there are no conflicts of interest in Africa between established industries, one hopes that through an equitable distribution of new industry, and infra-structure investment, a balanced development programme could be worked out on the European precedent.

Dr. Balogh warns that even such informal co-operation will create new problems. There is a basic antithesis between (a) stimulating existing centres in which infra-structure investment already exists, and in which, therefore, the background for self-sustaining cumulative progress has been created, and which might be set off in such progress, and (b) a programme aiming at coming to the rescue, for humanitarian reasons, of the worst-off areas. Just as the impact of free trade between unequal countries hits the weaker, so it is in inter-regional trade, or even within the regions of one country. One essential difference is that in inter-regional, or regional, trade, migration can be promoted more easily and co-ordinated with the planning. In Africa, these problems are acute because of (1) the heavy infra-structure investment needed to open up the poorest regions, which are usually farthest away from the more easily accessible coast, and (2) sharp tribal differences.

REGIONAL PROBLEMS

In planning investment it is essential to secure protection for infant industries by regions, because (1) it is possible to set up efficient industry only on a regional basis, and (2) there are cases in which the establishment of large-scale industry in one area of a region might harm other areas, which might wish to protect their infant industries for an intermediate period.

Thus, the establishment of a powerful regional unit in agriculture as well as industry will need a new preferential system. This would not conflict basically with the Rome Treaty, or even with GATT, if interpreted from the viewpoint of development aid and planning. The products of the industries estblished would thus be treated by the rest of the group either as produced domestically or subject to a low preferential duty. So that if the African group envisaged becomes a member of the EEC, there could be three tariff levels to (1) all countries of the African group itself, (2) EEC countries, and (3) the rest of the world.

Progress could be speeded by forming a Payments Union with a strong clearing house at the centre, which would receive a special contribution in convertible currencies from the industrialised members, including the EEC. Most African States will be short of foreign exchange before their development plans get under way. Their accumulation of resources in the past was, after all, only due to their failure to push development. The exhaustion of India's initially large sterling balances is one evidence of her activity in development. A clearing union would allow freer movement of goods between African States and thus reinforce the preferential tariff. That the clearing union would have a convertible reserve would allow a multilateral fostering of African trade, which is precisely what is wanted.

One drawback of a clearing union is that surplus balances in the international payments between members might arise, not through deliberate choice by the relatively richer States providing aid to the poorer in the region, but by haphazard differences in their economic and (especially) monetary policies. This drawback could be mitigated if, in addition, an inter-African Development Bank were formed to channel foreign long-term capital in Africa on the basis of priorities and plans in member countries, which would be mutually consistent, and thus strengthen the economic potential of Africa or a region of it, rather than weaken it through competition and national protectionism, which would reduce the scale of productive units to a level too low to achieve full potential productivity.

To be effective an inter-African Bank would have to have substantial support from the industrialised countries of the West, either by loans to the Bank or guarantees up to certain amounts. In this way, all the members of the United Nations might participate in the working of the Bank: they would be providing capital without the need for insisting on voting power in it. For the donor countries a guarantee of the Bank's obligations would probably be best because it would avoid the need for the hazards of parliamentary action. Such a Bank would give a big push towards African unity. If resources were channelled through one agency, duplication, and waste of resources, would be avoided and it could be made a condition of loans and grants that they would only be given if the participating countries agreed upon joint plans, consistent with what Dr. Balogh calls "coherent and inter-connected national unity," which is essential if Africa is ever to catch up.

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The European Scene

EUROPEAN, NATIONAL AND REGIONAL PLANS

From Our Special West European Correspondent

PARIS, June 2.

HOW long will it be, I asked here two months ago, before there exists a European economic plan in the sense that there already exist plans in France and Holland? Rather earlier than most people have thought, replies Le Monde Economique in its latest issue where it reviews the gathering campaign for medium-term forward programming at the West European level. This campaign is not new in France, where it is realised that the opening up of the economy on to the rest of West Europe makes strictly national planning more and more difficult. For example, M. Albin Chalandon, formerly secretary of the Gaullist party and its economic ideas-man, write this week: "Soon to be deprived of such major means of intervention as the fixation of agricultural prices (because of the common farm policy of the Six), our economic policy will depend as much on other nations as on ourselves. Thus, big breaches are constantly being opened in the flank of our national planning, which might endanger all our efforts at co-ordination. There is only one way to fill those breaches: the adoption by other countries of our own methods, and the creation of a European economic policy, if only to co-ordinate investments. This task should not be impossible, for the West is increasingly interested by our planning, and a European political authority is coming inevitably; but it will be a long task, which will not be entirely completed during our Fourth Plan".

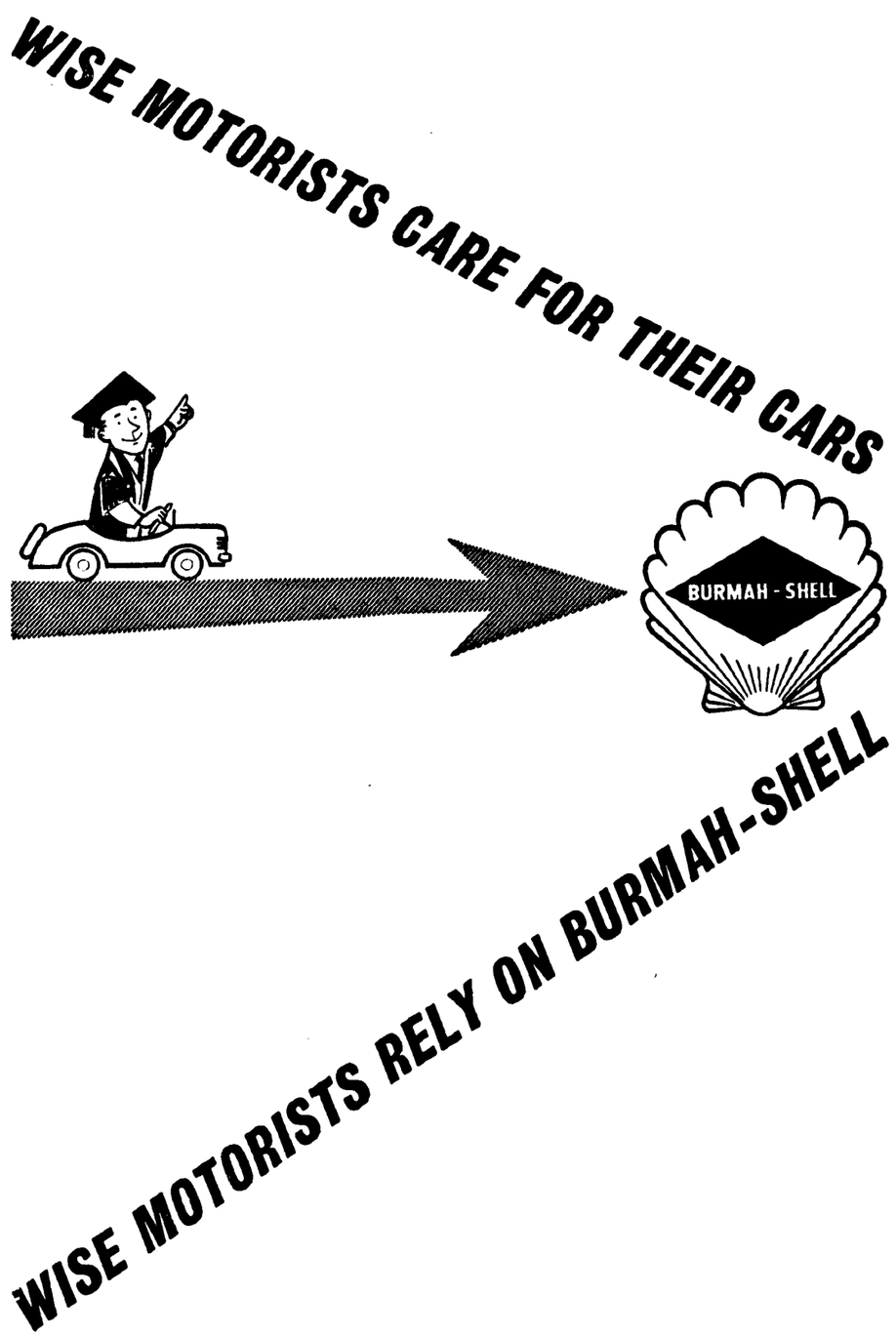
However, the case for a European plan has been taken up in the past two weeks outside France — and for reasons other than French convenience, such as M. Chalandon limited himself to. The Confederation of Christian Trade Unions, representing all the Six countries, called for a European planning bureau at its meeting in Rome last week. More important, a few days later, M. Robert Marjolin, Vice-President of the ECM Commission, openly suggested "a charter for common European action, which some call a 'plan', others a 'programme' and others simply long-range provision". I say "openly" because, as a supranational bureaucrat who had to consider West German susceptibilities on the question, M. Marjolin has hitherto bean very cautious; the people in Brussels did not want to seem to be leading West Germany into a course that is not favourably viewed by Dr. Erhard. At most, pressed with questions about co-ordination of budgetary and tax policies by the Strasbourg deputies a few months ago, M. Marjolin replied vaguely that the matter could not be separated from "the formulation of a long-term European economic programme".

Last week in Arcachon he spoke more plainly. Perhaps he had been emboldened by signs that the European plan idea is making headway in West Germany. After all, the Bundestag had just passed a bill prohibiting for one year the construction of office buildings, a measure of control that no planning authority in France or Holland would have dared to decree. And Dr. Erhard had just discovered that, though "what's good for General Motors is good for the USA", on the contrary what was good for Volkswagen was not good for West Germany. In any event, M. Marjolin gave the first official support at the ECM level for a European plan. He based himself on the adoption in January of a common agricultural policy, and had no trouble showing that this amounted to a six-nation agricultural plan which could only work smoothly if it were co-ordinated with a six-nation industrial plan. The farm policy adopted for the next few years supposes that there will be transfers of manpower out of agriculture to other occupations, and if these transfers are to be managed humanely redundant labour must not be merely expelled but attracted to industries and services that are calling for their help when the land no longer requires them. In other words, there must be a guaranteed level of industrial activity that matches as nearly as possible the rising productivity of the farms.

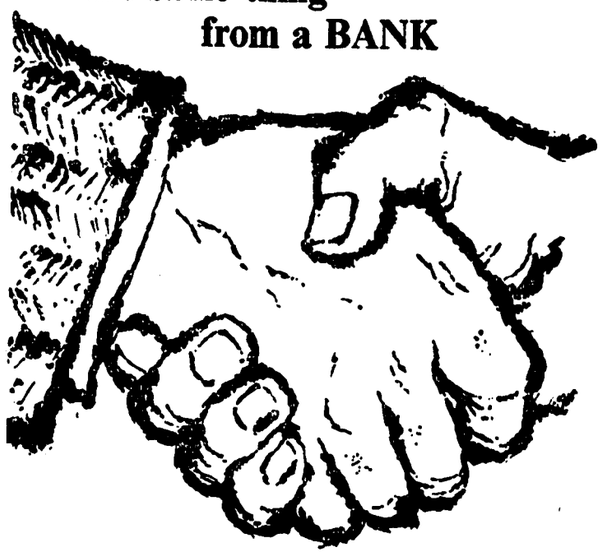
So he suggested "a European plan, as there is now a French plan and as there will be no doubt tomorrow a British, a Belgian and an Italian plan". By a plan he meant "an effort to penetrate the future, and to mould it, to the extent compatible with freedom of enterprise". He did not think that what was necessary was for all other member-nations to adopt French planning techniques for their national economies. This corrects a misleading impression that no doubt arose from my last article on this subject, where I said that it remained to convince West Germany to adopt a plan. Why should the West Germans be convinced when the French themselves, as I have quoted M. Chalandon saying, realise that strictly national programmes are becoming harder to apply inside the Common Market? A West German plan today would make no more sense than a French plan. M. Marjolin declared: "National plans or programmes are more and more difficult to draw up and, once the Common Market is realised, they are in danger of losing much of their significance. The fact is that a plan or programme pre-supposes an economy whose external relations are limited or can be restricted in case of need. Increasingly already, and completely within a few years, each of the six economies of the Common Market will be open on to the rest of Europe". Within a few years, that is to say, the economy whose external relations can be controlled will be the whole Common Market, and it is only on that scale that planning will be possible.

Yet M. Marjolin did not think that French planning methods could be applied wholesale to that larger unit. "An original effort of intellectual creation will be necessary if a charter of common European action is to be drawn up. It would be utopian to try to fix at the European level objectives for every branch of industry. On the other hand, it would not be utopian to seek to determine the maximum feasible expansion rate for production over the next five or ten years, taking into account the necessary reduction in working hours, and taking into account the share of each of the major sectors, industry, agriculture and services, in that general expansion. Nor would it be utopian to try to determine the economic and financial policies that must be followed, in Europe as a whole and in each member-country, in order to attain that maximum expansion". And he concluded, "I do not have in mind an authoritarian plan, defining targets for each firm, but an act of intelligence and will, at the level of the State and of professional organisations, determining the future of Europe and its nations".

The picture then is rather different to what was suggested here in an earlier article. West Germany is not being asked to adopt a national plan, something that inevitably (but improperly) reminds Germans of the



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Nazis' authoritarian direction of the economy, and of the ruthless global planning used today (so ineffectively) in East Germany. Nor are the other European countries, from Italy to Britain, being encouraged to go further along the French path, because that runs into difficulties created by European unification. Instead, all of them together are being invited to consider a European plan, to be drawn up by a European planning bureau, using the methods proven in France of commissions for each sector of activity which bring together representatives of the State, of employers and of labour. This West European plan might well remain very general (from the point of view of any single enterprise), though it would go into considerable detail for crucial sectors such as automobiles, steel and chemicals where the volume of investments involved is too huge for mistakes to be made.

You might expect the enthusiasts of planning in this country to be disappointed by the prospect of their national plan being replaced by a much more general, and naturally rather vague, Europe-wide plan. Not at all — provided this more general plan is combined with a multiplicity of regional plans. For that is the other interesting lesson lately drawn from French planning experience. If the nation has been found to be too small a unit in a Continent that is uniting economically, the nation has also been found to be too big a unit, in that its global requirements remain remote from every day life. To make the plan more "popular", to get folk to feel that it involves their destiny and deserves their interest and support, the solution is not to make it more detailed within each branch of activity: to replace targets for consumer-goods production with more precise targets for, say, production of radios, and then to replace those targets with specific assignments for particular firms. That way of breaking down the plan does not bring it nearer the people except in the unwelcome and unwanted sense of proliferating orders from above. On the contrary, the national plan secures more support when it is broken down into, or co-ordinated with, geographical development schemes.

There has therefore been a spate of congresses and studies on the 'regionalisation" of the plan, and also on the regional effects of the Common Market. (It has been pointed out here before that the real disequilibriums caused by European economic integration are not so much between the nation-states West Germany, Italy, France etc., as between economic regions like the Rhine valley, southern Alps or Lowlands which straddle the old national frontiers.) Regional plans, said an orator at the Archachon conference, are "more concrete, more human and more social than a national plan", and it is only at the regional level that one can see disequilibriums caused by industrial progress which might be missed at the national level but which have considerable social consequences.

That is why exponents of democratic planning would cheerfully exchange the national plan that now exists in France and those that are projected in Italy, Britain and Belgium for, on the one hand, a European plan that set a general growth rate for the whole of the enlarged Common Market, co-ordinated budgetary and financial policies, harmonised investments in the major sectors, however loosely, and ensured that the Common Market's economic frontiers were sufficiently definite to permit planning inside the area, and, on the other hand, a series of regional plans that were concerned not only, as at present, with localities like Sardinia, Corsica, Brittany, Flanders etc. but also with vital areas that straddle existing frontiers. This is a "more European" or more unitary notion than the idea of getting each nation to adopt a national plan of its own and then seeking to harmonise them. There will be political opposition to this conception, but it is the view of European planning that is now favoured by producers and economists.

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Special Article

GANDHI AND THOREAU

BY B. K. NEHRU, Ambassador for India in the United States*

ON the 6th of May, 1862, Henry David Thoreau was laid to rest where he had spent the major part of his life, in the wooded hills of his beloved Concord. One hundred years later, we gather in this vast metropolis to do him honour and to inscribe his name in the Hall of Fame. It is a recognition of the essential permanence of Thoreau's teachings; it is equally a recognition that, as a celebrated American newspaper recently wrote, "the ideas of an eccentric Yankee individualist ..... have spun round the world and have provided the oppressed with an honourable philosophy of resistance".

You have done my country signal honour in inviting me as the Ambassador of India to deliver the main address on this historic occasion. This honour I do most deeply appreciate: but, even more, I am grateful to have been given this opportunity to pay homage to the memory of a man who, drawing on the prescription of the dignity of the human soul in the ancient Indian scriptures, postulated in turn the status in political society of what Professor Laski was later to call "that last inwardness of the human mind which resists all authority save its own conviction of rectitude". There are between our two countries many bonds that will endure the test of time. There are the shared beliefs in the ideals so eloquently set forth in your Declaration of Independence. There is the common belief in the rights of man and the dignity of the individual. There is the shared passion for the democratic way of life and for the establishment of a peaceful and just world order. But there is also a deep relationship between the thinking of Concord in the last century and the shape of India today. Thoreau had in his library a number of books on Indian philosophy and the development of his thought was obviously affected by them. That thought, in turn, had the profoundest effect on Mahatma Gandhi, the maker of modern India, and is consequently today one of the elements that make up our national consciousness. Gandhiji himself acknowledged freely and often his draft on Thoreau's individual and social philosophy. He conveyed to President Roosevelt in July 1942 how deeply influenced he had been by Thoreau's writings; in the open letter to the American people of about the same time, he wrote "You have given me a teacher in Thoreau who furnished me through his essay on "The Duty of Civil Disobedience" scientific confirmation of what I was doing ....." It is, therefore, in the fitness of things that I, as the Ambassador of Gandhiji's country, come here to pay tribute to the spirit of Thoreau.

It is one of the great paradoxes — and equally redeeming features — of human history and evolution that as the scale of organised society grows and as the gregariousness and enveloping nature of that society increasingly dominates the inividual, the very same process highlights the extreme individuality of the human conscience. The more grows the conformist nature of society, the more accented is the non-conformity of what the ancient Hindus called the "atman" — the individual soul. It is the spirit of non-conformity that has enriched the dialogue of human progress — no less indeed in the material fields than in the spiritual. The blooming of many flowers in ancient Chinese thought, the periodic enrichment of Hindu philosophy by great men like the Buddha and Shankaracharya, the resurgence of the human spirit heralded by Jesus Christ, the Reformatory movements within the Christian Church in Europe following the Dark Ages, the enlivening of political thought first in Europe, then in this country and later in the erstwhile colonial empires, that led to the overthrow of conformity to an authoritarian or alien rule — all these analysed to their fundamentals are basic proof of the moving force of individual conscience and of the role that it can play in uprooting existing order if such order be unrighteous.

Thoreau and Gandhiji were two great non-conformists. Thoreau lived and worked in a country whose political testament was based on the right of people to resist arbitrarary power. As the Grand Jury in Georgetown, South Carolina, declared in 1776 —

> "When a people .... find that, by the baseness and corruption of their rulers, those laws which were intended as the guardians of their sacred and inalienable rights, are impiously perverted into instruments of oppression; and, in violation of every social compact, and the ties of common justice, every means is adopted by those whom they instituted to govern and protect them, to enslave and destroy them; human nature and the laws of God justify their employing those means for redress which self-preservation dictates"

In a country where the powers of Government were limited, where arbitrary power was checked, where the approval of the ruled through their legislatures was the sanction for the acts of the rulers, and where there was not the frustrating and desolating aspect of despotic power — as in India — to incite and provoke into revolt the inner sense of rectitude of man, it is somewhat surprising that a Thoreau arose here. And yet he did.

Where and how did Thoreau carry the concept of the duty of disobedience further than was accepted till his time? The exercise of the Right of Resistance was, in the words of Samuel West in 1776, the prerogative of "the publick; not few disaffected individuals but the collective body of the State". Secondly, where "the overwhelming majority of a thoroughly abused people" felt it necessary, resistance was justified in the sense of armed rebellion — the "appeal to God by the sword" as the colony of New Hampshire termed it. Thirdly, resistance was measured in terms of failure of the Government to observe legality either in the sense of adherence to established law or in the sense of having the consent of the governed.

If this understanding of the Revolutionary Concept of the Right of Resistance is correct, then Thoreau seems to have carried the idea much further. He measured the sanctity or profaning of secular power not in terms of a legal process or of a parliamentary sanction, but in terms of a more deep-seated ethic namely the conviction of an abiding rectitude. "The only obligation which I have the right to assume is to do at any time what I think right". The right, and indeed the duty, of disobedience to secular power came to be a moral, and not merely a legal, issue. Further this was a right that each and every citizen had: it mattered not if he was one of many protestants or was a lonely person whose conscience did not permit him to conform to the political ethics of his society; he had the right to disobey. It would thus seem that Thoreau was defining — or was it redefining — the context of the individual human sense of values to the outside world.

As Gandhiji pointed out later, such an attitude was something that called for the highest courage, the loftiest conception of freedom. The courage that it calls

* Address at the Hall of Fame for Great Americans at the New York University, New York City, at the ceremony for the unveiling of the bust and tablet for Henry David Thoreau.

for is clearly stated in Gandhiji's simple but awesome statement "The method of passive resistance is the clearest and safest, because, if the cause is not true, it is the resisters, and they alone, who suffer." The conception of freedom that the Thoreauesque attitude entails was perhaps never so clearly stated as by Thoreau himself; from the prison he was able to reflect "if there was a wall of stone between me and my townsmen, there was a still more difficult one to climb or break through before they could get to be as free as I was". Or, as Gandhiji, in somewhat greater detail, put it —

> "An out-and-out civil resister simply ignores the authority of the State. He becomes an outlaw claiming to disregard every unmoral State law .... This he does because, and when, he finds the bodily freedom he seemingly enjoys to be an intolerable burden. He argues to himself that a State allows personal freedom only in so far as the citizen submits to its regulations. Submission to the State law is therefore the price a citizen pays for his personal liberty. Submission, therefore, to a State law wholly or largely unjust is an immoral barter for liberty."

And I have no doubt at all that Thoreau would have agreed with Gandhiji when the latter declared —

> "My work will be finished if I succeed in carrying conviction to the human family that every man or woman, however week in body, is the guardian of his or her self-respect and liberty. This defence avails, though the whole world may be against the individual resister".

These high expectations and ideals of the human consciousness acting as a free and untrammelled entity may conceivably have joined the limbo of history with other idealist aberrations had it not been for the demonstration in action of how Civil Disobedience can be every whit as powerful an instrument as the Armed Resistance. The great national movement in India since it came under the influence of Gandhiji in the second decade of this century was based on the premise that it was the duty of the individual to non-co-operate with evil. Gandhiji was only incidentally a political leader and equally incidentally a nationalist. His passionate concern, like Thoreau's passionate concern, was with the individual and with the obstacles that prevented the individual from living the life of self-respect and liberty which Thoreau's conscience or Gandhiji's inner voice wanted him to live. Tracing the obstacles to a good or righteous life in the India of his time, it became obvious to him that the root of the malady lay in the continued existence of a foreign occupation and an alien rule; and he therefore concluded that the people must bend their every nerve for the removal of what he called the Satanic Government which ruled over them. He declared "it is not so much British guns that are responsible for our subjection as our voluntary co-operation". With an almost frightening strength of individual and national will, Gandhiji saw — in his own words — that "nations like individuals, could only be made through the agony of the Cross and in no other way". The path he indicated was the path of civil disobedience and history records the effect. The magnification of Thoreau's technique a hundred thousand fold — both in time and in numbers — caused ultimately the collapse of the mightiest Empire the world has ever known. Here was a clear demonstration on an immense scale of the practicality of the ideas of Thoreau which his detractors had regarded as so impractical.

It is fitting that we should today once again turn our minds to the simple principles that Thoreau preached, to the value of the simple life that he lived and his burning and passionate concern for the individual. In this modern world, one-third of humanity has chosen forms of political and social organisation which exalt the State so high above the individual as almost to cause one to forget that the latter has any rights or that he is anything but an interchangeable spare part in the vast machinery of production. Even the theory on which these societies are based seems to deny what to Thoreau seemed axiomatic that social and political organisations have validity only in so far as they can lead to the greater growth of the individual.

Another third of humanity alleges great concern with individual freedom, with value of the spirit and with man's relationship to God. The theory of these societies is, however, in great danger of being divorced from their practice. In these societies as a result of a single-minded pursuit of the material goods of life, the individual is in danger of being forced to subordinate himself not necessarily to the State but certainly to organisations that taken collectively are much vaster and more powerful than himself. This subordination detracts from the individual's freedom and impels him with almost irresistable force to drab uniformity and conformity not only in action but perhaps also in thought. There seems to be inherent in the modern mechanism for the creation of wealth a tendency increasingly to subordinate the individual to the process; to assume that the individual is valuable not because God created him in his image but because he is particularly gifted in the performance of the repetitive motions required for the proper functioning of an assembly line. It is to be hoped that in these societies, with the satiety that wealth can produce, there will be an increasing realisation that at some stage there should be liberation, not from the power of the State, but from the power of the machine.

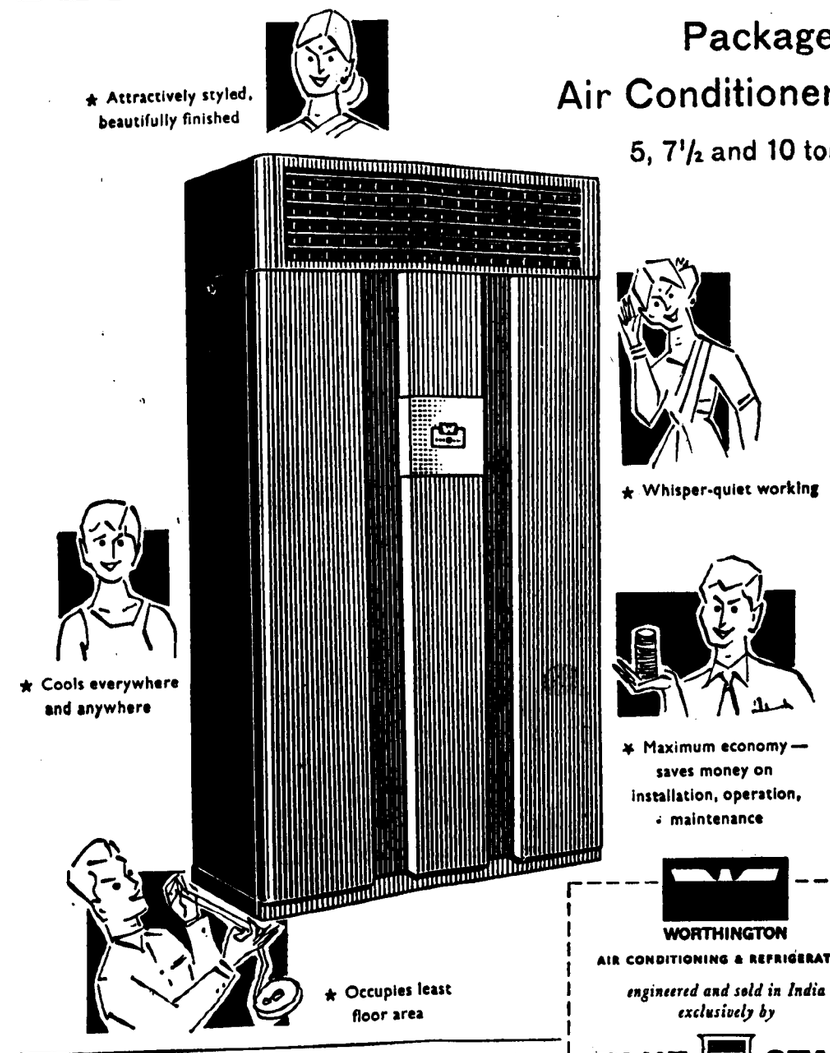
The last third of humanity has not yet made the final choice as to what kind of society it is going to have. This third, the one belonging to the newly independent and economically underdeveloped nations has many obstacles to overcome before its individuals can hope to live the good life. The prime hurdle of an alien rule has largely been removed; the main obstacle now remaining is the removal of that grinding material poverty which degrades the individual to a point where human values have no meaning. The one great objective of these countries is to remove this poverty as rapidly as they can. The experience of those who have been successful in banishing poverty from their own countries, whether they have adopted the communistic or capitalistic method, seems to show that in either event the individual may well go under. He may become an automation to be used either at the bidding of the State or at the bidding of a corporation as a small cog in an enormous machine over the destiny of which, no matter what the theory is, he has no control. In either case his system of values may well be distorted and the desire for material goods may be so developed that it tends to overshadow and to dominate the many other and at least equally valuable aspects of the human personality. The material requirements for a good life, as Thoreau was never tired of pointing out, are in reality very limited. But the experience of existing societies appears to show that once this appetite for material well-being is created, it tends to feed on itself and leads to an elaboration and complexity of material consumption which is not only unnecessary but actually destructive of the fundamental value of humanity.

The wiser among the new societies may therefore legitimately engage themselves in a search to find whether it is possible to get rid on the one hand of the curse of poverty and to avoid on the other the dangers which concentration on the pursuit of wealth creates. The message of Thoreau is, therefore, valuable to them for it serves as a constant reminder that it shall not profit man to possess the world if he loses his own soul; that there is an unrelenting conflict between the Transcendentalist and the Organisation Man and that no matter how impressive the external trappings one covers oneself with, what is invaluable is, in the last resort, the individual.

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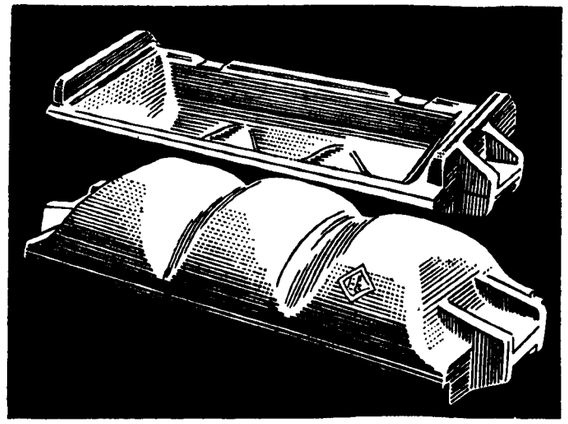
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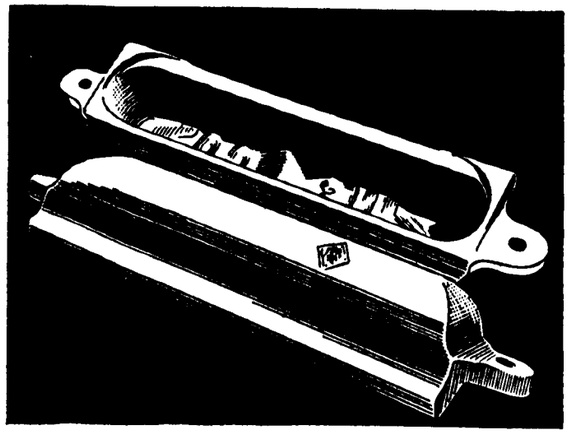
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THE BUSINESS WORLD

The Decline in Foreign Exchange Reserves

THE shadows cast by the postponement of the Aid India Club meeting without making a commitment in regard to the needs of foreign exchange of the Indian Union for the current year seem to be lengthening. On June 1, the Reserve Bank's Weekly Bulletin reported that the foreign exchange reserves of the country had dwindled to Rs. 101 crores. This naturally initiated hurried consultations between the Union Ministry of Finance, the Planning Commission and the Reserve Bank of India. If the present trend continues, some of the Plan Projects will of necessity have to be deferred. In any case a three-pronged attack is being launched on this problem. In the first place, all loopholes in regard to the allocation of foreign exchange for tours abroad are being plugged. Secondly, the Department of International Trade is planning an extensive scheme of export promotion incentives. These proposals will be presented to the Board of Trade at its first meeting on June 9. Thirdly, the Federation of Indian Chambers of Commerce has put in a fervent plea for a rational study of India's imports so as to reduce the imports of those items which can be manufactured within the country.

According to the current mood at New Delhi, fresh curbs on travels abroad are likely to emerge very soon. The difficult foreign exchange situation will make frequent visits of businessmen abroad very difficult. Hitherto the businessmen who wanted to go abroad were not compelled to seek the permission of the Reserve Bank of India. As a matter of privilege they were allowed foreign exchange equivalent to Rs. 75 for each trip and the Government never bothered to know how they financed their trips abroad. The suspicion exists that some of these businessmen had underinvoiced their exports and had built up foreign exchange reserves in foreign banks which they utilised during their stay abroad. Moreover, the purchase of foreign exchange abroad at exorbitant cost—sometimes at Rs. 22 per pound as against the normal rate of Rs. 13 per pound—tended to weaken the Indian rupee in the foreign markets. It is believed that the new regulation will make it obligatory for everyone going abroad to seek the permission of the Reserve Bank whether one needed foreign exchange for the purpose or not. It is also a foregone conclusion that in the second half of the current year substantial cuts in imports of industrial raw materials and components will ensue.

The most important element in resolving foreign exchange problem is to expand the volume of India's exports. The scheme that is being currently drawn up by the Department of International Trade in regard to export promotion incentives is welcome. It is reported that the new measures will include "special treatment to export houses with regard to taxes in early years, simplification and liberalisation of other incentives, cheaper export credit, provision of long-term and cheap credit, discounting of export bills by the Reserve Bank" and various other new measures to help the export houses in expanding their exports. The Minister of International Trade, Mr. Manubhai Shah has had recently a series of meetings with the exporters. He has fixed tentative targets for all the major items of exports so as to attain the target of exports at Rs. 700 crores this year. The manner in which Mr. Shah is tackling the problem indicates that he is likely to attain this goal unless the foreign trade trends in the international markets work against the under-developed countries. The possible short-term repercussions of U.K.'s entry into the Common Market and the recent shake-up in the Wall Street are factors which are likely to hurt the trade of the developing countries, including India.

The analysis of India's imports made by the Federation of Indian Chamber of Commerce in New Delhi merits special study because it brings out prominently the need to revise the composition of India's imports so as to stimulate domestic manufacture of items on which valuable foreign exchange is currently being expended. The Federation is of the view that the Indian Union can easily chalk out a programme to manufacture indigenously goods worth at least Rs. 500 crores (i.e. 50 per cent of our total imports).

A large variety of capital goods can certainly be manufactured within the country. For this purpose, the import policy should be biased "in favour of machine tools to make capital goods rather than to import all types of capital goods." Also there does not appear to be any justification for importing industrial combustion diesel engines as the Indian Union has the capacity and technical knowledge to produce them. The other items which can be manufactured in the country are Conveying, Hoisting, Excavating and Road-construction Equipment. This also applies to certain types of chemical elements and compounds, which can be manufactured indigenously. Raw cotton shortage has put a considerable strain in recent years. Till the country becomes self-sufficient in the supply of cotton, the Federation has recommended that the manufacture of synthetic fibres should be undertaken in order to supplement the supplies of raw cotton. Also, the existing refineries have some spare capacity which, if utilised, can assist in saving some foreign exchange. Some economy on the import of consumer goods and unclassified items is also possible.

While all attempts should be made to conserve foreign exchange and to boost India's exports, the suggestions made by the Federation in regard to reducing the bill of imports by stimulating indigenous production of certain items needs special attention. Unless the problem is tackled by making an all out effort, the Third Plan is likely to come in for a cut even before the expiry of the first two years of the Plan.

Role of Forward Markets

By

CROESUS

THANKS to three conferences — including the latest one held on June 2, 1962 — of the presidents of the recognised forward markets, there is today a better — but not, as yet, complete — understanding between the forward markets and the authorities represented by the Forward Markets Commission (F.M.C.). Much water has flowed under the bridge since 1952, when the Forward Contracts (Regulation) Act was first put on the Statute Book. It is difficult to imagine that the same trading interests which were so sharply critical of the legislation at the time could be re-orientate their attitude to such an extent as to compliment the F.M.C. on its policies and decisions even in a guarded way.

This is undoubtedly the result of the delibrations at the periodical conferences (which began in 1959) where both the associations concerned and the F.M.C. were able to discuss and understand each other's point of view on all the problems concerning the futures markets. Only recently, the President of the Bombay Oilseeds and Oils Exchange Ltd., Mr. Ramdas Kilachand, went so far as to describe the F.M.C.'s policy of removing ordinary and special margins and refraining from fixing any ceilings as a 'New Deal'. In their turn, the authorities also have not been slow to appreciate the co-operation extended to the F.M.C. by these associations. Mr. Manubhai Shah, the Union Minister for International Trade for example, complimented these associations in his inaugural address at the Third Conference of the Presidents and the Nominated Directors of Recognised Forward Markets. He stated: "The recognised associations have, on the whole, taken more kindly to the various regulatory steps that have been found necessary from time to time than could have been imagined some years ago .... The large measure of freedom granted to the recognised associations to act under the powers vested in them under the bye-laws has not, on the whole, been seriously abused". Again, according to Mr. Shah, the drastic weapon of closing out contracts was not resorted to any time during last year (1961) nor during the current year, so far, which should be a matter of satisfaction to all concerned.

It would appear, however, that the authorities are still not fully satisfied with the functioning of our forward markets, especially on the organisational side. Both the F.M.C. Chairman and the Union Minister for International Trade accordingly availed themselves of the Conference to stress the desirability, on the part of the associations, to regulate the trading activities of non-member clients, to prevent kerb trading and to do away with the great evil of option trading, which was described by Mr. Doraiswamy as "a malignant growth in the organism of forward trading." The organisational side of these associations, according to Mr. Shah, requires to be toned up. In this connection, he particularly stressed the desirability of the evalution of panel-wise elected boards. It is gratifying to note that the Conference also generally agreed that, except in the case of associations with very small membership, the panel system of representation for different interests on the board and panel-wise elections of the directors to the board would be conducive to more efficient regulation from the overall point of view of the trade and the public interest. It remains to be seen how far and how soon this decision will be implemented by the associations so as to obviate the criticism that "discussions in the board meetings are not only not free from bias, but personal interests dominate the discussions". The uninitiated may not consider any such contingency to be feasible, by reason of the presence of Government directors, but they are probably not aware that the Government directors are there just to guide the others and to see that wrong and indefensible decisions are not taken. Besides, they are only in a minority, being four in a board consisting of 15 to 20 directors. Again, it may be argued that the F.M.C. can always disapprove of a wrong decision, but, as Mr. Shah pointed out, it is far better that the directors should themselves function without any bias rather than attract the intervention of the F.M.C. May be, there have so far not been too frequent occasions for intervention by the F.M.C., but even those intenventions that eventuated could have been avoided, had the boards of the concerned associations taken "more objective and more agreed decisions". In order to facilitate this perhaps, the F.M.C. put forward at the Conference a proposal that the Articles of Association of the recognised associations might contain an enabling provision whereby, in an emergency, the board would be empowered to appoint a non-trading president. The trade, however, stuck to the view that only a member of the trade elected as the President would enjoy the confidence of the trade and also inspire confidence among the traders in an emergency.

One of the very pertinent suggestions of Mr. Shah to the Conference was that the associations should have a first-class full-time secretary and adequate staff to man their offices. Considering the enormous increase in the work of the recognised associations and the need to keep members fully posted with the day-to-day developments, as also all the relevant statistical data, not to speak of such specialised work as the issuing of pamphlets and conducting of market surveys and researches, this advice was most timely and it is to be hoped that the associations, at any rate the bigger recognised ones, would pay due heed to this advice.

It is significant that the Union Minister dwelt at quite some length on the work of the Commission and explained how it has been reorientated from the earlier phase of regulation, when reliance was mainly on the system of special margins applicable at certain margin lines of price levels, to the present practice of imposition of maximum prices and several other new methods of control, such as imposition of limits on the open position of individual members, restriction on fluctuations in prices either on a daily or a weekly basis and withholding of profits at weekly clearing for temporary periods. Apparently Mr. Shah did this in order to make the significance of the new methods better appreciated. Anyway, from the deliberation that followed at the Conference, it would appear, nearly all the new methods of control introduced by the F.M.C. were welcomed by the trade, on the ground that, while being effective, these were far less restrictive in their scope than the imposition of special margins or maximum prices. This still leaves the question of limiting the business of non-member clients unresolved. Despite the very outspoken and forth-right condemnation of this by the F.M.C. Chairman, who opined that "nothing could be farther from the purpose of establishing recognised forward markets than to afford facilities for the enormous speculative operation of such

how much energy from 750,000 tons of oil?

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how long does it take to drill a hole—minutes? hours? days?

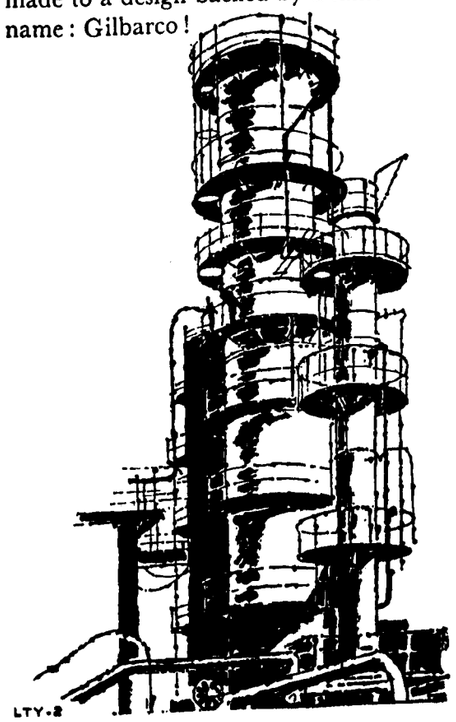


Depends. If it's drilling for oil, it could be anything! Minutes through soft soil, hours through hard rock. And the drill can go several thousand feet into the earth! Not any drill! Only those specially designed for the job—drills and bits like the ones supplied by L & T.

how much petrol to fill the tank?

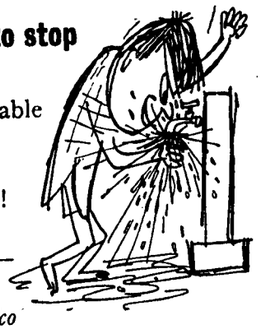


Say, 40 litres. And, imagine, all over the country thousands of such tanks are being filled. A round-the-clock job for petrol pumps—an important product of LARSEN & TOUBRO, made to a design backed by a famous name: Gilbarco!



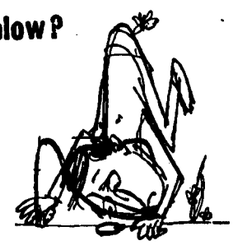
LTY-2

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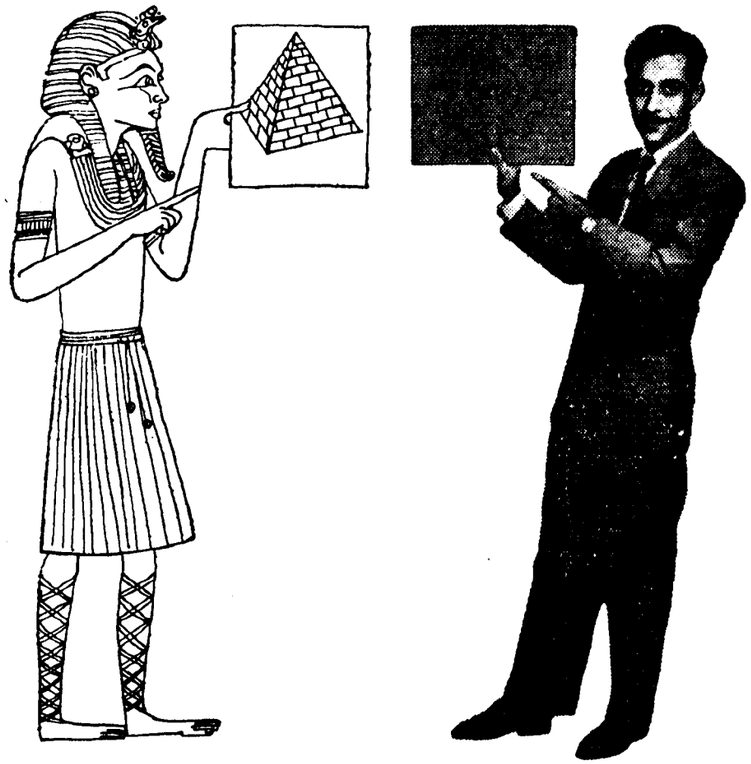
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market adventurers", there were sharp differences of opinion on the subject at the Conference. Whereas the Commission argued that, unless this was solved, the controls on open position of members would not serve their purpose, the spokesmen of the associations did not think so. Evidently they do not seem to appreciate the gravity of the problem: or have they failed to note the determination of the F.M.C. Chairman to root out this evil, as witness these words of his: "The Commission will not sit with folded hands indefinitely watching such anti-social activities?"

It would have been quite a surprise if Mr. Shah had omitted to say something about forward trading in relation to our export drive. Indeed, he spoke of the role of forward trading not only in this context, but even in the wider context of the Third Plan, and referred to the several risks that the country's economy would have to face—risks which would be insured only by the functioning of efficient futures markets. "Backed by a buffer stock system and adequate stock-piling arrangement", he went on to say, "we have also embarked on a big export drive, the success of which will, in turn, depend greatly on steady prices and larger and larger supplies, both for domestic exports industries and exports of surplus agricultural crops." And he expressed the hope that the exporters and shippers would take substantial advantage of the forward markets to increase the turnover of export sales. He considered it a happy coincidence that many commodities in which forward trading is regulated today also figured on the export list and added that it was the responsibility of regulated and disciplined markets "to shoulder and fulfil, in the interests of the nation, larger and larger exports through reasonable internal price levels and adequate and speedily available incentives."

While not necessarily disagreeing with the desederata outlined above, the impression that the participants in the Conference would appear to have carried with them seems to me to be that the F.M.C. is still not averse to wielding the big stick, albeit in extreme cases. I am convinced that the F.M.C. can bag more successes for its scheme of regulation by continuing its policy of "converting by persuasion rather than by pressure," actual or threatened. The F.M.C. must not presume that all the suggestions made by it, however wise or well-conceived, should be straightaway accepted by the recognised associations. It should give the latter time to ponder over and grasp the significance of its suggestions. After all, most of those who are in charge of these associations are quite conscious of the fact that their activities affect the welfare of large sections of the community and that, therefore, they owe certain obligations to society. Has not Mr. Shah himself admitted this in so many words, when he told the Conference that he had been informed by the F.M.C. Chairman that, by and large, the recognised associations were increasingly aware of the responsibility resting on their shoulders in ensuring stability of prices and fair trading opportunities and practices?

Business Notes

Small Savings

NEW PRIZE BONDS

ALTHOUGH INDIA'S experience with the instrument of prize bonds as a means to attract small savings has not been as happy as that of some other countries, notably the United Kingdom, the role prize bonds can play in boosting savings of the lower middle class cannot be over-emphasized. It is encouraging, therefore, that the Union Government has decided to continue issuing of these bonds under a revised scheme.

The not-so-happy experience with the current series of the prize bonds, after the first flush, may be partly due to the inroads that inflation has been making into the incomes of the lower middle classes, affecting their propensity to save, but a major contributory factor has been the lack of lure these bonds developed in about six months after the opening of their sales. The 1960-65 bonds went out of favour with the small saver due to a number of reasons, the most important of which were: (i) that the unsold bonds were also allowed to participate in the prize draws, the prize money accruing to them being kept by the Government; (ii) that with the successive prize draws, the number of such draws went on declining, thus reducing the incentive to buy more bonds; (iii) that the prize money, in the case of especially the lower denomination bonds, was not very attractive, and (iv) that the procedure adopted for payment of the prize money was cumbersome.

The new series that is proposed to be put on the market in about three months under a revised scheme, whose bare outlines were given by the Deputy Finance Minister, Mrs. Tarkeshwari Sinha, at this week's meeting of the National Savings Central Advisory Board and Chairmen of State Boards, seeks to rectify some of these defects. The prize money, for instance, is to be raised by having only annual draws, instead of quarterly draws as in the case with the present series. Besides, only those bonds are to participate in the prize draws which have actually been sold. To make the new prize bonds more attractive, a small premium is to be paid on them so that even those holders who fail to win any prize, have at least the consolation of earning something on their investments. As this premium is to be tax-free and the prize money is to come out of the interest accruing on the money invested in these bonds the premium has to be fixed at a low rate — perhaps, the rate which small savings accounts attract in the big scheduled banks of the country.

The new scheme suffers from one major drawback from which the current one also suffered. It is that instead of making the prize-winners hunt for their numbers in the prize list, arrangements should be made for giving information to them in case luck favours them. This would require registration of the names of all those who purchase bonds. That may not be feasible in the case of the lower denomination bonds because of the huge administrative work involved. But for the hundred-rupee bonds this procedure ought to be adopted. The move to discontinue in the new series issue of five-rupee bonds also does not appear to be a wise one; this would shut out a large number of marginal savers, particularly in the countryside. By and large, the new scheme should find favour with the small investor. It is a distant improvement over the 1960 scheme.

General Insurance

ALL-ROUND GAINS

EVEN AS did the year 1960, the year 1961 also proved to be a year of all-round gains for the general insurance business in India, according to Mr. A. D. Shroff, Chairman of the Indian Reinsurance Corporation Limited (I.R.C.). But for a serious fire in a textile mill in Bombay, the loss in respect of which is estimated at

around Rs. 75 lakhs, he said, the overall fire loss ratio in India for 1961 could be regarded as satisfactory. In view of the uniformly good performance noted in fire business over a period of years, thus, the Tariff Committee had actually decided to reduce the fire tariff rates according to experience on different classes of risks and in such a way as to bring about an average reduction of about 15 per cent, observed the I.R.C Chairman. In the marine section, no major loss, either on the hull or the cargo side, had been experienced. However, while the hull business maintained its usual high level of profits, the profits of cargo business remained marginal, even in the absence of any major loss.

In the miscellaneous section, the favourable result of 1960 was fully maintained in 1961. While motor workmen's compensation, engineering and personal accident business showed satisfactory results, the profit on burglary, cash-in-transit, fidelity, third party, solvency and credit business was extremely good. Aviation business also showed a very high profit, there being hardly any loss of significance during the whole year. However, according to Mr. Shroff, as a result of the introduction of the Boeing jet aircraft with its high insured values and large amount of cover for liabilities, a very large portion of aviation business had to be reinsured abroad.

Reviewing the progress of the I.R.C at the annual general meeting held recently in Bombay, Mr. Shroff said that the Corporation too had registered overall progress in 1961. And this, Mr. Shroff pointed out, was mainly due to the various steps taken by the Corporation since the past few years, namely to improve the reciprocity obtained by the I R.C., as also to develop a portfolio of non-reciprocal business of good quality. As a result of these, he went on to say, a significant increase in the I.R.C.'s premium income had been realised. There was also an improvement in the claims experience, as compared with the experience of previous years.

In 1961, the Corporation wrote a total gross premium from members and others of Rs. 5,05,88,043, as against Rs. 3,79,89,945 in the previous year. Out of the former, Rs. 1,08,73,350 (£815,502) was retroceded in fulfilment of the Corporation's statutory obligations and, after taking into account the premium otherwise retroceded, the total net premium income of the Corporation in the year 1961 at Rs. 2,58,85,719 compared with Rs 1,90,37,522 in 1960. Premium income in all the departments increased substantially during the year, the increase in the fire department being of the order of Rs. 18,10,517 and that in the miscellaneous department Rs. 19,57,496.

In the fire department, however, there was no significant increase in I.R.C 's net Indian premium income in 1961, as compared with 1960. Mr. Shroff explained that this was due to the fact that the I.R.C.'s retrocession of Indian business to companies against their compulsory cession had increased from 45 per cent in 1960 to 50 per cent in 1961.

In the marine department, there was a very substantial increase in I.R.C.'s net premium income, both in India and outside. Thus, cargo premium income in India, the rise in which was relatively steady up to 1959, increased substantially in 1960, and there was an even larger increase during the year 1961; the underwriting result of this business, however, continued to be marginal. Substantial stepping up of the retained premium on Indian hull business enabled the Corporation to take full advantage of the excellent profit yielded by the business during the year under review.

Small-scale Industries

A SIGNIFICANT CONFERENCE

SMALL-SCALE industries have lately begun to attract more and more attention. This is not only the result of the recognition that, in a predominantly agricultural country, such as ours, the process of rapid growth is best attained through the decentralisation of industries, but also of the various concessions that are offered to small-scale industries. Also, partly by reason of the commendable progress already made in the field of basic and large industries and partly because of the difficulty in securing adequate finance, especially the foreign exchange component thereof, entrepreneurs have begun to turn more and more to small-scale industries. Fortunately, in the scheme of planned development, small-scale industries have been accorded a vital place.

The importance given to small-scale industries in the Third Plan will be evident from the fact that, in the western region (Maharashtra, Gujarat and Madhya Pradesh) alone, there will be, at the end of 1965-66, as many as 17,900 units providing full-time employment for four lakhs of people and seasonal employment for 40 lakhs. Impressive as these targets appear, the question is whether and how far they are practicable. It is in this context that the experience of the first two Plans in the matter of promotion and development of small-scale industries would be found to be valuable. In the light of the experience gained during these two Plans periods, it should be possible to devise suitable measures for the effective development of small-scale industries during the Third Plan period. The Indian Merchants' Chamber, Bombay, which has always evinced a keen interest in industries generally and in small-scale industries in particular — it has even set up a Small-scale Industries Wing to assist its members by providing the necessary information — has done well, therefore, in taking the initiative in convening a conference of those engaged in small-scale industries in the western region. This is not to say that small-scale industries in the western region have peculiar problems of their own. For the problems are of an all-India nature and what the forthcoming conference — it is scheduled for June 9, 1962 — will discuss and decide should be of use to small-scale industries all over the country. It is known that there are various difficulties which prevent the steady growth of small-scale industries. There are also certain basic problems which require to be examined in detail. Considering the programme of the Conference, which will be inaugurated by Mr. Nityanand Kanungo, Minister of State for Industries, Union Government, we may expect that all these problems will receive adequate attention. It is noteworthy that, besides the inaugural session, there will also be a number of group meetings to discuss problems pertaining to raw materials, finance, marketing, publicity, and administrative and procedural difficulties. It is understood that nearly 150 organisations and about 675 delegates will participate in the conference. The outcome of the conference will naturally be eagerly awaited by small-scale industry interests in the other States. They will not only do well to follow the proceedings of this conference but also arrange similar regional conference for the industries in their respective areas.

New Issues

ZENITH LAMPS AND ELECTRICALS

THREE MORE companies shall be approaching the public in the near future for subscriptions to their share capital.

Zenith Lamps and Electricals Limited has plans to raise its subscribed and paid-up capital from Rs. 6,00,000 to Rs. 25,00,000, out of an authorised capital of Rs. 1,00,00,000, consisting of 8,00,000 equity shares, of Rs. 10 each, and 2,00,000 9.286 per cent (free of company's tax, but subject to deduction of taxes at source) redeemable cumulative preference shares, also of Rs. 10 each. The new issue will comprise 1,40,000 equity shares and 50,000 preference shares. Of this, the promoters and directors of the company and their friends and associates have agreed to take up 40,000 equity shares. The balance 1,00,000 equity shares and 50,000 preference shares are being thrown open for public subscription on June 14. The list closes on June 21 or earlier at the discretion of the directors, but not before June 18.

The company was formed in May, 1961, for the primary purpose of undertaking manufacture of fluorescent tubes with technical collaboration from Messrs. United Incandascent Lamp and Electrical Company Ltd., Budapest, Hungary (manufacturers of "Tungsram" products). It wil be setting up a factory at Madhavaram, about six miles from Madras Central Station, having a capacity to produce 12 millios fluorescent tubes per annum.

The total cost of the project is estimated at Rs. 75,00,000, which is proposed to be met as follows: share capital—Rs. 25 lakhs; deferred payment facilities from supplies and machinery for the fluorescent tube plant —Rs. 9.5 lakhs; loan from Madras Industrial Investment Corporation—Rs. 14.5 lakhs; arrangements yet to be made for procuring the glass tube drawing plant—Rs. 14 lakhs; borrowings from company's bankers and receipts from other sources—Rs. 12 lakhs.

In view of the progressive industrialisation and electrification of the country, the demand for the company's products is bound to increase. By the end of the current Plan, according to the company's estimates, it is likely to be of the order of six million tubes. In 1960 indigenous production amounted to only 1.46 million tubes. As such, the company is likely to encounter little difficulty in marketing its manufactures.

GALILEO INSTRUMENTS

THE SECOND company which is expected to enter the capital market in the near future is Galileo Instruments, formed recently to undertake the manufacture of gas and electric meters in technical and financial collaboration with the Italian firm Officine Galileo S.P.A., Florence. The authorised capital of the company is Rs. 100 lakhs, of which capital worth Rs. 40 lakhs, all in equity shares of Rs. 100 each, is proposed to be issued in the first instance. The foreign collaborators will be alloted 25 per cent of this or in any other proportion to be fixed by the Government. Of the rest, 51 per cent will be taken up by the promoters and directors of the company and their friends and associates. The residue will be offered to the public for subscription.

The company is setting up its factory at a place near Baroda to manufacture 60,000 gas meters and a similar number of house service meters. The whole of the foreign exchange component of the project is to be financed by the Italian collaborators, who will be providing a loan to the extent of the cost of the plant and machinery and the fee for technical know-how in excess of its participation in the share capital.

Mr. C. C. Desai will be the Chairman of the Board of Directors of the company.

PRESTOLITE OF INDIA

THE THIRD company to approach the public for subscriptions to its share capital shortly is Prestolite of India Limited, which has been floated by Mr. Inder Singh, Managing Director of the Tropical Commercial Company (Private) Ltd., New Delhi, in collaboration with the Electric Autolite Company of the United States.

The authorised capital of this company is Rs. 100 lakhs, divided into 7,50,000 equity shares of Rs. 10 each and 25,000 cumulative redeemable preference shares of Rs. 100 each. Capital to the extent of Rs. 40 lakhs, all in equity shares, is being issued in the first instance. Of this, 44 per cent will be allotted to the foreign collaborators in consideration for the supply of plant and equipment for the project. Of the remaining, part will be subscribed by the promoters and directors of the company and their friends and associates and part will be offered to the public.

The company proposes to manufacture automotive electrical components of the latest design for original equipment as well as for replacement under the trade mark "Prestolite". A partial list of the products to be manufactured here includes ignition coils, voltage regulators, lamps, horns, horn relays, distributors and miscellaneous electrical replacement parts. Most of these items are at present imported.

The factory of the company is to be located at Faridabad, near Delhi. The foreign collaborators will be represented on its Board of Directors.

Rayon

FALL IN WORLD OUTPUT

THE COMMONWEALTH ECONOMIC COMMITTEE has revealed that the world rayon and acetate production during the first three months of the current year declined by nearly 1 per cent from that in the last quarter of 1961. There was, however, a 9 per cent increase as compared to the figures of the first quarter of 1961. World output for 1961 was estimated at nearly 5,960 million lbs. out of which eleven major producers accounted for nearly 4,349 million lbs. or nearly 74 per cent of the total output. As far as staple fibre is concerned, there was a marked decline from 689 million lbs. during the last quarter of 1961 to nearly 662 million lbs. in the first quarter of 1962. The production of filament yarn, however, increased from 482 million lbs. to an estimated 497 million lbs.

Table I below shows the rayon acetate filament yarn output in 9 major producing countries in 1962 as against 1961 (the first quarter). The output was highest in the United States and the increase too was maximum (30 per cent) in that country. Other important producing countries, Japan, the U.K., Italy and Germany recorded minor increases.

TABLE I

PRODUCTION OF RAYON AND ACETATE FILAMENT YARN IN 9 MAJOR PRODUCING COUNTRIES

(Million lbs.)

		1st Quarter	January—December
United States	1961	148.2	641.7
	1962	188.1	
Japan	1961	77.7	311.3
	1962	78.7 b	
United Kingdom (a)	1961	67.5	264.0
	1962	67.7	
Italy	1961	45.2	185.1
	1962	48.0 b	
Germany (Fed. Rep.)	1961	42.7	166.4
	1962	44.1 b	
France	1961	33.5	124.5
	1962	34.8 b	
Netherlands	1961	19.2	75.5
	1962	19.2 b	
Spain	1961	8.6	36.0
	1962	9.4 b	
Belgium	1961	6.9	29.5
	1962	7.4 b	
Total	**1961**	**449.5**	**1,834.0**
	1962	**497.2 b**	

a = including other man-made fibres.
b = partly estimated.

As far as the output of rayon and acetate staple is concerned, Table II below, showing the output for 11 major countries, reveals that Japan is the leading most producer. In that country the output during the first quarter of 1962 declined as against the corresponding quarter of 1961. In the U.S., the second leader in production, the output increased by more than 30 per cent. West Germany, U.K., East Germany, Italy and France all recorded minor increases.

TABLE II
PRODUCTION OF RAYON AND ACETATE STAPLE IN 11 MAJOR PRODUCING COUNTRIES
(Million Lb.)

		1st Quarter	January—December
Japan	1961	161.4	670.5
	1962	153.0 b	
United State (d)	1961	90.0	400.5
	1962	123.0	
Germany (Fed. Rep.)	1961	80.4	342.4
	1962	85.2 b	
United Kingdom (a)	1961	71.6	305.6
	1962	79.0	
East Germany	1961	62.0	250.2
	1962	63.1 b	
Italy	1961	44.4	196.9
	1962	54.1 b	
France	1961	36.0	148.4
	1962	38.7	
Austria	1961	27.5 b	108.5 b
	1962	27.0 b	
Spain	1961	16.1	68.8
	1962	19.1 b	
Belgium	1961	9.9	44.7
	1962	11.9 b	
Netherlnds	1961	8.1	31.8
	1962	8.2 h	
Total	**1961**	**607.4 b**	**2,568.3 b**
	1962	**662.3 b**	

a = Including other man-made fibre.
b = Partly estimated.
c = Excluding Western Zone of Berlin.
d = Excluding acetate staple and tow.

This decline in the first quarter of 1962 as against the first quarter of 1961 cannot be taken as a certain indication that the demand for rayon products has declined in any way. This can as well be a seasonal factor because as compared to the corresponding quarter the production for nearly all the countries was positively higher with only one or two exceptions.

Civil Aviation

STEADY PROGRESS

THAT CIVIL AVIATION has been making a steady progress is evident from the report released to the Press for the second half of 1961. It may be the Air-India International or the Indian Airlines Corporation, one notices that both flew more kilometers and carried more passangers during the period under review. The Indian Airlines Corporation introduced a new service on the route Delhi-Phoolbagh-Lucknow and introduced a scheduled halt at Baroda on its Bombay-Ahmedabad service. To put it in concrete terms, during the second half of 1961, Air-India International on its scheduled services flew 6,595,164 kilometers, carrying 79,279 passengers, 2,587,452 kilograms of cargo and 543,274 kilograms of mail, as against 6,523,105 kilometers flown and 65,101 passengers, 1,766,558 kilograms of cargo and 42,275 kilograms of mail carried during the corresponding period of 1960. The figures in the first half of 1961 were 6,477,608 kilometers flown and 59,747 passengers, 2,132,606 kilograms of cargo and 430,064 kilograms of mail. During the second half of 1961, the Indian Airlines Corporation flew on its schedule services 15,809,284 kilometers, carrying 418,906 passengers, 17,282,823 kilograms of cargo and 3,399,159 kilograms of mail as against 14,977,273 kilometers flown and 372,971 passengers, 18,303,473 kilograms of cargo and 3,057,961 kilograms of mail carried during the corresponding period of 1960. Frequency of services also increased on certain routes and the operations of night airmail service improved considerably. Not only during the day but in the night airmail service also, more kilograms of cargo, mail and passengers were carried during the second half of 1961.

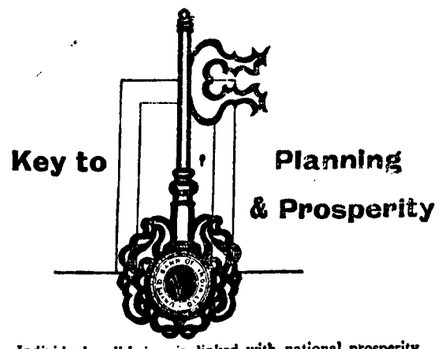
The aerodromes were maintained in a good condition by the Civil Aviation Department and during this period a new runway at Delhi airport for use by heavy inter-continental jet transport aircraft was nearly completed. The construction of a new terminal commenced at Calcutta (Dum Dum) airport and terminal building at Madurai was put into commission. Spade work on these terminals was done during the tenure of Mr. K. M. Raha, the then Director General of Civil Aviation, under whose able guidance the Civil Aviation Department made a considerable headway. The credit goes to the Administration for organising every detail correctly and for putting into execution schemes that the second quarter of the report can now take pride of. Emphasis on modernisation, improvement and reorganisation of the Aeronautical Telecommunication Services were carried through during this period and research and development were given an added fillip. Not only in the domestic field, but in the matter of international relations also, negotiations were carried successfully and a certain number of agreements were put into effect. Notable amongst the agreements may be mentioned the agreement with German airlines Lufthansa and the India-France Air Services Agreement. All said and done, it can be safely remarked that the progress made so far has been quite satisfactory and there is nothing to doubt that it will be impeded in any way as the administration is in sound hands and the officers manning the Department are likely to give new thinking to many of the problems that might arise in the near future.

WORLD BANK TO RAISE LOAN IN NETHERLANDS

A GUILDER BOND issue of the International Bank for Reconstruction and Development will be offered for public subscription in the Netherlands on June 12, 1962, by a syndicate of Dutch banks. The banks will offer f40,000,000 (approximately $11 million) of 4½ per cent 20-year bonds at a price of 99½ to the public. The Netherlands Trading Society (Nederlandsche Handel-Maatschappij, N.V.) heads the underwriting group, as it has done on previous public offerings of the World Bank on the Netherlands market.

The new issue of 4½ per cent Netherlands Guilder Bonds of 1962 will be dated July 15, 1962, and the final maturity will be July 15, 1982. It will be non-callable until July 15, 1973. Beginning on July 15, 1973, the issue will be retired at par in ten equal annual instalments of f4,000,000 each. The bonds will also be subject to redemption in whole or in part at 101½ per cent from July 15, 1973, through July 14, 1977, and thereafter at 101 per cent.

This is the fourth public offering of World Bank bonds in the Netherlands. Two issues of f40,000,000 each were offered in 1954 and 1955, and one issue of f50,000,000 was offered in 1961. Giving effect to the current offering, outstanding guilder bonds of the World Bank will amount to f153 million, equal to about $42 million. Total outstanding funded debt of the Bank on March 31, 1962, was equivalent to $2,527,949,542, of which roughly 55 per cent was held by investors outside the United States. Included in outstanding obligations were $1,902,728,000 of bonds and notes denominated in U.S. dollars and the equivalent of $625,221,542 denominated in other currencies.



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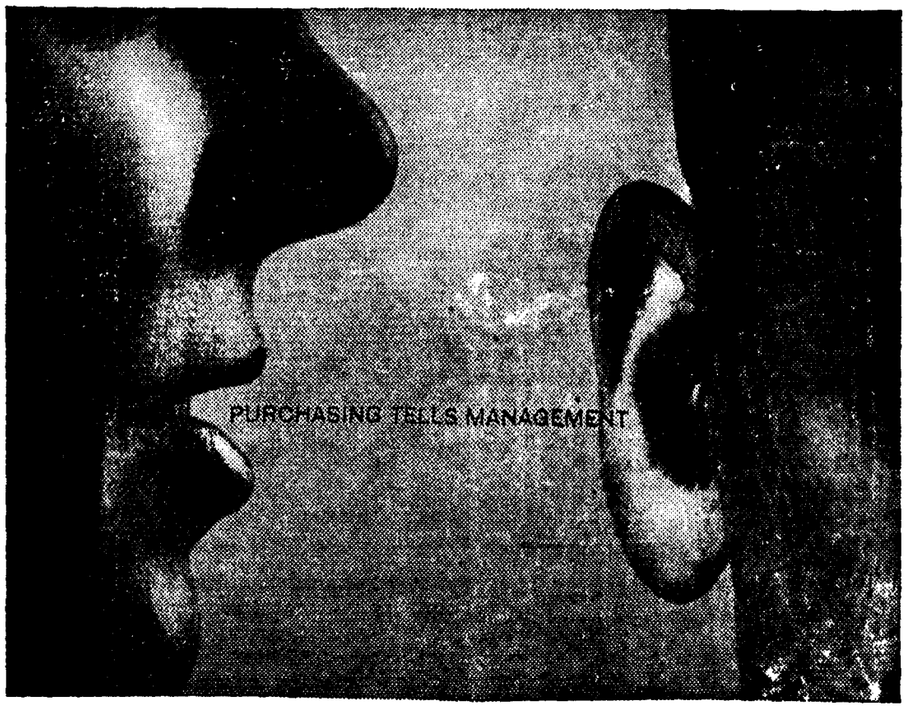
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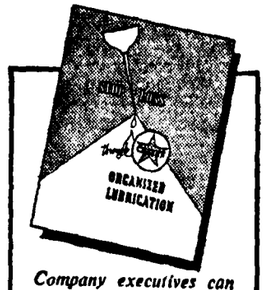
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FROM THE CAPITAL'S CORRIDORS

DEEPENING FOREIGN EXCHANGE CRISIS

THE deepening foreign exchange crisis, as a result of no specific commitments having been made, at their last week's Washington meeting, by the Aid-India Club members in regard to the quantum of assistance to be provided by them during the current year, the debate in Parliament on the demands for grants for the Ministry of Defence and Britain's talks with the E.C.M., resulting in a tentative agreement being reached on the tariff arrangements in respect of some manufactured goods to be imported into Britain after it decides to join the Common Market, have been the highlights on the economic front last week.

The Aid-India Club adjourned without making an announcement in regard to the aid to be made available by it for India's economic development during the current year. That this development could be expected had been indicated in this column earlier. But still there was some hope that some sort of assurance would be forthcoming from the Consortium members, which would help this country to go ahead with its planned programme during the second year of the current Plan.

The adjournment of the Consortium's last meeting without holding out any assurance has been received with deep disappointment in New Delhi. Its next meeting is now anxiously awaited.

Enquiries show that the phenomenal success of the earlier meetings of the Consortium was mainly due to the enthusiasm evinced by the U.S. Administration for India's development plans. For all practical purposes, the U.S.A. had become the "whip" at these meetings and cooling of its ardour lately—may be due to India's action to liberate Goa or owing to the negotiations which the Government of India is carrying on with the Soviet Union for the purchase and manufacture of MIG Supersonic Fighters—has resulted in near-disastrous results at the last week's confabulations. It is understood that the gap of $220 million in the contribution to be made by the members of the Consortium other than the United States and the World Bank or its affiliate, the International Development Corporation, to make this contribution comparable to the indicated U.S. commitment of $500 million, could be bridged only to the extent of about 25 per cent. While the United Kingdom, Canada, France and Japan are said to have expressed their willingness to raise their contributions, even though by a small degree, West Germany is said to have preferred not to make any further commitment beyond the one which it had already indicated.

The Netherlands' and Austria's joining of the Consortium and the likelihood of Italy and Belgium becoming its members in the near future have been significantly taken note of here. Austria, it is learnt, has already indicated the aid which it would be prepared to extend under the aegis of the Consortium. But the quantum of aid to be made available by the Netherlands is yet to be disclosed. Belgium has so far attended the Consortium meetings only as an observer; it is still to become a member. Italy's contribution depends on how far the credit made available by the State-owned oil company of that country, E.N.I., is taken into account while calculating the comparable assistance of the members of the Consortium other than the United States.

Meanwhile, perturbed by the rapidly dwindling foreign exchange reserves of the country, which stood at about Rs. 101 crores on June 1, the Union Ministry of Finance is having feverish consultations with the Planning Commission and the Governor of the Reserve Bank of India, on devising measures to slow down this drain. The Planning Commission has also had talks with the State Chief Ministers who were here this week for the National Integration Council's meeting, on deferring of some Plan projects.

A detailed statement on India's reaction to the Aid-India Club's last week's deliberations and the measures which are proposed to be taken to meet the current foreign exchange crisis is expected to be made by the Finance Minister, Mr. Morarji Desai, towards the end of this week. Some of the measures being talked about are: (i) cutting down of imports, especially of spare parts and components which had been liberalised recently in expectations of some easing of the foreign exchange situation; (ii) firmly curbing of superfluous foreign travel by Indian nationals; (iii) prevention of malpractices by the trade such as under-invoicing of exports; (iv) approaching the United Kingdom and the United States for some temporary credits to avoid a request during the curent year to the IMF for a loan and; (v) holding in abeyance the Plan projects the foreign exchange component of whose costs has not yet been underwritten from any source.

As a temporary expedient, the statutory limit of Rs. 200 crores worth of gold and foreign securities as backing for currency may also be relaxed, freeing some of the foreign exchange from this source for meeting urgent requirements.

The £10 million assistance made available by Britain about a fortnight ago for maintenance imports from that country and the likelihood of some aid being provided by West Germany for similar purposes might give some breathing time for the Government of India. But, in the absence of firm commitments by the Aid-India Club in respect of its assistance for the current year, some drastic measures to check the drain on foreign exchange resources appear to be in the offing.

PURCHASE OF MIG SUPERSONIC FIGHTERS

In the last week's debate on demands for grants for the Defence Ministry, massive support was provided by the Members of Parliament for Mr. Krishna Menon's proposed deal with the Soviet Union for purchase, in the first instance, of MIG Supersonic Fighters and for their manufacture ultimately in this country.

The Indian Press also, by and large, has supported this move. But a final decision on it is yet to be taken, for the proposal has neither so far been considered by the Defence Committee of the Union Cabinet nor by the full Cabinet. Among the points which will have to be deliberated upon by the Union Cabinet before it decides to go in for this deal is the repercussions it will have on the availability of assistance from the Western countries for the implementation of the Third Plan.

BRITAIN'S NEGOTIATIONS FOR ENTRY INTO THE COMMON MARKET

New Delhi has been unhappy over the trend of negotiations between Britain and the Common Market countries in regard to the tariffs to be levied on imports of manufactured goods by Britain from the Commonwealth countries in general and from the under-developed countries like India in particular, after Britain joins the E.C.M. Particular disappointment has been express-

ed at the proposal discussed in respect of tariffs to be levied on textile imports into the Common Market via Britain.

The incongruity of restricting trade between the E.C.M. countries and the under-developed countries like India and the efforts which at least four of the present six members of the Common Market, namely West Germany, France, Italy and Belgium, have been making through provision of financial assistance for the economic uplift of the developing countries is frequently being talked here. If the flow of Indian goods to the E.C.M. countries is sought to be restricted, as is evident from the current negotiations between the United Kingdom and the ECM Secretariat at Brussels, India, it is pointed out, will find it very difficult to meet her obligations to these countries, undertaken by her as a recipient of economic assistance from there and forced on her by the unfavourable balance of trade which she has with them. With this end in view, India's Special Ambassador in Europe for Economic Affairs, Mr. K. B. Lall, has submitted a memorandum to the E.C.M. authorities pleading for concessions for India's exports to the Common Market area.

MANUFACTURE OF STEEL

The Secretary to the Department of Iron and Steel in the Union Ministry of Steel and Heavy Industries, Mr. N. N. Wanchoo, disclosed at a press conference here last week that the expansion programmes of the Rourkela and Durgapur Steel Plants had fallen behind schedule by approximately one year. How far this would affect the steel production programme of the current Plan was being studied by his Department and the Planning Commission, he added.

Mr. Wanchoo stated that the Government assumed that financial and technical assistance for setting up the Bokaro Steel Plant would be forthcoming from the United States. An American Team, he added, was expected here on June 21 to make a survey of this fourth steel plant to be set up in the public sector. The conclusions of this Team are likely to be available in about 7 to 8 months' time.

The U.S. Team's survey, Mr. Wanchoo said, would only be confined to the Bokaro project. The economics of the other steel plants or a search for an alternative site for the fourth public sector steel project would be outside the scope of this survey. The U.S. Team, Mr. Wanchoo added, would conduct its survey in close co-operation with the Indian consultants of the Department of Steel, Messrs. Dastoor and Co. The actual decision on financial aid for the project would be taken after the Team has submitted its report. There is, however, no proposal to offer equity participation to the U.S. financiers in this project.

About the Rourkela Plant, Mr. Wanchoo expressed the hope that as a result of the measures agreed upon by his delegation and the West German collaborators, this Plant would start operating to its full capacity in 6 to 12 months. Among the principal measures recommended to be taken are the building up of adequate stocks of spare parts (so as to improve maintenance), effecting of some additions to the workshop equipment and transport facilities and recruitment of 40 to 50 technical personnel from abroad in addition to what the Hindustan Steel has already decided upon.

All this would cost about Rs. 6 crores, of which approximately 75 per cent will be the expenditure on building up of spare parts stocks and for payment of wages to the additional personnel to be employed. This, as such, will not add to the capital cost of the project.

Giving a few details of the Solveen Report on the working of the Rourkela Plant, Mr. Wanchoo said: "The general findings of the experts are to the effect that the maintenance of the plant has been below par and that full production could not be achieved in a number of sections because of either lack of adequately qualified technical personnel or some deterioration in the quality of raw materials used. The deficiencies in the transportation system within the plan have also been stressed. There is also recognition in the report that some part of the equipment supplied by the German firms had not performed fully to expectations."

In regard to the supply of machinery and equipment for the expansion of the Rourkela Plant, Mr. Wanchoo disclosed that Hindustan Steel was thinking in terms of having a consortium of suppliers in place of a large number of individual suppliers as was the case when the existing plant was set up. About the supply of machinery and equipment for the expansion of the Durgapur Plant, he added that continued use of the services of ISCON in some form was not ruled out. In fact, tenderers had been asked to give their quotations individually and through ISCON in order to ascertain the financial implications of working through a consortium.

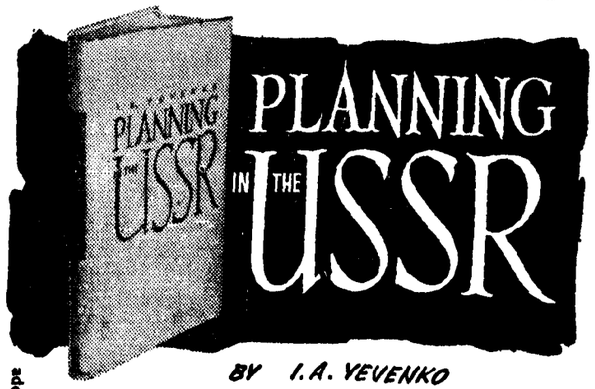
MANUFACTURE OF SYNTHETIC FIBRES

The impending shortage of raw cotton vis-a-vis the expanding home and export demand for manufactured textiles has, it seems, forced the Government to issue licences to more and more units for the manufacture of various synthetic fibres which could be woven either with raw cotton or wool or separately, to give the appearance of textiles made from cotton, wool or silk. Manjushree Industries Limited, has for instance, been licensed to manufacture rayon pulp from natural gas in Assam. This material can be woven by itself or by mixing it with cotton or rayon to give the look of woollen fabrics. The capacity of this unit would be 54,000 lbs. a year. Foreign collaboration for it is likely to be secured from a Japanese firm. Another concern, Mariwallas, is also being licensed to produce synthetic fibre from castor oil with technical assistance from a French firm. The Imperial Chemical Industries has already been licensed to manufacture Terylene. There are several other schemes too (given below) which have been approved with the same end in view. By 1966, it is estimated that this industry will be producing something like 250 million lbs. of synthetic fibres.

(In '000 lbs.)

Company	Unit to be located at	Capacity licensed
(1) Gwalior Rayons	Mysore	45,000
(2) Greater Mysore Rayons Grade Pulp and Paper Mills, Bangalore	Mysore	30,000
(3) West Coast Paper Mills Ltd., Bombay	Mysore	27,000
(4) Sundatta Foods & Fibres. Bombay	Mysore	3,000
(5) Rohtas Industries Ltd., Dalmianagar.	Assam	60,000
(6) Travancore Rayons Ltd., Rayonpuram	Kerala	3,600
(7) Cellulose Products of India, Ahmedabad	Gujarat	7,200

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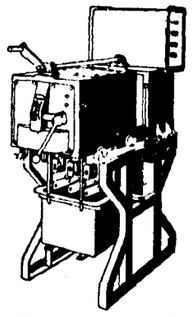
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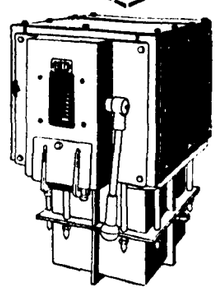
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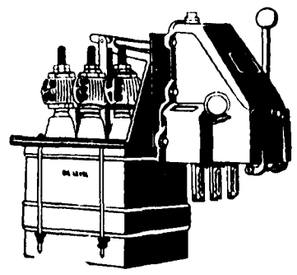
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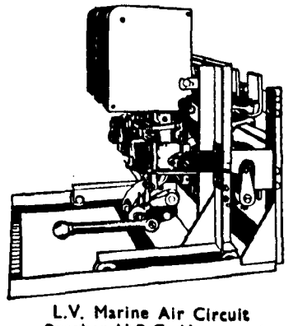
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Company	Unit to be located at	Capacity licensed
(8) Orient Trading Co., Ahmedabad	Gujarat	3,600
(9) J.K. Cotton Spg. & Wvg. Mills Co. Ltd., ...	Kanpur	3,000
(10) Purshotam Lal Jhunjhunwala, Bombay	Maharashtra	3,600
(11) National Rayons, Bombay	Mysore	30,000

VISCOSE FILAMENT

The following schemes have been cleared by the Government for the manufacture of Viscose Filament:

Unit	Existing Capacity	Capacity after scheme has been completed (m. lb.)
Indian Rayons Corporation, (Gujarat)	—	8.0
South India Viscose Ltd.(Madras)	—	8.0
Baroda Rayons (Gujarat)	—	6.0
Century Rayons (Maharashtra)	9.6	14.9
J. K. Rayons (Corporation (Kanpur)	4.0	8.0
Travancore Rayons (Kerala)	7.2	11.2

ACETATE FILAMENT

Three schemes, involving a total capacity of 15 million lbs. per annum, have been recently licensed or recommended for grant of licences for the manufacture of acetate filament. They are:

(1) **Sirsilk's** scheme to expand its existing capacity from 4 million lbs. to 8 million lbs. per annum.

(2) **Modi Spinning and Weaving Mills'** plan to set up an acetate rayon plant at Modinagar (U.P.) with a capacity to produce 8 million lbs. of acetate filament.

(3) **Modern Mills'** scheme recommended for the grant of a licence, to spin 3 million lbs. of acetate yarn from indigenous collulose acetate flakes proposed to be manufactured by a sister concern of this company. The plant is proposed to be located at Harihar, in Mysore.

After the implementation of these schemes, the total capacity to produce acetate filament in the country will go up to 19 million lbs.

CUPRAMMONIUM AND SYNTHETICS FROM NYLON SALTS

Licences have also been issued for the manufacture of Cuprammonium for the first time in the country to (i) **Modern Mills Ltd.** for setting up a new unit at Harihar, in Mysore, with an annual capacity of 5 million lbs., and to (ii) **Swadeshi Cotton Mills** for putting up a plant at Bangalore with a capacity of 8 million lbs. per annum. Out of these, the Capital Goods Committee has so far agreed to the release of foreign exchange for the scheme of Modern Mills Ltd. On the implementation of these schemes, the capacity for the manufacture of cuprammonium will be 13 million lbs.

With a view to encourage the manufacture of certain Synthetics from nylon salts, which are to be produced for the first time in the country, a number of schemes have been licensed or recommended for grant of licences. They are:

Unit	Location	Annual Capacity (Million lbs.)
(1) J. K. Investment Trust Ltd.	Rajasthan	0.48
(2) Manubhai Industries Ltd.	Maharastra	5.00
(3) Century Rayons Co,, Ltd.	Maharastra	1.60
(4) Prabhulal Bhikhabhai & Co.	Gujarat	4.00
(5) Arthur Import & Export Co.	Maharastra	2.35

Of these, the scheme of J. K. Investment, Century Rayons and Arthur Import and Export Co. will be based on imported nylon salts, while those of Nanubhai Industries and Prabhulal Bhikhabhai envisage also the production of nylon salt, namely caprolactum, from indigenous raw materials.

STAPLE FIBRE

Two new units with a total annual capacity of 9 million lbs. have been given licences for the manufacture of staple fibre. They are: (i) **South India Viscose** Ltd., to manufacture 8 million lbs. of viscose staple fibre at Mettupalayam in Madras. This scheme is already under implementation.

(ii) **Modern Mills,** to manufacture one million lbs. of acetate staple fibre from cellulose acetate flakes at Harihar, Mysore. The scheme is yet to be cleared by the Capital Goods Committee for import of plant and equipment.

On the completion of these schemes, the total capacity for the manufacture of the staple fibre will increase from 48 million lbs. to 57 million lbs.

RAISING COAL OUTPUT

The Union Government has tentatively accepted the offer of the private sector coal industry to raise another 7 million tons of coal during the Third Plan period, besides the target stipulated for it in the Plan documents. The offer, it is learnt, has been accepted in view of the World Bank loans made available for this purpose.

The Third Plan coal target as it stands today is 97 million tons, representing an increase of 37 million tons over the Second Plan target. Of the additional raisings, the private sector was originally envisaged to produce 17 million tons, while the rest of them were to be in the public sector. As a sequel to the acceptance of the private sector's offer, the Government is considering whether the Third Plan coal target should be increased from 97 million tons to 104 million tons.

The target may even be raised further if the plans of the West Bengal Government to open up new mines in its area materialise. In the past few weeks, Mr. K. D. Malaviya, the Union Minister for Mines and Fuel, has had talks with the West Bengal Chief Minister, Dr. B. C. Roy, on this issue, which emanated out of the recent controversy over licensing of new mines by the West Bengal Government for development by the National Coal Development Corporation. The West Bengal Government is understood to have a programme to raise 14 million tons of coal during the Third Plan period with a view to ensure adequate supplies of this vital fuel to the coal-based industries in this State.

Details of this proposal, understood to have been approved of in principle by the Minister for Mines and

Fuel, are being looked into by the Planning Commission, especially in respect of its financial implications; if the proposal is accepted by the Planning Commission, it would involve additional Central assistance to the State. In respect of setting up an agency to undertake this job, the proposal is to establish a new public sector enterprise in which the West Bengal Government and the National Coal Development Corporation will have interest. Technical collaboration for the job is proposed to be obtained from Poland.

The promised marginal increase in coal prices is expected to be announced by the Mines and Fuel Ministry shortly. The Ministry is also understood to be examining in details the proposal to move coal by inland transport.

ASSISTANCE FOR REMOVAL OF OVERBURDEN: COAL BOARD'S SCHEME

Meanwhile, the Coal Board has worked out principles governing the grant of assistance for removal of overburden for quarrying out coal.

A mine will be entitled to assistance if the coal won by open-cast mining is of grade I or higher quality and the recovery of such coal is not possible with reasonable economy by underground mining.

The ratio of overburden to coal is another factor that is to be taken into account before assistance is granted. It is also necessary that the output of coal from the mine is 5,000 tons or more per month from quarrying operations.

It is further necessary that for ascertaining the cost, the applicant invites open tenders and reports to the Coal Board which alone would determine what cost it should admit for the purpose of assistance.

The margin of profit on coal won by quarrying should be less than Rs. 1.75 nP. per ton and the assistance to be paid by the Board shall be limited to allow the owner etc., of a mine a profit of Rs. 1.75 nP. per ton on such quarried out coal. The margin of Rs. 1.75 nP. should be calculated not on the overall cost of the coal company or producer, but that of a particular area where open-cast mining would be taken up.

Payment shall be made for an area of the quarry for which previous approval of the Board has been obtained and on the quantity of coal actually despatched.

ROAD TRANSPORT

In pursuance of its policy that the nationalised road transport undertakings in the States should be run through Road Transport Corporations, in which the State Governments concerned, the Central Government and, if possible, the private operators, may participate, the Union Government has advised the State Governments to set up Road Transport Corporations for the management of State road transport undertakings. Such Corporations hve already been set up in Andhra Pradesh, Bihar, Gujarat, Maharashtra, Mysore, Punjab and West Bengal. The Government of Madhya Pradesh and the Tripura Administration propose to bring into existence such Corporations in the near future. The Governments of Uttar Pradesh and Rajasthan are also said to be giving due consideration to this proposition. The Madras Government will be considering the question when it takes up large-scale expansion of nationalised road transport services. The Government of Assam and Orissa, however, have stated that they do not propose to set up Road Transport Corporations in their States.

PIPELINES TO GIVE RELIEF TO RAILWAYS

In order to give relief to the railways, the Government of India has under consideration construction of a number of pipelines for the transport of petroleum products, crue oil and gas. Three of these will be products pipelines, two will be crude oil pipelines and another three gas pipelines.

The products pipelines proposed to be constructed are: (i) Calcutta-Barauni-Delhi pipeline, having an initial capacity to transport 1.5 million metric tons of white products per annum; (2) Gauhati-Siliguri pipeline, having an initial capacity to carry about 5,00,000 metric tons of white products a year; and (3) Koyali-Ahmedabad pipeline, having an initial carrying capacity of about 6,00,000 tons of oil products annually.

The two crude oil pipelines proposed to be laid are the Ankleshwar-Koyali pipeline and the Kalol-Koyali pipeline. Each will be designed to initially transport one million metric tons of crude per annum.

The three gas pipelines will be Ankleshwar-Uttran, Cambay-Dhuvaran and Kalol-Ahmedabad pipelines. They will be designed to carry initially about one million cubic metres of gas daily.

The technical, economic and other aspects of these schemes, which have a bearing on rail transport, and also the quantum of relief to be provided to the railways in consequence thereof, are being studied by the Government.

GINGERING UP ADMINISTRATION OF PUBLIC SECTOR ENTERPRISES

The Minister and the Secretary for Heavy Industries, Mr. C. Subramaniam and Mr. T. Swaminathan, last week paid their first visit to Heavy Electricals, Bhopal, to see for themselves the reasons for slow production at this public sector enterprise. As a result of their visit, a number of steps are envisaged to be taken, which should go some way in stepping up production at this unit, as also in the other public sector enterprises. The first step contemplated is to speed up imports of raw materials and spare parts of these units.

In order to deal with the growing indiscipline and inefficiency of labour in public sector enterprises, an incentive scheme is proposed to be introduced in these units linking wages with production. Instructions, it is said, are being issued to deal promptly with labour grievances, real or imaginary. Contractors employing labour are also to be asked to provide houses (with adequate amenities) to their labour force in terms of their contracts.

The Government is also not oblivious of the fact that one of the biggest bottlenecks in the way of industrial expansion in the country is the paucity of trained designers. The training arrangements at engineering colleges are proposed to be overhauled to bring them in line with similar arrangements at such institutes in the West.

In order to resolve the transport problem faced by some of the private sector heavy industrial units, the Union Ministry of Heavy Industries has suggested that big industrial units, such as the cement factories, should own and operate their own road transport.

GOVERNMENT COMPANIES

According to the information made available to the Research and Statistics Division of the Department of Company Law Administration by the Rgistrars of Com-

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panies and the Government authorities which are administratively concerned with the working of Government companies in the various States and in the Central Government, there were 154 Government companies at work in the country at the end of the financial year 1961-62. The new class of Government companies, for the first time, came to be statutorily recognised in this country under the Companies Act, 1956. Since the introduction of this distinction in the corporate economy of the country on April 1, 1956, when the present Companies Act came into force, 106 new Government companies were formed upto the end of the financial year 1961-62. Of these, after amalgamations and liquidations etc., 98 new companies were reported to be working at the end of this period. Of the total 154 Government companies at work, 20 companies belonged to the First Plan period, 79 to the Second Plan period and 19 to the first year of the Third Plan.

It is further revealed that in the total, 37 Government companies were exclusively owned and run by the Central Government, whereas 14 companies were jointly owned by the Central Government and other participants with the administrative control thereof or majority shares therein vested in the Central Government. Thus, the total number of Central Government companies at the end of 1961-62 was 51. The remaining 103 were the State Governments' undertakings.

The first five biggest Government companies working at present are the Hindustan Steel Ltd., the Neyveli Lignite Corporation of India Ltd.; the Fertilizer Corporation of India Ltd.; the National Coal Development Corporation Ltd., and Heavy Electricals (India) Ltd. The paid-up capital of each of these companies exceeds Rs. 20 crores.

APPOINTMENT OF DIRECTORS IN LIMITED COMPANIES

The Department of Company Law Administration has called for strict compliance with the provisions of the Companies Act, whereby relatives of directors cannot be appointed to offices or places of profit without a special resolution of the company. Such appointments, a press note issued by the Company Law Administration states, cannot be regularised by subsequent resolutions; the office has to be vacated from the first day of contravention, under Section 314(2), and any monetary benefit received has to be refunded.

In some private limited companies, the press note adds, relatives of directors have been appointed to offices or places of profit carrying a monthly salary of over Rs. 500 without obtaining the previous consent of the company through a special resolution. Instances have also been noticed of directors themselves being paid remuneration in terms of salaries, perquisites etc., over and above the remuneration to which they are ordinarily entitled, viz., sitting fees, without similar prior consent. Some companies have sought to regularise such cases subsequently, by passing special resolutions according retrospective consent. This, it is pointed out, is not in conformity with Section 314 of the Companies Act, which applies equally to public and private limited companies.

INDO-PAKISTAN TRADE

As a result of the trade talks held here between India and Pakistan last week, India will be importing one lakh bales of Pakistani long-staple cotton, valued at Rs. 5 crores during the current year. Supplies to the extent of Rs. 2.1 crores would be under the Rupee Payments Arrangement and the rest against convertible foreign exchange. On a similar basis, Pakistan will be importing coal from India to the tune of 15.6 lakh tons.

India's jute imports from Pakistan are to be cut down from Rs. 1 crore worth of supplies in 1961-62 to Rs. 40 lakhs worth during the current year.

According to a joint communique issued at the end of the talks, it has been agreed that the unutilised amounts of the ceilings of the last two years under the Special Payments Arrangement should be carried over into the third year of the operation of the current Indo-Pakistan Trade Agreement. In addition, the ceilings fixed under this Arrangement for the third year are: Rs. 40 lakhs for import of fruits by each country; Rs. 210 lakhs for import of cotton and Rs. 40 lakhs for import of jute cuttings by India; Rs. 180 lakhs for import of coal by Pakistan; Rs. 70 lakhs for import of iron and steel items, biri leaves, railway material, cement etc., by Pakistan; and Rs. 115 lakhs for import of miscellaneous commodities by each country.

Trade under the Rupee Payments Arrangement between the two countries during the current year (ending March, 1963) is, thus, likely to be of the order of Rs. 4.05 crores, as against Rs. 4.1 crores in 1961-62. The slight reduction in this trade is due to the removal of items like livestock from the agreement. The total trade between the two countries, which has been nearly Rs. 16 crores in 1961-62, is, however, expected to go up slightly this year.

INDO-TIBETAN TRADE

With the non-renewal of the 1954 Sino-Indian Agreement on Trade and General Relations between India and the Tibetan region of China, the Government of India is stated to have decided to close down its three trade agencies situated at Yatung, Gyantse and Gartok in Tibet. The three trade agencies maintained by China at Kalimpong, Calcutta and New Delhi are similarly to close down.

The movement of border traders between Tibet and India and of pilgrims from one country to the other is

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AB-19

The Third Five Year Plan
Bird-Heilgers' part in it...

Rs. 1900 CRORES FOREIGN EXCHANGE BILL FOR THE THIRD PLAN

The foreign exchange bill for the Third Plan is the highest ever—more than Rs. 1900 crores. Clearly, the economy's pressing need is to find means of earning and saving more foreign currency. To bring this about, the Third Plan is implementing a clear-cut policy: stepping-up exports, cutting down imports. To stimulate exports, controls on most products have been relaxed, export duties abolished or reduced, promotion councils set up and trade agreements concluded with 25 countries.

Export—a priority with Bird-Heilgers

Among export commodities, jute is high on the list of the Plan's priorities—and tops the list of Bird-Heilgers exporting activities. Between 1957 and 1961 the group's exports of jute earned well over Rs. 94 crores—a significant addition to India's foreign exchange earnings. During the Third Plan, the group hopes to better this effort by intensifying and widening the scope of its export drive.

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likely to be adversely affected as a result of the expiry of this agreement. A detailed announcement regarding certain arrangements which the Government of India intends to make in this respect is expected to be made shortly.

IMPORT OF GAS TURBINE GENERATING UNITS

The following seven applications for the grant of import licences for gas turbine generating units are under examination of the Union Government:

Particulars of the Import Proposal	Name of the State Electricity Board/Government
(1) One 9,000 kw Hydel Set	Assam State Electricity Board (Umiam Project)
(2) Twelve units 150 KVA each	Mysore State Electricity Board.
(3) One 700 KVA set	Punjab State Electricity Board.
(4) Two units 150 KVA each	Jammu and Kashmir Government.
(5) Two units 688 kw. each	
(6) Two unit 360 kw. each	Arsam State Electricity Board.
(7) Six units 250 kw each	Rajasthan State Electricity. Board.

Yen Credit is assued in respect of the 9,000 kw. Hydel set applied for by the Assam, State Electricity Board for the Umiam Project.

TENDERS FOR SINTERING PLANT AT ROURKELA

The following firms have submitted tenders for the sintering plant at Rourkela:

1. Messrs. Simon Carves Limited, London.
2. Messrs. Koppers Export, GMBH, Germany.
3. Messrs. Head Wrightson Iron and Steel Works, England.
4. Messrs. Lurgi-Krupp, West Germany.
5. Messrs. G.H.H., West Germany.
6. Messrs. McDowell Company Inc., U.S.A.
7. Messrs. Gammon India Private Limited India.

The total value of the contract is Rs. 37.67 million, excluding the cost of spares.

TWO MORE MINISTERS AT THE CENTRE

Two more ministers have been appointed at the Centre. One of them, Mr. T. T. Krishnamachari, will be of Cabinet rank, and the other, Mr. Prakash Chandra Sethi, of the status of a Deputy Minister. No portfolio has been assigned to Mr. T. T. Krishnamachari. His main task for the present will be co-ordination of the Union Government economic activities. Mr. Sethi will be attached to the Ministry of Steel and Heavy Industries

IMPORT OF LUXURY TOURIST CARS

Air India is negotiating a barter agreement with the Chrysler Corporation, a U.S. firm, for the import of luxury tourist cars.

The Corporation will utilise the Trans-Atlantic flights of Air India. In exchange, Air India will receive luxury cars which will be allotted to travel agents and others by the Department of Tourism.

IN BRIEF....

As many as 18,025 box wagons—1,468 for meeting the coal requirements of the steel plants and 16,557 for carrying the coal traffic of other consumers—are required by the end of the Third Plan period. The present production is about 450 wagons per month.

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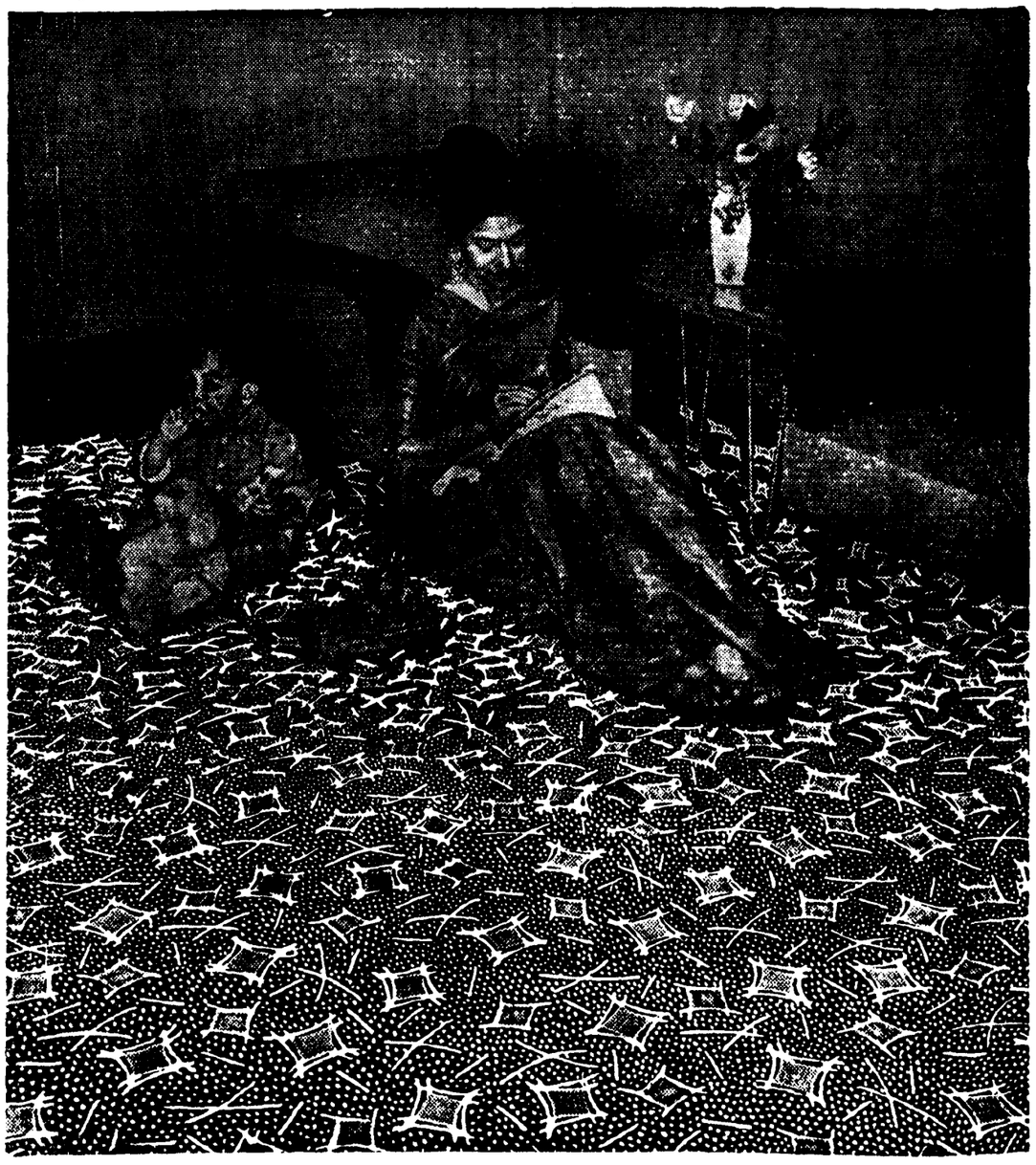
The West Coast Road which will pass through the States of Maharashtra, Mysore and Kerala, is likely to be completed by the end of the Third Plan, it is learnt. When developed, it will provide all-weather road communication from Panvel in Maharashtra to Chaeliseri in Kerala. The total length of the road will be 723 miles.

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One month's general extension has been given for the submission of returns of their incomes by assesses of income-tax.



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COMPANY AFFAIRS

INDO-BURMAH PETROLEUM

The directors of Indo-Burmah Petroleum Company Ltd. in their annual report for the year December 31, 1961 have complained that in spite of increased sales in all branch territories there has been a lower margin of profits and this they thought was likely to continue in the near future. During the year their sale proceeds for instance were to the tune of Rs. 1.89 crores, a figure considerably higher than the last year's Rs. 1.77 crores. The balance in the form of profit before taxation however was Rs. 63.36 lakhs which was considerably below the previous year's figure of over Rs. 1 crore. The directors have recommended the allocation of Rs. 31.32 lakhs towards taxation, one lakh towards provision of terminal gratuities to staff and Rs. 2 lakhs towards general reserves. The directors recommended the payment of Re. 1 per share as interim dividend on ordinary shares which absorbed Rs. 10 lakhs. Now they have recommended the payment of final dividend at the rate of Rs. 1.50 per share subject to tax which will absorb Rs. 15 lakhs. A sum of Rs. 5.0 lakhs is carried forward.

CALTEX

The directors' report of Caltex Oil Refining (India) Ltd. for the year 1961 shows that the company was able to process 7.4 million barrels of crude oil as against 6.5 million barrels a year before which naturally resulted in higher incomes. This Company also seems to have reduced its profit margin. The directors have communicated that during the later half of year 1961 the Government of India placed restrictions on the importation of crude oil which did not allow the Company to operate to their maximum capacity. On account of their restrictions the Company will now have to reduce the amount of crude processed by at least 12 per cent. The directors add, however, that they are trying to persuade the Government to relax this restriction.

The refinery operations for the year under review resulted in a profit of Rs. 1.11 crores. The directors recommended the net profit for the year to be carried forward and, therefore, declared no dividends. This was considered essential because the Company expects to expand its activity and the profit amount has been reinvested.

The directors also mentioned that their application to the Controller of Capital Issues for the assurance of preference share capital in the amount of Rs. 150 lakhs was still pending. They have also applied to the Ministry of Commerce and Industry for licences to manufacture LPG and Naphtha. This is the fifth year of their operation and fourth year of full production and the refinery, it seems, has made considerable progress.

ANDHRA CEMENT

The production during the year 1961 of cement in the Andhra Cement Company Ltd. suffered due to various factors and the main bottleneck being the continuing short supplies of coal. The supplies received by sea-cum-rail route as in the case of the factories in South was not extended to this unit. Arrangements by rail routes were not very certain. The working results were also affected due to rising cost of raw materials and the directors have communicated that in spite of the recommendations of the Tariff Commission to give the revised price with retrospective effect the Government of India did not accept it and the revised price was made applicable from November 1, 1961. The directors hoped that the Government would provide adequate facilities for supply of required quantities of coal for achieving production to full capacity.

The Company's operation during the year resulted in a net profit of Rs. 10.82 lakhs after making provision for taxation and for development rebate reserve. The directors proposed the payment of dividend at the rate of 10 per cent on ordinary shares subject to tax which will absorb Rs. 7.10 lakhs.

HINDUSTAN LEVER

The Hindustan Lever Limited, the directors report, has completed the posting of bonus shares in pursuance of the resolution passed at the Annual General Meeting held recently. The Company decided to issue 12 bonus shares for every 25 ordinary shares held by their shareholders, by the capitalisation of certain reserves. It was proposed that the new ordinary shares be allotted to the holders of existing shares registered in the books of the Company as at the close of business on 10th May, 1962.

The entire lot of about 17,350 certificates was posted to approximately 14,000 shareholders all over the country by May 29, thus completing the operation in five days.

CAPITAL ISSUES

Recently the following new issues have been sanctioned by the Controller of Capital Issues.

Orissa Mining Corporation Ltd., Bhubaneswar, a State-owned enterprise has been granted consent to the issue of 6½ per cent debentures of the value of Rs. 1.00 crore to be issued for cash at par privately. The proceeds will be utilised for exploitation of the mineral resources in the State. The present paid up capital of Rs. 50 lakhs is in equity shares.

Hindustan Photo Films Mfg. Co. Ltd., Madras, wholly owned by the Central Government, engaged in the manufacture of raw films for cinema industry, X-ray and roll films, is to issue further equity capital of Rs. 20 lakhs to be subscribed by the Central Government for cash at par. The Company's paid-up capital is Rs. 60 lakhs.

The Central India Spg. Wvg. & Mfg. Co. Ltd., Bombay, having a paid up capital of Rs. 96,87,500 is issuing further capital of Rs. 46,87,500 divided into 46,875 equity shares of Rs. 100 each as 'right' in the ratio of 1 : 1 to their existing shareholders, for cash at par. The money will be used partly for financing renovation and rehabilitation of the mill and partly for repaying temporary loans.

Tata Robins-Fraser Limited, Bihar, is issuing Rs. 60 lakhs equity capital in shares of Rs. 100 each to be issued for cash at par. Out of this 49 per cent will be subscribed by Hewitt-Robins Inc., U.S.A., and Fraser and Chalmere Engineering Works of the G.E.C. of England, and the remaining 51 per cent will be subscribed by Tata Iron & Steel Co. Ltd., and A.C.C. Ltd.

Sikands Limited, Delhi, a public company to be established for the manufacture of high tensile fasteners for Automobiles, Jeeps, Tractors, etc., has been given consent to issue capital of Rs. 30 lakhs divided into equity shares of Rs. 100 each, for cash at par.

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INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961

Name of Industry	1960 No. of Units	1960 Actual Production	1961 No. of Units	1961 Actual Production
Insecticides, Fine Chemicals and Plastic Chemicals				
Insecticides, Pesticides, etc. —				
B. H. C. (Tonnes)	2	3,891	2	4,631
Copper Oxychloride (Tonnes)	4	595	4	812
Disinfectants (Tonnes)	Includes in pesticidal liquid formulations		6	1,879
D.D.T. (Tech.) (Tonnes)	2	2,838	2	2,824
Ethylene Dibromide (Tonnes)	1	11	1	46
Organo Mercurials (Tonnes)	1	3.3	1	16.3
Pesticidal Formulation				
(i) Liquid (Kilo Litres)	30	1,928	30	1,694
(ii) Solid (Tonnes)		22,681		23,295
Pyrethrum Extract (Kilo Litres)	2	..	2	484
Toxaphene (Tonnes)	..	..	1	10.6
Zinc and Phosphide (Tonnes)	1	104	1	140
Synthetic, Essential Oils, Aromatii Chemical etc. —				
Aromatic Chemicals:				
(i) Alfa Amyl Cinnamic Aldehyde (Kgs.)	2	5,006	2	6,581
(ii) Amyl Acetate (Kgs.)	2	2,542	2	3,312
(iii) Amyl Benzoate (Kgs.)	2	50	2	110
(iv) Amyl Salicylate (Kgs.)	2	3,258	2	8,795
(v) Citral (Kgs.)	2	270	2	569
(vi) Citronellol (Kgs.)	2	5,142	2	7,587
(vii) Citronellul Acetate (Kgs.)	2	620	2	824
(viii) Eucalyptol (Kgs.)	2	3,642	2	2,700
(ix) Ethyl Phenyl Acetate (Kgs.)	2	72	2	252
(x) Eugenol (Kgs.)	1	107	1	61
(xi) Geranyl Acetate (Kgs.)	2	2,783	2	2,260
(xii) Geraniol Ex-Palmrosa (Kgs.)	2	450	2	738
(xiii) Geraniol Pure (Kgs.)	2	21,210	2	18,622
(xiv) Hydroxy Citronellol (Kgs.)	2	5,544	2	4,488
(xv) Ionone (Kgs.)	2	6,624	2	7,117
(xvi) Ionone Alpha (Kgs.)	2	174	2	663
(xvii) Ionone Beta (Kgs.)	3	12,940	3	16,223
(xviii) Isobutyl Acetate (Kgs.)	2	802	2	1,413
(xix) Isopulegol (Kgs.)	1	948	2	263
(xx) Linalool Pure (Kgs.)	2	1,271	2	2,480
(xxi) Methyl Ionone (Kgs.)	2	1,154	2	3,998
(xxii) Methyl Phenyl Acetate (Kgs.)	1	72	1	379
(xxiii) Phenyl Ethyl Methyl Ether (Kgs.)	2	591	2	335
(xxiv) Rhodinol (Kgs.)	1	53	1	295
(xxv) Yara Yara (Kgs.)	1	1,335	2	5,725
Flavouring Essences				
(i) Alcoholic (Kgs.)	2	..	2	13,977
(ii) Non-alcoholic (Kgs.)	12	270,767	12	317,494
Perfumer Compounds Synthetic Essential Oil (Kgs.)	12	78,015	12	117,335
Pine Oil (Kgs.)	1	60,000	1	25,934
Rosin (Tonnes)	3	12,211	3	12,157*
Sandalwood Oil (Kgs.)	6	143.677	6	119,294
Turpentine (Litres)	3	2,793,797	3	278,169*

* Estimated.

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 — Contd.

Name of Industry	1960 No. of Units	1960 Actual Production	1961 No. of Units	1961 Actual Production
Plastics				
Leather Cloth (Thousand Metres)	6	5,846	6	7,010
Linoleum (Thousand Metres)	1	567	1	721
Moulding Powders				
(i) Phenol Formaldehyde (Tonnes)	4	2,134	4	2,115
(ii) Polythygene (Tonnes)	1	4,213	2	5,800
(iii) Polystyrene (Tonnes)	1	3,676	1	3,484
(iv) Urea Formaldehyde (Tonnes)	4	366	4	433
Phenolic Laminates (Tonnes)	1	624	2	694
Plastic Moulded Goods (Million Gross)	50	7.11	49	6.24
Polythene Film and Layflat Tubings (Tonnes)	7	1,438	7	1,975
Polyvinyl Chloride (Tonnes)		Nil	1	917
P.V.C. Sheets (unsupported) (Tonnes)	2	1,105	2	1,354
Synthetic Resins for Plywood (Tonnes)	2	372	2	1,354
Drugs and Pharmaceuticals				
Anaesthetics—				
(i) Ether Anaesthetic (Kgs.)	3	82,288	3	141,784
(ii) Ethyl Chloride (Kgs.)	1	39,229	1	40,524
Antibiotics—				
(i) Chloramphenicol (Kgs.)	1	3,819	1	3,732
(ii) Cholorotetracycline (Kgs.)	1	2,220	1	2,110
(iii) Penicillin (M.M.U.)	2	39.70	2	50.18
(iv) Tetracycline and Oxytetracycline (Kgs.)	1	..	2	1,944
Anti-Diabetic Drugs —				
Tolbutamide and Carbutamide (Kgs.)	1	349	1	248
Anti-Dysentery Drugs —				
(i) Carborsone (Kgs.)	1	11.7	1	nil
(ii) Di-iodo and Iodo-Choloro-hydrox quiline (Kgs.)	14	21,619	14	36,034
Antileprotic and Anti-T.B. Drugs —				
(i) D.D.S. and Derivatives (Kgs.)	3	7,413	4	12,446
(ii) I. N. H. (Kgs.)	6	29,047	8	40,280
(iii) P.A.S. and Salts (Kgs.)	3	83,988	4	103,276
Anti-Pyretics —				
(i) Aspirin (Kgs.)	1	76,312	1	127,503
(ii) Phenacetin (Kgs.)	2	16,558	2	16,086
(iii) Sodium Salicylate (Kgs.)	4	319,456	4	202,357
Hormones —				
(i) Corticosteroid Harmones (Kgs.)	2	123	2	217
(ii) Testosterone and other Hormones (Kgs.)	2	40	2	60
Liver Extracts —				
(i) Injections (Mill CCS)	17	41	16	45
(ii) Orals (Thousand Kgs.)	17	161	17	155
Alkaloids and Allied Drugs (Drugs of Vegetable Origin)				
(i) Caffine and its Salts (Kgs.)	6	12,666	7	12,324
(ii) Emetine HCL (Kgs.)	1	188	2	209
(iii) Ephedrine and Salts (Kgs.)	2	23	2	466
(iv) Opium Alkaloids (Kgs.)	1	3,564	1	4,045
(v) Quinine (Kgs.)	3	99,291	3	29,439

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 — Contd.

Name of Industry	1960 No. of Units	1960 Actual Production	1961 No. of Units	1961 Actual Production
(vi) Reserpine (Gms.)	1	9,026	1	4,673
(vii) Strychnine and Brucine (Kgs.)	2	14,324	2	7,058
Sulpha Drugs —				
(i) Sulphadazine (Kgs.)	2	14,008	2	33,736
(ii) Sulphapyridine (Kgs.)	1	13,134	1	14,562
(iii) Sulphasomidine (Kgs.)	2	27,816	2	36,063
(iv) Sulphathiazole (Kgs.)	2	75,236	2	78,188
Vitamins —				
(i) Nicotinic Acid and Amide (Kgs.)	2	213	3	7,247
(ii) Vitamin 'A' (M.M.U.)	2	14.5	2	13.5
(iii) Vitamin B12 (Gms.)	1	5,220	1	8,138
Other Drugs —				
(i) Bismuth Salts (Kgs.)	3	43,288	3	57,892
(ii) Calcium, Gluconate (Kgs.)	5	61,415	6	79,724
(iii) Chloral Hydrate (Kgs.)	1	34,884	1	39,502
(iv) Calcium Lactate (Kgs.)	2	70,621	2	94,229
(v) Ether B.P. (Kgs.)	2	239,874	2	375,071
(vi) Ferrous Gluconate (Kgs.)	4	18,141.6	4	10,844
(vii) Galenicals (Million Galls.)	47	3.07	47	1.32
(viii) Nikethamide (Kgs.)	3	3,108	4	5,897
(ix) Saccharine (Kgs.)	3	70,511	3	121,047
Dyes and Explosives				
Dyestuffs				
Azo Dyes (Tonnes)	3	1,189	3	1,243
Basic Dyes (Tonnes)	2	50	2	89
Fast Colour Bases (Tonnes)	2	453	3	391
Fast Colour Salts (Tonnes)	1	39	1	46
Napthols (Tonnes)	3	860	3	993
Optical Bleaching Agents (Tonnes)	4	165	4	177
Organic Pigments (Tonnes)	3	199	4	218
Solublised Vats (Tonnes)	3	105	3	75
Stabilised Azoics (Tonnes)	3	177	3	177
Sulphur Black (Tonnes)	2	1,491	2	1,235
Vat Dyes (Tonnes)	2	475	2	510
Coke-oven By-psoducts and Coaltar Distillation Product:				
Benzene (Thousand litres)	4	5,363	5	8,151
Greosote Oil (Thousand litres)	6	6,861	4	9,600
Crude Coal Tar (Thousand tonnes)	13	223	13	245
Motor Benzol (Thousand litres)	4	10,606	4	1,871
Naphthalene Refined (Tonnes)	4	599	4	719
Pitch (Tonnes)	4	5,000	4	19,160
Road Tar (Tonnes)	4	22,000	4	17,642
Solvent Naphtha (Thousand litres)	5	475	5	500
Toluene (Thousand litres)	4	1,106	4	796
Industrial Explosives				
Industrial Explosives (Tonnes)	1	6,385	1	9,044
Safety Fuses (Million coils each of 24' length)	2	3.26	2	9.43

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 — Contd.

Name of Industry	1960 No. of Units	1960 Actual Production	1961 No. of Units	1961 Actual Production
Mineral Industries				
A. C. Sheets (Thousand tonnes)	6	211	6	213
Cement (Million tonnes)	33	7.8	34	8.2
Ceramics —				
(i) Glazed Tiles (Thousand Dozs.)	5	828	5	1,032
(ii) Insulators				
(a) H.T. (Tonnes)	7	2,334	8	3,314
(b) L.T. (Tonnes)	13	3,916	13	5,084
(iii) Sanitarywares (Tonnes)	18	6,149	18	6,623
(iv) Stoneware Pipes (Tonnes)	19	55,145	21	63,788
(v) Stoneware (other kinds) (Tonnes)	24	7,889	24	6,360
(vi) Whitewares (Tonnes)	42	21,578	42	20,337
Enamelware (Million pcs.)	22	14.15	22	23.48
Glassware (Th. tonnes)	98	221,739	98	226,084
Paper Industry				
Liquid Gold (Th. Ozs.)	5	172	5	203
Pencils (Th. gross)	15	1,069	15	1,155
Refractories (Th. tonnes)	43	549	47	605
Synthetic Stones (Tonnes)	1	12	1	5.5
Paper and Paper Boards (Tonnes)	26	345,225	28	363,918
(i) Kraft and Wrapping		64,912		59,861
(ii) Printing and Writing Paper		215,076		229,543
(iii) Misc. Paper		8,588		9,020
(iv) Paper Boards		56,649		65,494
Newsprint (Tonnes)	1	22,598	1	25,689
Carbon Paper				
(i) Carbon Paper (Th. Boxes of 100 sheets each)	6	2,774	6	3,148
(ii) Duplicating Stencils (Reams)	3	46,410	3	53,732
(iii) Typewriter Ribbons (Th. Dozens.)	6	139	6	157
Timber and Cellulose Industries				
Rayon				
Rayon Yarn —				
(i) Acetate (Tonnes)	1	1,924.5	1	20,30
(ii) Viscose (Tonnes)	5	19,216.3	6	21,478
Cellohane (Tonnes)	1	1,928	2	2,994
Staple Fibre (Tonnes)	1	21,780	2	25,997
Timber				
Battery Separator, Wooden (Million nos.)	3	10.2	3	5.4
Bagasse and Wood Based Insulation Board (Mil. Sq. ft.)	Nil		1	1.43
Shipboard (Particle board) (Mil. sq. ft.)	1	0.79	1	0.74

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 — Contd.

Name of Industry	1960 No. of Units	1960 Actual Production	1961 No. of Units	1961 Actual Production
Cork Products —				
(i) Discs (Million gross)	1	6.2	1	4.1
(ii) Sheets (Mil. sq. ft.)	2	6.1	2	5.5
(iii) Stoppers (Million gross)	2	1.6	2	2.2
Hardboard (Mil. sq. ft.)	2	7.6	2	24.1
Jax Board (Reed Board) (Mil. sq. ft.)	1	0.51	1	0.31
Jute Based Industries Board (Mil. sq. ft.)	1	0.92	1	0.61
Plywood				
(i) Commercial (Mil. sq. ft.)	71	62.4	71	76.2
(ii) Teachest (Mil. sq. ft.)		98.2		101.6
Matches (Cases of 5 gross baxes of 60 sticks)	64	672,214	66	650,475
Leather Manufactures				
Glue (Tonnes)	9	1,853	9	1,854
Leather Footwear				
(i) Indigenous type of leather footwear by Organised units (Million pairs)	12	3.78	12	4.41
(ii) Western type of leather footwear by organised units (Million pairs)	12	5.42	12	6.22
Myrobalan Extracts (Tonnes)	4	1,501	3	1,810
Pickers (Gross)	5	10,044	5	9,925
Tanned Hides:				
(i) Chrome Tanning by Hides by organised units (Thousand hides)	12	794	12	786
(ii) Vegetable Tanning of Hides by organised units (expressed in terms of cow hides. One Buff Hide — Two Cow Hides) (Million cow hides)	32	2.69	32	2.70
Rubber Manufactures				
Belts: —				
(i) Fan Belts (Thousand Nos.)	7	1,087	7	1,076
(ii) Vee Belts (Industrial) (Thousand Nos.)	5	952	5	1,014
Camel Back (Tonnes)	10	5,058	10	5,928
Dipped Rubber Goods (Million Doz.)	13	32.4	13	25.6
Ebonite (Tonnes)	14	132	14	167
Hoses:—				
(i) Radiator Hoses (Thousand Nos.)	9	249	9	250
(ii) Vacuum Brake Hoses (Thousand Nos.)	4	346	4	725
(iii) Other Types of Hoses (Million meters)	14	73.6	16	4.6
Latex Foam Sponge (Tonnes)	7	1,261	7	1,517
Rubber Components of Railway Fittings (Springs) (Thousand Nos.)	4	638	4	1,077
Rubber Footwear (Million Pairs)	19	44.6	19	45.1

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961 — Contd.

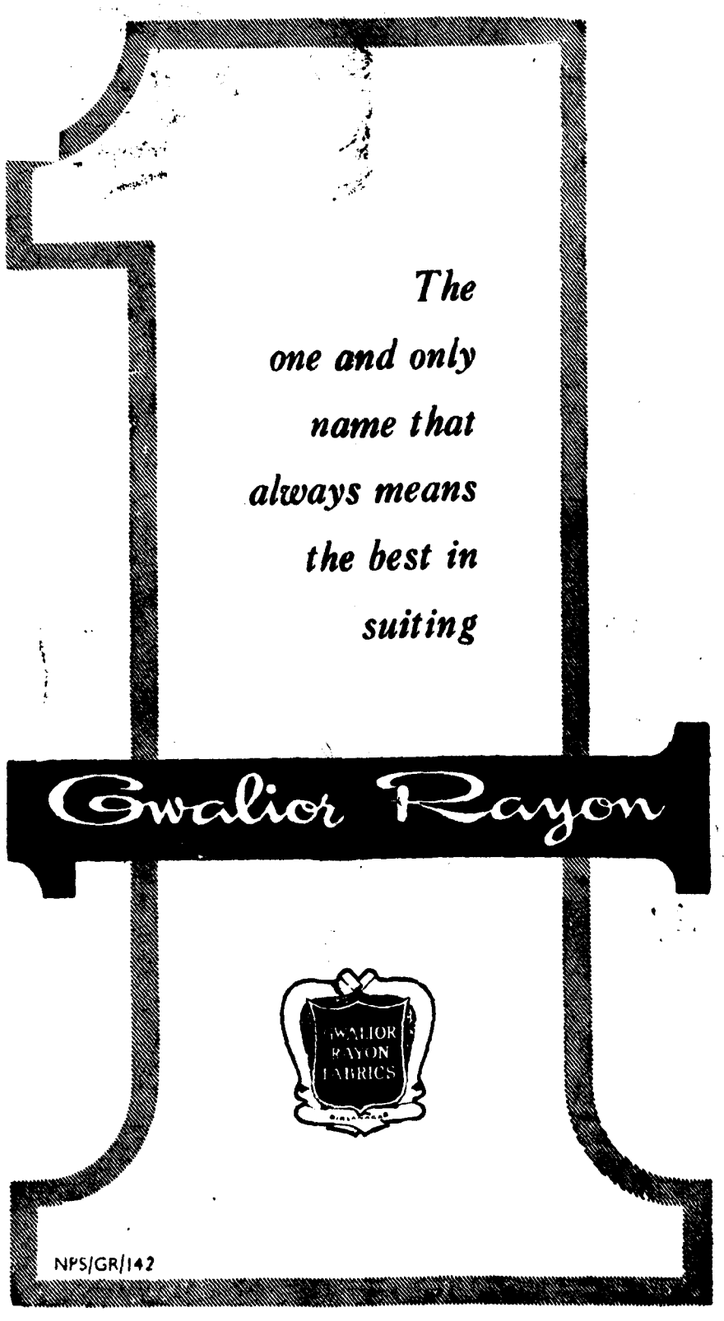
Name of Industry	1960		1961	
	No of Units	Actual Production	No. of Units	Actual Production
Tubes				
(i) Automobiles:				
(a) Giant (Thousand Nos.)	2	817	3	870
(b) Motor (Thousand Nos.)	2	360	3	477
(c) Motor Cycle (Thousand Nos.)	2	104	2	136
(ii) ADV (Thousand Nos.)	2	65	2	77
(iii) Aero (Nos.)	1	1,074	1	2,143
(iv) Bicycle (Million Nos.)	8	12.7	11	12.8
(v) Off-the-road (Nos.)	2	3,266	2	4,696
(vi) Tractor (Thousand Nos.)	2	51	2	54
Tyres :				
(i) Automobiles :				
(a) Giant (Thousand Nos.)	3	920	4	979
(b) Motor (Thousand Nos.)	2	343	3	473
(c) Motorcycle (Thousand Nos.)	2	98	2	110
(ii) A.D.V. (Thousand Nos.)	2	49	2	72
(iii) Aero (Nos.)	1	2,665	1	2,651
(iv) Bicycle (Million Nos.)	9	10.8	10	11.3
(v) Cab (Thousand metres)	3	61	3	39
(vi) Off-the-read (Nos.)	2	3,432	2	6,174
(vii) Tractor (Thousand Nos.)	2	49	2	48
Waterproof Fabrics (Million metres)	13	3.7	13	4.7
Oils, Soaps, Food and Paints				
Oils :				
Oil Milling (Tonnes)	350	327,250	350	340,500*
Cottonseed Oil (Tonnes)	12	13,180	12	18,440*
Solvent Extracted Oil (Tonnes)	32	27,150	36	39,400*
Soaps, Cosmetics & Allied Chemicals :				
Cosmetics and toilet preparations				
(i) Face Cream and Snow (Tonnes)	11	754	16	707
(ii) Face Powder (Tonnes)	12	407	12	233
(iii) Toilet Powder (Tonnes)	12	2,602	16	2,506
(iv) Tooth Paste (Tonnes)	10	1,792	10	1,811
(v) Tooth Powder (Tonnes)	6	257	1	..
Glycerine (Refined) (Tonnes)	9	5,765	12	6,142
Metallic Stearates (Tonnes)	3	109.5	5	138
Oleic Acid (Tonnes)	4	302	4	351
Soap (Organised sector only) (Tonnes)	90	142,800	80	149,000
Stearic Acid (Tonnes)	5	2,210	5	2,763
Synthetic Detergents (Tonnes)	2	1,654	2	2,387
Tertile Auxiliaries (Tonnes)	7	5,155	10	7,430

* Estimated.

Source: Ministry of Commerce and Industry.

(To be continued)





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THE EASTERN ECONOMIST

JUNE 15, 1962.

Meeting the Emergency

IT cannot be disputed that the ultra-austerity which was imposed by the Finance Minister last Friday on the rationing of foreign exchange was an unavoidable necessity. A state of emergency has arisen in the nation's economy which has thrown up a big challenge. It can be met by emergency measures alone. This is precisely what Mr. Desai has done in applying the axe ruthlessly to the outlay on imports in the current year — whether the outlay is intended for goods or services. It is in this sense that the curbs on import licences of all discriptions for the needs of the private sector or the public sector as well as the severe restrictions clamped on foreign travel are to be interpreted. They are to be borne as a supreme and overriding national necessity with the implicit faith that they will be retained not a not a day longer than the emergency.

A forewarning of the deterioration in the condition of the foreign reserves was available long before last Friday. Week after week the sterling balances — the mainstay of our total external reserves — disclosed a sharp downward trend. Between the beginning of April this year and the end of May, there was a substantial depletion of something like Rs. 28 crores, pushing the balances to the margin of Rs. 100 crores. Barely Rs. 15 crores can now be drawn upon and a resort to the remedy of reducing the minimum limit of foreign securities, forming a part of the currency reserve, below the statutory normal point of Rs. 85 crores, permissible as an exceptional measure, seems inadvisable at this junction. The elbow-room it may provide may exact a high price in terms of a pressure on the effective cost of imports.

This decline in the balances took place during the busy season. With the onset of the slack season this month, the prospect of replenishing the foreign resrves by means of our own earnings is bleak. The proper instrument to tackle the obligation of external payments maturing in the very near future is to obtain credits from friendly countries. Britain has virtually agreed to supply a loan of $24 million as an advance (to be freely usable) from her aid for the current year. West Germany is likely to extend co-operation on the same terms. The IMF line of credit is thus put off.

What makes the difficulties of foreign exchange assume the dimensions of an emergency for some time is the uncertainty that attaches to the final and revised amounts of credits which the non-American member countries of the Aid-India Consortium may decide to offer. It is a sort of an impasse which has arisen in the Consortium's allocation of assitance for the current financial year. The gap which will need to be filled before the aggregate contributions of the non-American members are raised to a matching level with America's offer of $500 million is as wide as $220 million (Rs. 105 crores) — nearly four-fifth of what they tentatively proposed in June last year. One-third of it can be narrowed down by higher credits from the rest of the members excluding America, according to hints thorwn at the last meeting of the Consortium in May. But the uncertainty about closing the residuary gap of Rs. 75 crores has accentuated the emergency and made it co-existensive with this uncertainty.

It is somewhat ironical that import licensing which was put on a liberalised basis of a yearly period only three months back should now be subjected to austere cuts. The cut in the established importers' licences is to be the heaviest at 50 per cent and so will it be for the licences issued to the consumer co-operatives. But the latter has a minor place in the total scale of the import trade. Actual users' licences are to be axed by 15 per cent. Considering their importance to maintenance imports, this threatens to be a sharp cut. There is the promise that individual classes of cases will be considered on merit. The pruning must be judicious. The review which is to be made at the end of the half year towards the close of September will be conditioned by the extent to which the gap in the Consortium's aid will be wiped out. The cuts are bound to react on production and prices, but their impact can be tempered.

The Reserve Bank has taken the proper course in plugging the loopholes in expenditure on foreign travel — part of which cannot be justified on the ground of essentiality. But great hardship would result from applying the identical yardstick to all seekers of permission to go abroad. Businessmen going overseas to negotiate deals connected with development programmes or promotion of exports ought to be treated with consideration by the Reserve Bank in the process of granting its discretionary clearance.

The Change in Pakistan

FRIDAY, June 8, saw yet another turning point in the constitutional life of Pakistan. On that day martial law was vacated and with it the military regime was terminated. The National Assembly, elected by indirect vote, was inaugurated as a logical sequence to the withdrawal of military rule. Between October 7, 1958, when the army captured power and the constitution was abrogated and June 8, 1962, when the federal legislature was set up under the new constitution (promulgated on March 1 this year) there was a long interval of forty-four months. President Ayub Khan will continue to be in the saddle until August 1965, when the first presidential election under the new constitution will be held. Basic democracy is a creature of his creation and the extended tenure of three years which he now gets will be used assiduously for giving a concrete shape to his philosophy as also for guiding the course of the new democracy in its infancy.

President Ayub Khan never made a secret of his contempt for political parties and of his confirmed disapproval of the parliamentary system of government which is based on the existence of political parties in the legislature. But the presidential system too presumes the existence of political parties and it is here that the Field-Marshal's dilemma arises. The genesis of his dislike for political parties in Pakistan can be readily appreciated and the abhorrence which he feels for self-seeking and opportunistic group alignments masquerading as political alliances can be understood. But no national leader, much less one who pilots the ship of State,

can countenance loss of faith in the destiny of his people and even if the parties in Pakistan behaved in the way they did, hope of their revival in a clean and healthy form cannot be abandoned.

The ban on the political parties in Pakistan continues, but it will need to be lifted sooner or later. President Ayub Khan's inaugural speech at the National Assembly reveals his confusion of mind how and in what form the revival should be allowed. This problem is to be taken up for solution some time and the Bill for this purpose, to be placed before the National Assembly, is likely to undergo substantial modifications which may eventually assign to the parties a diminished stature. In the meantime, the Preisdent and his Ministers intend to keep contacts with individuals and groups (what these groups are is not clear in the context of the ban on the parties) for their reactions to the government's policies and administrative programmes.

A good part of President Ayub Khan's inaugural address was devoted to the problem raised by the propaganda for the restoration of the parliamentary system of government. This was clearly a firm retort and warning to its sponsors in East Pakistan who smell authoritarianism in the presidential system which the constitution has given — a system with vital differences from the American prototype. He was certainly right in issuing the warning against the background of his country's bitter experience before the military regime, when the party system was reduced to a travesty and shifting alliances, eager to grab power, made instability a chronic source of the weakness of the government.

His plain warning was that the members of the National Assembly, who swear allegiance to the constitution, cannot do so with basic mental reservations and they must give the new constitution a fair trial before the question of its reform and amendment could be allowed. A fair trial to the new constitution was necessary to ensure first and last a strong and stable government. But a major difficulty posed here is that strength and stability ought to be derived from the consent of the people. The military regime's tenure of three and a half years — relatively quite long for a government in the history of Pakistan — eventually showed that consent is not necessarily attracted by the display of force made by the Government from the top.

Field-Marshal Ayub Khan has ended the regime of martial law in Pakistan and introduced a new chapter in its constitutional history. He has opted for the presidential system of government. But the reserves of power earmarked for the President are too large and they are set apart at the cost of the powers that belong to the legislature in a democracy. The power of the purse is a major illustration. The National Assembly's control of the budget has been curtailed at key points. Like the legislature, the judiciary has had limitations placed on it. It is not competent to declare certain legislation passed by the National Assembly as *ultra vires*. And the federal legislature in Pakistan is unicameral without the sobering influence of the Upper House. Nor are the fundamental rights made justiciable.

The variations from the prototype affect strategic constitutional checks. The numerous committees of the two Houses of Congress in the United States provide a potential mechanism to keep a jealous watch on the executive, armed as they are with powers to subject to searching examinations persons at different levels, including in particular the Secretaries nominated to his cabinet by the President. And the Committees wield great influence on the Administration and its policies. This scafeguard is absent in Pakistan. Pakistan's departure from the military regime has not amounted to a full-scale departure from authoritarianism.

Labour Policy

THE Labour Minister, Mr. Gulzari Lal Nanda, made a sober and balanced assessment of the labour situation and labour policies while replying to the debate, in the Lok Sabha, on the grants to his Ministry. An encouraging feature of his reply was that he acknowledged all the shortcomings from which the labour policy in the country suffered and assured the House that a sincere effort would be made to rectify them. This is indeed a very welcome assurance, but the political undertones make optimism difficult to entertain.

The problem of increased wages for labour has plagued almost all the industries in the country, the root cause of the unrest being the rising trend in prices over which the employers have no control. While all right-thinking employers would like to give better wages to labour, the hard fact relating to the incapacity of particular industries to pay becomes a stumbling block. Rightly Mr. Nanda stated that one of the limitations in the way of increasing wages was "how far the economy of the country in its present stage of development could bear additional burden". The viewpoint consistently put forward by industry all along is being acknowledged by the Labour Minister at long last. Until the economy continued to expand and inflation was curbed reasonably, better wages and more employment could not be provided.

One of the irresponsible suggestions made from the Opposition Benches was that all the dividends paid by the industries should be frozen and distributed amongst the workers. The Minister for Labour made a very fitting and realistic reply to this point. He said that according to his calculations if all the dividends were taken, reduced to a half and distributed amongst the workers, the increase in the workers' wages would not be more than 7 or 8 per cent. Surely this order of rise in the wages of the workers could be brought about by better techniques of production instead of playing havoc with the corporate sector of industry by searing away capital. All such suggestions emanate from quarters which seem to have shut their eyes to the needs of increased production which alone can sustain wages and employment at a high level.

In the last few years, the Government has been accused of adopting a double standard in evolving a labour policy for the public sector undertakings entirely different from that applicable to the private sector units. Critics in the Lok Sabha even went to the extent of stating that there was no labour policy applicable to the public sector undertakings. Mr. Nanda maintained that there was a labour policy for the public sector undertakings as well and it had been applied "progressively to the public sector units. He was honest enough to acknowledge that there were some deficiencies in the application of this policy. In particular, the code of discipline had not been applied to all the public sector units and he was taking measures to see that it was applied soon.

Only the other day, Mr. C. Subramaniam, Minister for Steel and Heavy Industries, categorically stated on the floor of the House that there was no labour policy for the public sector undertakings and that on his initiative, the Labour Minister had set up a departmental sub-committee for this purpose. This statement ran counter to Mr. Nanda's declaration. In any case, it is apparent from the strikes which ensued in Bhopal at the Heavy Electricals and in Rourkela in the Steel Mill that the public sector units have not come under any definite labour policy and some decisions were taken in these cases under pressure of the exigencies of the situation. Exigency more than policy seems to guide labour relations in State undertakings

Most of the industrial disputes in 1961 arose due to labour's demands for higher wages. While labour must be provided better wages, the claim for higher wages must be correlated with higher productivity, otherwise the cost structure of the economy would become lopsided. Moreover, it will make most of our exports uncompetitive in the international markets. Another consideration which must be borne in mind in regard to some of the weaker industries is that wages must not be enhanced without reference to the "capacity of the industry to pay". Recent experience has shown that in most of the industries real wages have tended to keep ahead of increase in productivity. There are some industries which are under great pressure because of the increased wage bill, while they do not possess the capacity to meet this bill. Any unrealistic approach in wage policy particularly is likely to harm the economy enormously. One reservation, however, ought to be entered. Where the high pressure of the rising cost of living proves intractable, it would be unfair to make higher wages conditional on productivity.

The Labour Ministry has thus failed, according to the confessions of Mr. Nanda, in keeping down the loss to the nation in production due to strikes and lockouts reckoned at 42 lakhs mandays last year; the discriminatory treatment to the public sector employees as against private sector employees; weak-kneed employment policy tending to increaee the army of the unemployed; and making some of the export industries uncompetitive by reason of higher production costs consequent on intermittent increases in wages.

All the assurances held out by him need to be given a practical shape by a concentrated effort so that they are not reduced to pious hopes. While the country has put faith in the word of the Labour Minister, any further failure on his part is likely to deepen the crisis of production which is already gathering momentuous due to failures at numerous other points.

The Augean Stable

THE delay caused in the implementation of the expansion programmes of the three public sector steel plants and the problems faced by the "sick child" at Rourkela have shown up the Achilles' tendon of the public sector in Indian steel. Replying to the debate on the demands for grants for his Ministry a few days ago, the Union Minister for Steel, Mr. C. Subramaniam, candidly admitted that he could not hold out any promise about achieving the Third Plan production target for steel, although he would endeavour his best to attain it. This has necessitated some feverish thinking on the part of the authorities for the reorganisation of Hindustan Steel Limited, which owns the three steel plants at Bhilai, Durgapur and Rourkela. Indications are that some far-reaching changes are likely to be made in the HSL set-up, both in the interest of speeding up production, particularly at Rourkela, and with a view to cutting down production costs at all the three plants.

Most of the troubles of the Rourkela Plant, which is said to be working to not more than 35 to 40 per cent of its installed capacity, and of the other two units at Durgapur, which is yet to be completed, and at Bhilai, which experienced labour unrest sometime ago, have emanated primarily from the over-centralised control which HSL has exercised. Not only unnecessary and inordinate delays are caused in making crucial decisions, which in the interest of successful working of these enterprises should be arrived at expediously, but the present set-up has led to killing initiative at the plant management level. The plant managers invariably feel helpless in taking even emergency decisions, both financial and administrative, for their powers are clipped by the labyrinthine procedures they have to adopt to get the concurrence of HSL, which, in turn, looks to the Ministry at New Delhi for guidance in all important matters. This entails mountains of correspondence, especially when some technical matter is in dispute, between the Ministry and the plant managements, HSL assuming the role of a mere post office.

In the proposed reorganisation, it is sometimes suggested that Hindustan Steel should be wound up, making the three steel plants fully independent in their working. This, it is argued, would not only help in cutting down undesirable delays but will also provide the much-needed scope for the individual plant managements to break the bottlenecks in their working. But the paucity of experienced personnel to man responsible jobs in a majority of the public sector enterprises, not only steel, obviously renders it an impracticable proposition, howsoever attractive in theory it may appear. Similarly, a number of economies resulting from large-scale operations in respect of procurement of raw materials, machinery and equipment for the expansion programmes of these plants, arranging for training facilities for their personnel etc., warrant some sort of a high-powered supervisory and co-ordinating body consisting of experts. But there is apparently a case for devolution of decision-making authority to the plant managements in a number of matters such as procurement of spares, provision of incentives to the staff and so on. The relaxation of the present limits upto which financial transactions can be entered into by the plant managements themselves and of the centralised control on the recruitment policy in respect of personnel, except at the highest rung, is urgently required. This will incidentally help in cutting off the dead wood in HSL where Parkinson's Law is operating with a vengeance.

The controversy whether the public sector enterprises should be fully autonomous bodies or whether there should be some control over them from the Ministries concerned, of course, will take time to settle. But much can be gained in the meantime if attempts are made to shake off the superfluous procedural formalities. The built-in safeguards in the present methods of work may have some virtues of their own, but invariably they have proved highly costly in the changed circumstances of the country when the public sector in the economy has expanded at a fast rate. Mr. Subramaniam has to proceed with determination in cleansing the Augean stable which the public sector in steel is at present, notwithstanding the relatively satisfactory working of the Bhilai project.

THE WEEK'S NOTES

Comecon

NEW AWARENESS

SCRAPPY REPORTS of the two-day meeting of the Comecon highlight the fact that there is now emerging very fast a new awareness among the member countries of the Council for Mutual Economic Co-operation. The absentees from the Comecon were China, who did not send any observers, and Albania. But a new entrant who joined as a full member was Mangolia. Mangolia's admission to the Comecon is obviously a slap in the face to China and an unmistakable indication that she would be given all the sustenance necessary for her economic march by the other members of the Comecon. The organisational machinery of the Comecon is neither strong at the present time nor has it been built up to a level of perfection where it would function as a powerful agency for co-ordination of the economic policies of the member countries. But the European Common Market right on the door-step has apparently thrown up a serious challenge. A new awareness about reorganising the Comecon is in evidence. This certainly engaged attention at the last session.

The communique issued at the end of the session highlights the urgency of strengthening the role of the Comecon and to produce more concrete results than heretofore. In economic co-operation and in the scientific sphere activities are to be intensified, co-ordination is to be strengthened, trade with the capitalist countries is to be expanded and the new links of aid and trade with the underdeveloped countries are to be fortified.

Curiously enough, there is no reference in the communique — even oblique — to the European Common Market. This does not at all mean that the ECM was ignored. On the contrary, all the indications point to a contrary reaction to the rapidly emerging strength of the ECM. What the communique left unsaid was partially said most vociferously on the Moscow Radio. Appeals were specially made in these propaganda broadcasts to the countries of the Middle East and Africa in particular. The Africans were given a new image of the ECM — that of neo-colonialism — and the Arab countries were told that this was a sinister organisation to shut out their export trade. Even in the short period the effects of the ECM would make their noticeable impact on the industrial exports of Czechoslovakia and East Germany which rely to a considerable extent on the West European markets. But more fundamentally, there is an anxious awareness, based on a deep feeling of apprehension, that the European Economic Community is rapidly rising in stature as a potential economic, and, therefore, political, rival and the prospect would be much harder if America at a later stage joins the Community.

Economic Co-ordination

MR. KRISHNAMACHARI'S ROLE

MR. T. T. KRISHNAMACHARI'S re-entry in the Central Cabinet brings to it a positive accession of strength, a new vigour and dynamism which it would always need. He has accepted responsibility of office without portfolio and this is to accept consciously a heavy responsibility whose outline remains undefined for all time. Conferment of the office of Minister Without Portfolio is reserved as a distinction for talent and administrative ability to respond to the multifarious calls arising from recurring problems. Mr. Krishnamachari's task is that of ensuring economic co-ordination between the policies and administrative actions of the various ministries and this means practically all the ministries.

He has been invited to join the key Cabinet sub-committees for economic affairs, foreign affairs and defence. The economic affairs sub-committee in particular stood in need of revitalisation. Mr. Krishnamachari has been also appointed as a member of the Planning Commission, where he may be called upon to deal immediately with intractable problems which throw up a challenge in the spheres of transport, electric power, coal and steel. All this adds up to a heavy responsibility and there is little doubt that he will show that he possesses shoulers broad enough to bear it.

Finance is unquestionably the crowning Ministry among the Ministries dealing with economic affairs. In a real and effective sense it is the fountain from which other Ministries derive sustenance. What will be required in the relations between the Finance Minister and the Minister Without Portfolio is full, frank and frequent consultation inasmuch as on the fruits of this consultation will depend the effectiveness of co-ordination. Since the frontiers of Mr. Krishnamachari's portfolio are undefined, he has rightly given the indication to proceed with care not to let co-ordination lapse into intervention. It will be the overall co-ordinator's major task not only to co-ordinate but to create a sense of urgency for forward-looking policies, when new challenges are being flung by new hurdles in the execution of the Third Plan.

Laos

INTERIM COALITION

THE NEWS of the agreement between the three Princes on the formation of an interim coalition government in Laos will be greeted with a sigh of relief. The balance of representation in the new coalition has been properly maintained bearing in mind the neutralist or extremist leannigs of the three parties. The neutralists get 7 seats in a cabinet with a total strength of 15, the remaining 8 being distributed equally between the rightist and the leftist parties. Prince Souvanna Phouma is the unanimous choice for the office of Premier, while General Phoumi Nosavan (the strong man of Prince Boun Oum, who has stayed aloof from the cabinet) and Prince Souphanouvong are appointed as Vice-Premiers. Since it is extremely unlikely that the rightists and the leftists can make a common cause on any issue, the possibility of out-voting the majority neutralist bloc is ruled out. Prince Souvanna Phouma's non-partisan temparament and high sense of national unity will be valuable in steering a middle course. The allocation of the portfolios shows trust in the neutralist party. Most of the key portfolios and the two controversial portfolios have been assigned either to Prince Souvanna or his deputies. Thus Defence and Interior, on which General Phoumi Nosavan insisted, have been entrusted to the neutralists and in addition this group keeps other important charges like war veterans and social welfare. General Phomi Nosavan is awarded the key portfolio of Finance, while the Pathet Lao pro-Communist Prince Souphanouvong controls the important Ministries of Information and Planning.

There is unanimity among the three groups that the major problems which will demand satisfactory but patient solutions are the merger of the armies of the three parties, the question of the war prisoners and the holding of a general election. There has been no attempt on the part of the three parties to underestimate the intricate nature of the difficulties involved in these three issues. And it is equally clear that unless the interim coalition in operation gives proof of a real and hearty concord, no agreement will be possible on the merger of the armies and the holding of the general elections.

This is the beginning of the realisation of the goal of a government of national unity set for Laos at the Geneva Conference and it is to be trusted that there will be no intervention to disturb the hard won agreement on the coalition. The Laotion people are pacifists by nature and they would lend their support to a government which would keep their country free from the shocks of the cold war.

A.-I.C.C.

LACK OF ENTHUSIASM

LAST WEEK'S session of the AICC gave further proof, if it was needed, that intrinsic enthusiasm in the work of the AICC's sessions appears to be on the wane. In fact, excitement ought to have been displayed at a time when the successor to the out-going Congress President was to be elected. But the difficulties and hesitations in finding out a candidate of the requisite stature, willing to accept the post, convey their own commentary. The pull of effective power vested in ministerial office is too great to induce men of proved service to the Congress organisation to prefer the presidentship to a ministerial office. And Congress Ministries have been substantially inflated to accommodate too many. Mr. Damodaran Sanjivayya who has been elected as the interim Congress President (and will no doubt be elected for a full term in due course of time) represents certain trends, whose significance, however, has been exaggerated. At 43 he is certainly a young incumbent to hold this office, which once carried very high responsibilities based on effective power. He has never been to jail in the freedom struggle which has normally been insisted upon as one of the major tests for positions of distinction or power in the Congress organisation. As the Press report goes he never saw Mahatmaji. It is questionable whether it could be argued from these trends that youth of a new variety now pilots the destinies of the Congress. The truth of the matter is that the centre of gravity in the organisation rests elsewhere. It is elementary knowledge that the High Command is its respository. It is manned by the old generation.

The Congress has taken the unusual step of making a unilateral decision of putting into practice the principle of not importing party politics into the village panchayats. It is going to refrain from the panchayat elections. The realistic course ought to have been to secure the concurrence of the political parties, both at the all-India and regional levels, with this high principle, which seeks to keep village life free from the contamination of interested and narrow politics. The result of the unilateral decision would be to keep the door open for the other parties to capture power in the panchayats and where this is not possible to leave the panchayatiraj a prey to village factionalism in a majority of cases. It is yet premature to leave panchayat elections and administration without organised guidance.

Maharashtra

MEDIUM OF INSTRUCTION

THE MEDIUM of Instruction (Universities) Committee, under the Chairmanship of Mr. Dongerkery, has brought out its report. The major term of reference prescribed for the Committee was to suggest the measures for the progressive replacement of English by the regional and national languages as the media of instruction at the level of the universities and higher technical as well as other institutions. The Committee has taken a very sensible and objective view of the subject.

The Committee has stated quite categorically that the medium of instruction—whether it is Marathi or Hindi as a substitute for English — should not be prescribed by law. Similarly, no time limit should be fixed for the consummation of this process of substitution. It has urged that the question of a change in the medium should be left to the discretion of the individual universities. It would be wrong to charge the Committee with adopting an escapist attitude. Those in authority in the universities can be trusted not to take either extreme or wayward decisions on this subject. Now that the responsibility has been placed squarely on them, all the universities in the State should proceed in this matter on the basis of consultation and, as far as possible, a concerted policy. This should not pose any difficulties. But what is of great importance is that the National Integration Council has made precisely the same recommendation that the decision on the medium of instruction should be left to the universities themselves.

The Committee's suggestion that in the short run of the transition as well as in the long run the teaching of English should be maintained at a high level and it should also be allowed to be used as a medium of answering the question papers alongside Marathi or Hindi need not really create confusion. Students in the universities or the institutions must not be deprived of the main progressive currents of modern knowledge and progress in science and technology flowing abroad. This would mean learning English as an additional subject even after the medium of instruction is changed over to Marthai and Hindi. But it is a price which the students ought to pay in the interest of quality and standards.

The Committee has urged, as a corollary, that the standard of teaching of English at the secondary education level must be improved. Maharashtra (and Gujarat) have suffered too much from a hasty march of governmental policy in removing English from the curriculum as a compulsory subject at the secondary stage — a policy which has now been reversed, but not before it caused great damage to the student community. There is great wisdom in the Committee's recommendation that the pace of change should be conditioned by the progress in the outturn of text books and reference books of the requisite standards. To this end the universities have been exhorted to pool their resources and expedite the production of this type of basic literature in the regional language.

Naga Escape

ADMONITION?

AMONGST THE Nagas who effected their escape into East Pakistan are suspected to be Mr. Phizo's lieutenants who made their way there on reports of his arrival in that country. The veracity of the reports is immaterial. But a serious aspect of this situation is the failure of security measures by the army in keeping vigilance and preventing the escape. It seems that vigilance had been relaxed. The Prime Minister frankly admitted in the Lok Sabha that the escape was due to a certain lack of co-ordination. In so far as co-ordination between the civilian or the police authorities in Assam and the army is concerned, it was not lacking. Mr. Chaliha, Chief Minister of Assam, explained in detail how from day to day the army authorities were kept informed of the moves on the part of the Naga gang to escape across the frontier.

As the Press report would have it, the Defence Ministry instituted an enquiry into this affair and the resulting report, while it emphasises the difficulties of the terrain which place obstacles in the movements of the army, is inclined to put the blame on the army. But the East Command takes a more serious, if self-critical, view of the whole incident and it is is quite emphatic on fixing the responsibility on the army officers concerned. Its major ground is that advance warning was available in good time and the necessary mobilisation could have been arranged to prevent the escape and to apprehend the members of the gang. The officers concerned, as the report states, will be visited with the punishment of admonition which is essential.

The World Abroad

A PROFILE OF LONDON

By

ODYSSEUS

"NO SIR," thundered Samuel Johnson on September 20, 1777, "when a man is tired of London, he is tired of life, for there is in London all that life can afford." If this was true 135 years ago when London's population was about 600,000, it must be truer today when it totals 8,350,000, one-fifth of the population of England and Wales.

The City's services in finance, insurance, commodity, and other, exchanges make it the world's greatest banking and merchant centre, but, as Mr. P. G. Hall brings out in his new book "The Industries of London since 1861" (Hutchinson University Library. 12sh. 6d.), it was already the chief manufacturing centre in the U.K. even in 1861.

Here is the broad picture:

TOTAL EMPLOYED IN THOUSANDS

	England and Wales			Greater London		
	1861	1921	1951	1861	1921	1951
Primary (Agricultural, Fishing, Mining and Quarries)	2,276.9	2,395.9	1,705.2	44.	29.	19.8
Manufacturing	3,149.9	5,979.9	7,532.8	468.8	1,052.6	1,522.5
Service Industry	3,719.9	8,414.1	10,685.	903.	2,089.5	2,741.5
TOTAL Employed	**9,493.**	**17,178.**	**19,940.**	**1,478.8**	**3,216.1**	**4,288.3**

(Totals may not agree because of rounding).

WORKERS IN GREATER LONDON AS PER CENT OF ENGLAND AND WALES

	1861	1921	1951
Primary (Agriculture, Fishing Mining and Quarries)	1.9	1.2	1.2
Manufacturing	14.9	17.6	20.2
Service Industry	24.3	24.8	25.7
TOTAL Employed	15.6	18.7	21.5

London's oldest industries are clothing, furniture, and printing.

The U.K. clothing industry, of which Savile Row is world famous for its individual retailing and Montague Burton typical of the wholesale bespoke system, is the largest in Europe with sales worth £556 million 1959. It employs 512,000 workers, of whom 166,500 or 32.3 per cent, are in London, with big concentrations in Westminster and Stepney.

Furniture employs 161,700 workers of whom 63,400, or 39.2 per cent, are in London, centred on Tottenham Court Road (e.g. Maples Ltd.) and Camden Town.

There are 307,800 workers employed in printing in England and Wales, of whom 135,200, or 43.9 per cent, are in London. From 1476, when William Caxton set up his press, until the mid-19th century, printing largely meant books. Famous names here are Harrison & Sons Ltd. dating from 1738, and Waterlow & Sons Ltd., specialising in commercial work, the first printer to develop mass production. Their factory at Finsbury was already "assuming enormous proportions" in 1850. By 1925 the firm had several large factories for its specialities, including bank notes, cheques, and railway tickets. But from 1890 onwards, the revolution in popular newspaper production began which ended in almost half the nation's printers working for newspapers and, of those, 70 per cent work in the City and Westminster, the greater international news clearing centre in the world. While books and periodicals are edited in London, rising costs have mostly sent them to be printed outside.

Between the wars industry continued to multiply, because London had a high proportion of new and expanding industries and few of the depressed industries which were contracting in the North.

Among the many reasons for growth was its great army of women workers, a result of the absence of a single great female employing manufacture, such as cotton in Lancashire. This army attracted manufactures to the areas of heavy male employment, like the docks. Secondly, the streets of London have seemed paved with gold to a succession of immigrants — the Irish in the 18th century, Russian and Polish jews in the 1880's, West Indians, Pakistanis, Indians, and Cypriots today. Mr. Hall records that all have provided for a time vital services in grades of work which the natives were reluctant to undertake, that all in turn have provoked resentment but that, if precedent is a guide, all are eventually integrated in the social system.

Other reasons for London's growth are (1) proximity to a huge market, which contains large numbers of wealthy consumers, attracts others from the provinces, and tourists from abroad; (2) industrialists find it important to be in the national pooling centre of experience, initiative, and communications; (3) raw materials are easily imported into London's centrally situated docks; and (4) London is the national and world market for many commodities.

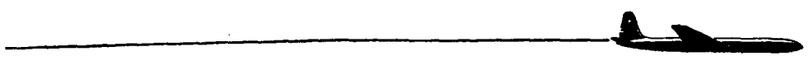
Over 1,000 ships enter and leave London's port every week. In 1957, the value of London's exports and imports and those of the U.K. were:

	London	United Kingdom	London's Percentage
Imports	£1,412,893,136	£4,070,810,906	35 %
Exports	£1,109,851,259	£3,324,412,107	33 %
Re-Exports	£ 61,082,632	£ 133,513,779	45 %

Of London's newer industries, the chief as general engineering, electrical engineering, and vehicles.

In 1951, there were 826,300 employed in engineering in England and Wales, of whom 161,000 or 19.5 per cent

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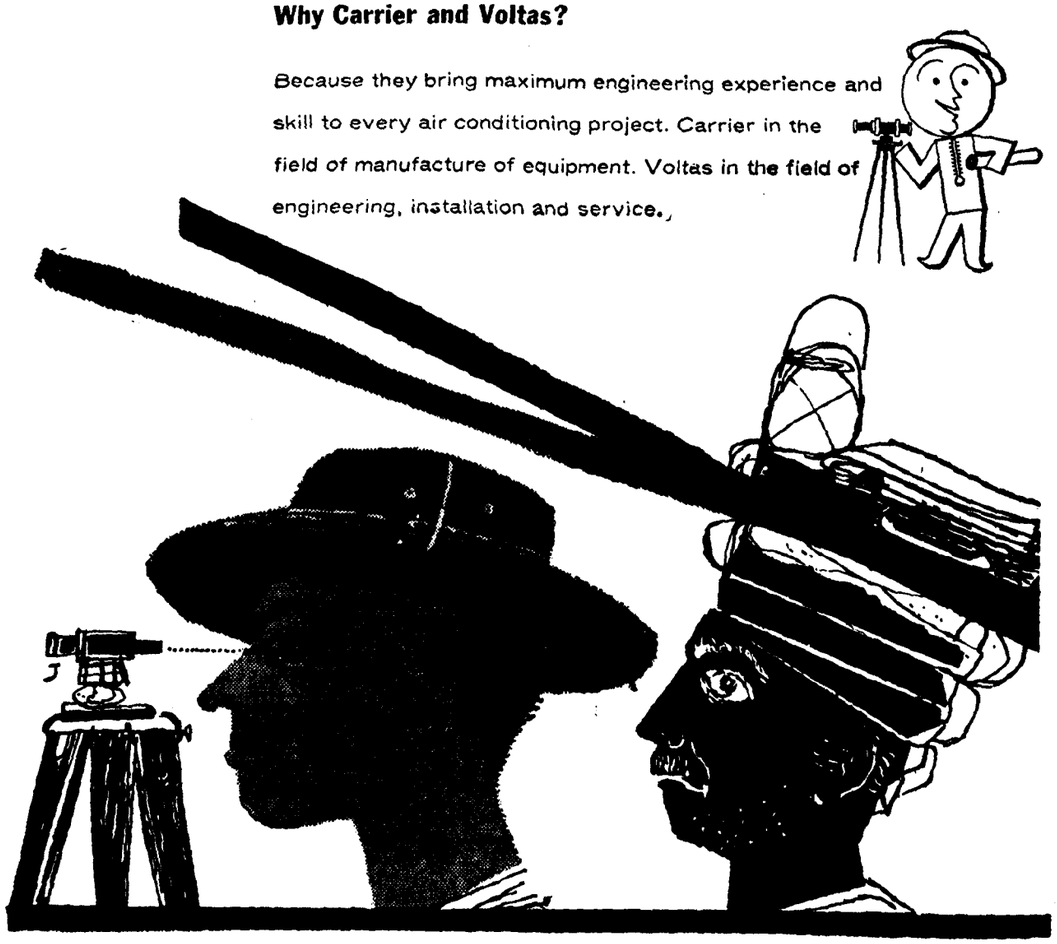
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were in London. They are spread all over the metropolis and, in general, are in the lighter branches, e.g. lifts (e.g., Otis Elevator Co. Ltd.), refrigerators (Electrolux, Frigidaire, and Kelvinator), brewery equipment (Metal Box Co. Ltd.), motor accessories (Smith's Motor Accessory Division), stoves (Flexaire Ltd.), gas meters (Smith Meters Ltd.), and weighing machines (W. & T. Avery Ltd.) The heavy branches usually concentrate on the canals or riverside, where constructional engineers (John Mowlem & Co. Ltd., John Laing & Son Ltd., Sir William Arrol & Co. Ltd., Dorman Long Bridge & Engineering Ltd., Dawnays Ltd.), cranes, hydraulic apparatus, boilers (Towler & Son Ltd.) and tanks pullulate.

Of the 538,600 workers in England and Wales in electrical engineering, London has 183,000 or 34 per cent, almost half in Greenwich and Woolwich. The industry originated in cable manufacture for electric telegraphs, in use on the railways by 1837 and spanning the oceans by 1858. Henleys Telegraph Works at Woolwich are one among world names here.

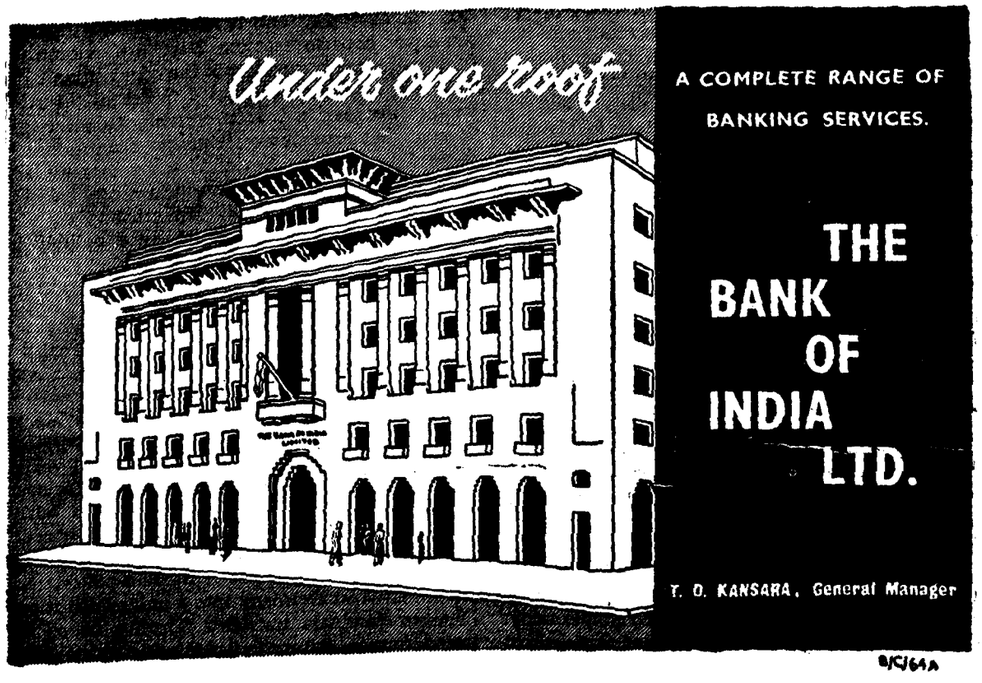
The spread of electric power and technological developments led to light electrical products—lamps, flex, stoves, irons, kettles, radio sets and parts, ignition machinery, switch gear, and accumulators, which include such well-known names as Osram GEC Ltd., Philips Electrical Co. Ltd., Pearl Electrical Co., Britannia Electrical Motors, English Electric, and Joseph Lucas Ltd.

In illustration of the importance of the mobility of labour to that economic growth with which we are all so pre-occupied today, note that the expanding electrical industries had the great advantage of being able to draw on a wide range of skills from traditional London industries in decline; meter manufacturers recruited from the Clerkenwell clock industry; electrical wire-makers from wire-makers, and so on. London has 44 per cent of total workers in telegraph and telephone equipment, 49 per cent of those in wireless, and 52 per cent of those in wireless valves and electric lamps, e.g., Pye Ltd., Mullard Ltd., and Electrical and Musical Industries Ltd.

Of the total of 931,300 employed in the manufacture of vehicles, 143,800 or 15.4 per cent are in London. Of these 143,800, Fords employ 17.1 per cent at Dagenham, but Acton, Brentford, Chiswick, Hayes, Southall, Willesden and Hendon, which include such names as Lancia, Rolls Royce, Standard-Triumph, and Vauxhall, account for 25.8 per cent of workers. Mr. Hall recalls that the old (horse drawn) coach builders of Long Acre provided the nucleus of the new industry, as for example Hoopers, now known as Hooper Motor Services, who build coaches for Rolls Royce and Bentley.

Mr. Hall lists over forty activities employing London's 4,288,300 workers. Apart from the major industries already noted, two others which employ over 100,000 each are building and contracting with 283,100 (e.g. George Wimpey), and food and drink with 136,400, whose array includes confectionary, biscuits, and tinned foods (Glaxo Laboratories, Crosse & Blackwell, Heinz, J. Lyons, Birds Eye Foods, and the Distillers Co. Ltd., who have made London gin world famous).

Mr. Hall records that the attraction for industry of the south-east corner of England remains undiminished, but that the Board of Trade succeeded in 1952-58 in slowing the rate of growth of 'manufacturing' in London to 3.4 per cent, which is half of the national rate, although the numbers of 'office' workers are rising. No less than 44.4 million square feet of new (or replacement) office space was approved in central London between 1948-58. The cost of compensation if vacated premises were to be controlled was estimated at £100,000 per acre, and to move work for 380,000 would need 500 to 700 acres at £50 to £70 million. Moreover, although New Town locations offer savings in rent or building price, against this must be set higher wages for key workers, possible lower efficiency of other workers, and the higher costs of slower communications. "To try to divert much of the increase in office employment out of London altogether...would probably be foredoomed to failure," says Mr. Hall, and he concludes that in the absence of adequate studies of the forces which govern industrial location "...our attempts at regulation must continue to resemble the attempt of an intelligent child to operate an atomic power house."



The European Scene

COMECON AND COMMON MARKET

From Our Special West European Correspondent

PARIS, June 10.

COMECON, which began its top-level meeting in Moscow this week, is sometimes loosely described as the Communist replica of the Common Market. Mr. Krushchev was no doubt suggesting a comparison between the two associates when he prefaced the Comecon gathering with his first vehement attacks on the Common Market and hinted that he was going to take the advice of his Comecon partners on his plan for a "world trade conference" that would take up the challenge of the Common Market. Yet Comecon cannot be compared with the Common Market, and much less has it worked out an alternative form of economic co-operation that could be set against that of the West European association. Comecon still bears the mark of its Stalinist origins: it expresses the imperialist relations between Russia and the East European satellites. The satellites hardly do any trade between themselves, but between 60 and 80 per cent of their exports, in each case, go to the Soviet Union. It is thus a set of bilateral relations, and not a multilateral arrangement as we wrongly suggest when we call the Soviet empire a bloc. The frontiers between the satellites are almost as impermeable as the frontier between the Communist world and the West. Their currencies are not convertible as between themselves or even in Moscow. Attempts at co-ordination of planning have been rudimentary, and amount simply to a unilateral allocation of tasks by the dominating power in the Kremlin.

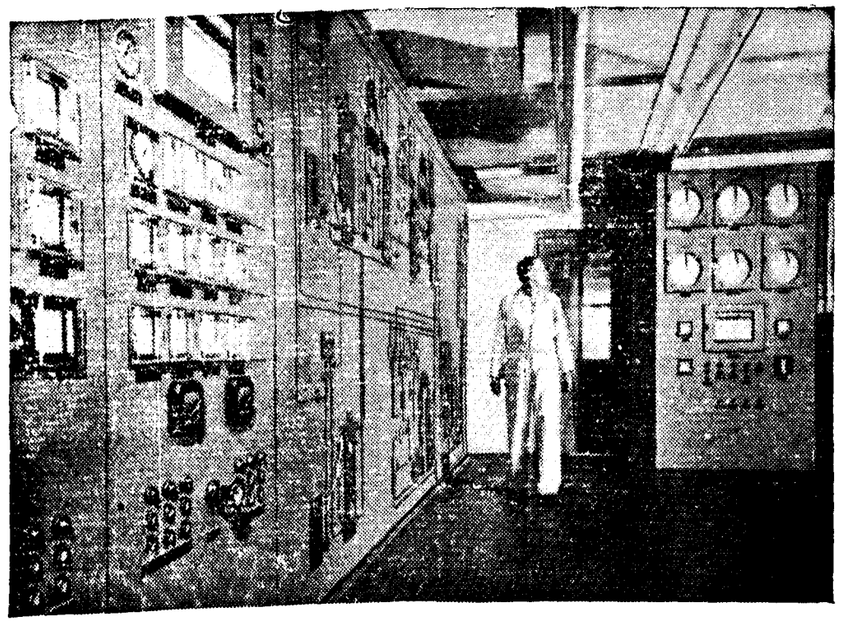
Since Stalin, moreover, this central authority has been much less successful in allocating tasks. It can only make recommendations, which are frequently ignored in the satellite capitals. Thus there is no equivalent in Comecon either of the germs of supranationality that are represented by the ECM Commission or of spontaneous collaboration between all th members of the association. One of the few achievements the organisation has to its credit is the "pipeline of friendship" which is to carry oil from the Volga to East Germany, Czechoslovakia and Hungary; but this has half a dozen equivalents in West Europe. In short, Comecon has failed in its objective of stimulating multilateral trade, and Mr. Krushchev still complains publicly when he visits the satellite capitals that they all look to Moscow for export markets and supplies, instead of co-operating among themselves.

These familiar facts need to be recalled to see that when Mr. Krushchev attacks the Common Market before a visitor from the developing world (M. Modibo Keita's presence in Moscow was the occasion for the latest outburst), he has no alternative form of co-operation to suggest. If the proposed world trade conference were ever to be held (it is an old Russian idea, which Mr. Krushchev has just refurbished), the Communists would have nothing to bring forward as superior to the customs union now being introduced in the West Europe. They would have the opportunity for propaganda attacks, but when asked about how they conceived international economic co-operation between neighbouring countries of similar technological development, they could offer nothing but a system that all Asians and Africans would at once recognise as 19th century imperialism. However, some former colonials think (Mr. Krishna Menon, rightly or wrongly, is taken in Europe to represent this opinion) that it does not matter how Russia imperialises over the East Europeans: as long as she is helpful to overseas developing nations. So the internal affairs of Comecon interest them less than its exteranl aid as compared with that of the Common Market.

On this point, Mr. Krushchev was almost frank with his visitor from Mali. The aid the Soviet bloc offered "is perhaps smaller in volume than that promised by others", he said, but it was still preferable on metaphysical grounds. I say metaphysical, because he explained that even when the Common Market supplied teachers, doctors, roads and ports to independent nations this was still an insidious form of slavery, whereas the much smaller and less effective help of the Soviet bloc was disinterested. This subtle distinction will escape most statesmen in the "third world", so the Russian leader sought to cover up with some frothing attacks on the likes of M. Tshombe. One needs to note that this outburst was made in the presence of the leader of Mali, a State that has chosen to break with France, to practise studied neutralism—but still clings to its status as an associate of the Common Market. In other words, M. Modibo Keita is as sensitive as Mr. Krushchev could wish to the dangers of neo-colonialism and is poles away from the policies of M. Tshombe, but he still sees that the Common Market can provide useful aid whereas Comecon offers much less aid and much more propaganda.

This confession, that Comecon had less to give than the Common Market and could only claim to have more worthy intentions, must have cost the Soviet leader dearly. After all, it was his own idea in 1955 to proclaim that the struggle between capitalism and communism would henceforth take the form of peaceful competition for the allegiance of the third world, a competition which the Soviet bloc was sure to win because of its economic superiority. It was to make this view prevail that he has had to combat the more aggressive elements in his own party and in China. When his doctrine appears to have won out, he has to admit that Comecon can never hope to beat the West in providing material assistance, that it cannot win the competition he invented. For a developing country to accept the story that smaller Russian aid is preferable to more generous Western aid presupposes that that country has already decided to join the Soviet bloc, or at least adopt its view of the world; Mr. Krushchev can only win the allegiance of those already converted to his cause. It is not surprising that M. Keita listed politely to these fulminations against the Common Market's neo-colonialism—and then left for Bonn.

Comecon's failure in the aid sphere, now admitted by Mr. Krushchev, is of course connected with its failure in stimulating the economies of the Soviet bloc. It is the contrast between this poor performance and the progress realised inside the Common Market that really irritates Moscow and explains the onslaught that Mr. Krushchev has initiated after several years of silence about the achievements of the Six. On most other grounds, one would expect him to take a fairly benevolent view of the Common Market. First of all, it assumes the perpetual division of Germany, which is one of the basic objectives of Russian policy. Secondly, it absorbs West Germany into a unit which it can never hope to dominate outright. Thirdly, in so far as it keeps former European colonies in Africa within its



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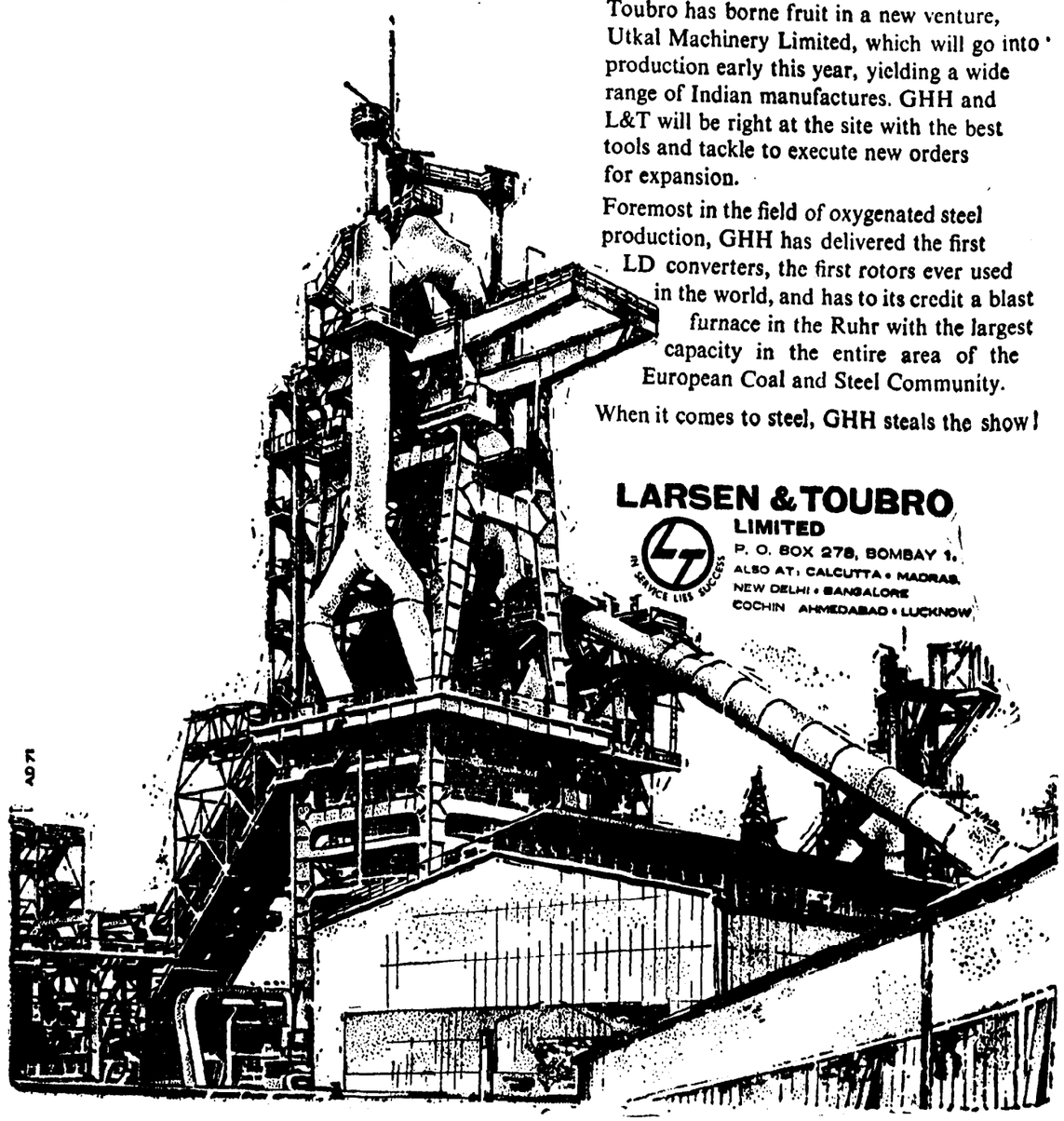
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sphere of influence, it at least ensures that they do not fall under American influence, and Russia has always shown a preference for this solution (e.g. in Algeria). Lastly, the Six have begun to show a measure of independence of the USA, and this attitude will become more marked as their relative economic power increases, even if General de Gaulle's ideas on European independence are not widely accepted yet.

These four weighty reasons do not add up to a case for Moscow positively to bless the Common Market, but one would have expected a continuation of the policy of the last four years: academic criticism from the Western Communist parties, but no hostile comment from the Kremlin, apart from warnings to the European neutrals not to join the venture. Instead, Mr. Krushchev has suddenly discovered that the Common Market is a "monopolistico-governmental conspiracy of the financial oligarchy of West Europe threatening the vital interests of all nations and the cause of peace throughout the world". He took care to say that "we are not frightened of it" but went on to speak exactly as if he were. It is as though, from seeing the Common Market as an enterprise that crippled Germany and limited US influence, he had passed to seeing it as a new capitalist power much bigger than united Germany and comparable to the USA. You might wonder that he has been so slow in seeing this, and that it needed the recent demonstration of the Common Market's economic vitality to open his eyes. In that case, you could not have been reading official Marxist theory on the Common Market these last four years. Communist economists on both sides of the iron curtain have patiently but implausibly been explaining that the Common Market is the symptom of a deep crisis in Western capitalism. Faced with excess production (excess in relation to the cruelly depressed purchasing power of the labouring masses), Western capitalists have been seeking outlets for their goods and trought to find temporary relief in mutual dumping. That is, German producers, unable to sell their production to their poor workers, have tried to widen their market to all Europe, rather than increase the buying power of their labour at the expense of their own profits. French capitalists have tried the same. The solution, it was unnecessarily explained, was illusory, so ultimately the Common Market was bound to fail. Students will have recognised a singularly inept application of Marx's "over-production" theory of the trade cycle, already used by Lenin to explain imperialism.

This absurdity could be propped up for a certain time by means of references to conflicts between groups of Western capitalists and to signs of excess capacity in some industries. There is no doubt such things exist; they have frequently been referred to here. But they are no explanation of the Common Market; often they are among its effects, rather than its causes, and they can be cured by more generous support for development in Asia and Africa—i.e. by that development aid which, Mr. Krushchev admits, West Europe can afford to provide more lavishly than the Soviet bloc. The theory that the Common Market was a symptom of the breakdown of capitalism, which had the incidental advantages of splitting Germany and embarrassing America, has had to be abandoned in the face of evidence that it represented a revival of capitalism, which is achieving economic progress beyond the means of the Comecon countries. Since its first successes coincide with the failure of Communist agriculture, one understands the bitterness with which Mr. Krushchev discovers its true potentiality.



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Economic Report from the U.S.

TAX REDUCTION: A STIMULANT

By GUY SIMS FITCH

WASHINGTON, June 5.

TAX reduction can be the most potent of the government's many tools to stimulate economic activity. U.S. Treasury Secretary, Douglas Dillon, now has let it be known officially that the Administration will propose a comprehensive tax reform, or tax-cutting, programme to the Congress.

Mr. Dillon's tax announcement was not directly related to the publicized stock-market decline, although the recent gyrations in securities prices may have prompted its official utterance at this time. Nor does it seem from any serious misgivings about the current economic situation or outlook.

On the contrary, Mr. Dillon emphasized that when the 1962 results are in, the nation's total output of goods and services—the gross national product—will be close to the optimistic projection of $570,000 million.

The indicated tax move appears rather to stem from other long-standing administration concerns. One relates to a further acceleration of the economy's long growth at its present pace still leaves something to be desired in terms of full utilization of manpower and physical resources.

With some slackness still evident in the economy and prices generally stable, the feeling is that a tax reduction—even if it were to cause or intensify an ostensible budget deficit—would not have important inflationary consequences.

In addition, there appear to be some long-held misgivings about the adequacy of the traditional U.S. budget as a reliable indicator of fiscal trends. First off, there is the belief—apparently winning acceptance among private as well as government experts—that the budget as now constituted has a tendency to approach a balance, or even to generate a surplus, too quickly during periods of business recovery.

This is largely a reflection of several "built-in" economic factors. There are, for instance, the economy's automatic stabilizers, such as social security and unemployment compensation, which help sustain income during periods of business downturn. Then, there are the nation's high and graduated tax rates, which rise with income and hence tend to add markedly to government revenues during business upswings.

As a result, the budget may become something of a deflationary influence and tend to moderate a rise before the goal of a fully employed economy has been achieved.

Complicating the situation is a method of budgeting which many economists consider misleading in its economic impact. The traditional administrative budget, the one the President submits for Congressional approval each year, is largely a programming document. It lumps together both capital and normal operating costs, and expects federal revenues to cover both. Moreover, it excludes such important and vast operations as the government's social security and highway trust funds.

The result, according to federal experts, is that deficits in Government finances may be exaggerated and surpluses underestimated. As Dr. Heller has observed, the United States imposes on itself more rigorous budgeting standards than any other advanced country.

It is interesting to recall, in this connection, that President Kennedy specifically mentioned budget policy when he suggested to the White House Conference on National Economic Issues a few weeks ago that the United States might be able to learn some valuable lessons from the West European experience of recent years. Many West European countries tend to differentiate between current and capital outlays for budget purposes.

In the meantime, the Kennedy Administration has been trying to familiarize economists and the public at large with some new budgeting concepts, notably the national income and product account. This excludes Federal loans scheduled for repayment and threats tax liabilities on an accrual rather than an actually received basis, and hence is considered a reasonably precise measurement of the actual economic impact of Federal finances.

On this basis, preliminary projections for the 1963 fiscal year, beginning this July 1, show a surplus of $4,400 million, compared with a mere $500 million in the administrative budget. And some experts point out that if the 1963 U.S. Budget were figured according to European standards, with capital expenditures carried separately, the projected surplus would be even larger.

What seems to emerge from all this is a more conservative U.S. Budget position than is often realized, one that leaves plenty of room now for a sizeable tax cut, even if that cut were to mean continued administrative budget deficits for a while. Experience indicates, moreover, that these deficits tend to disappear rapidly as economic growth accelerates. This underscores the view that budget surpluses or deficits are neither good nor bad in themselves, but are to be judged primarily by their usefulness in the light of economic circumstances.

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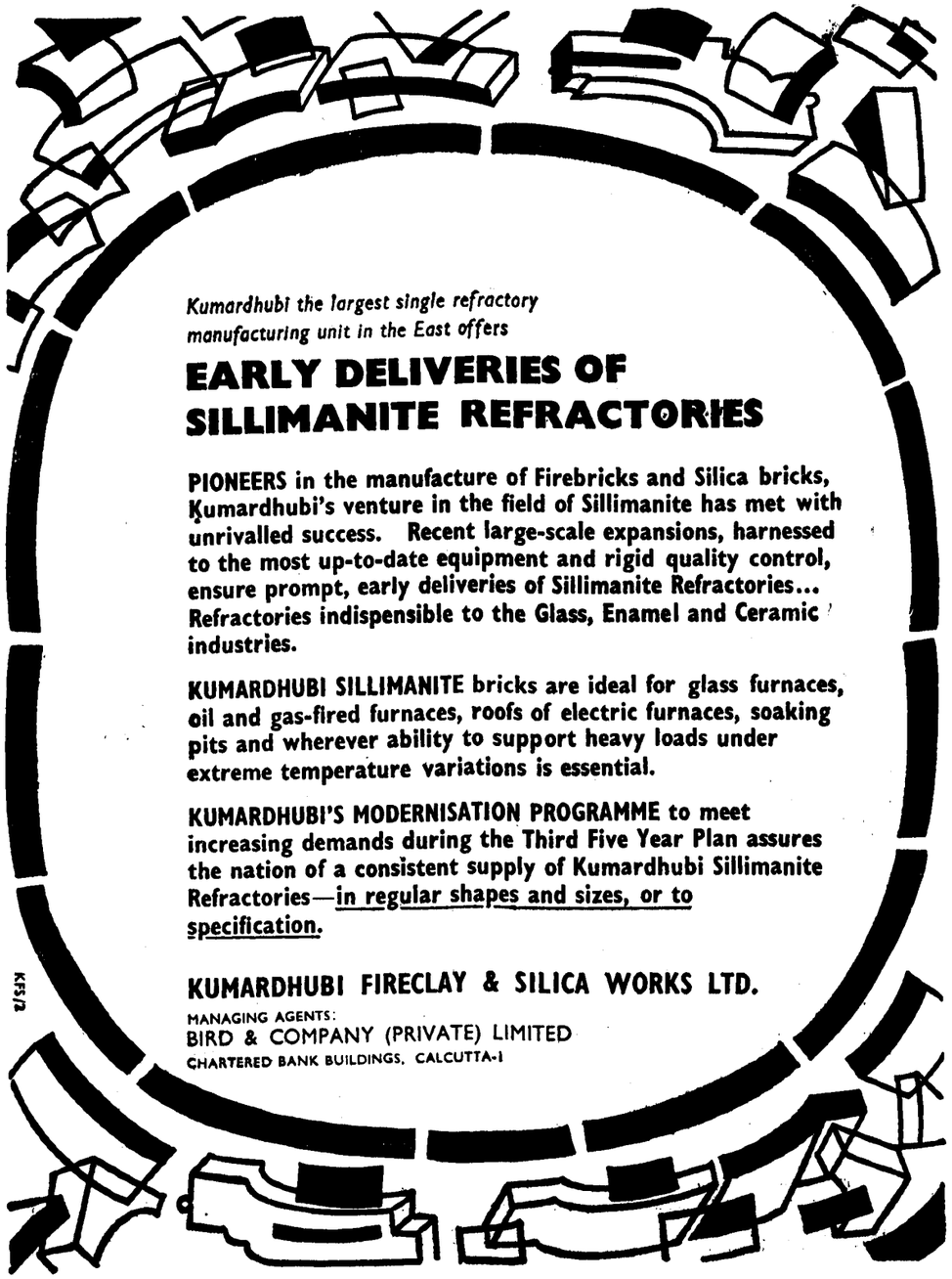
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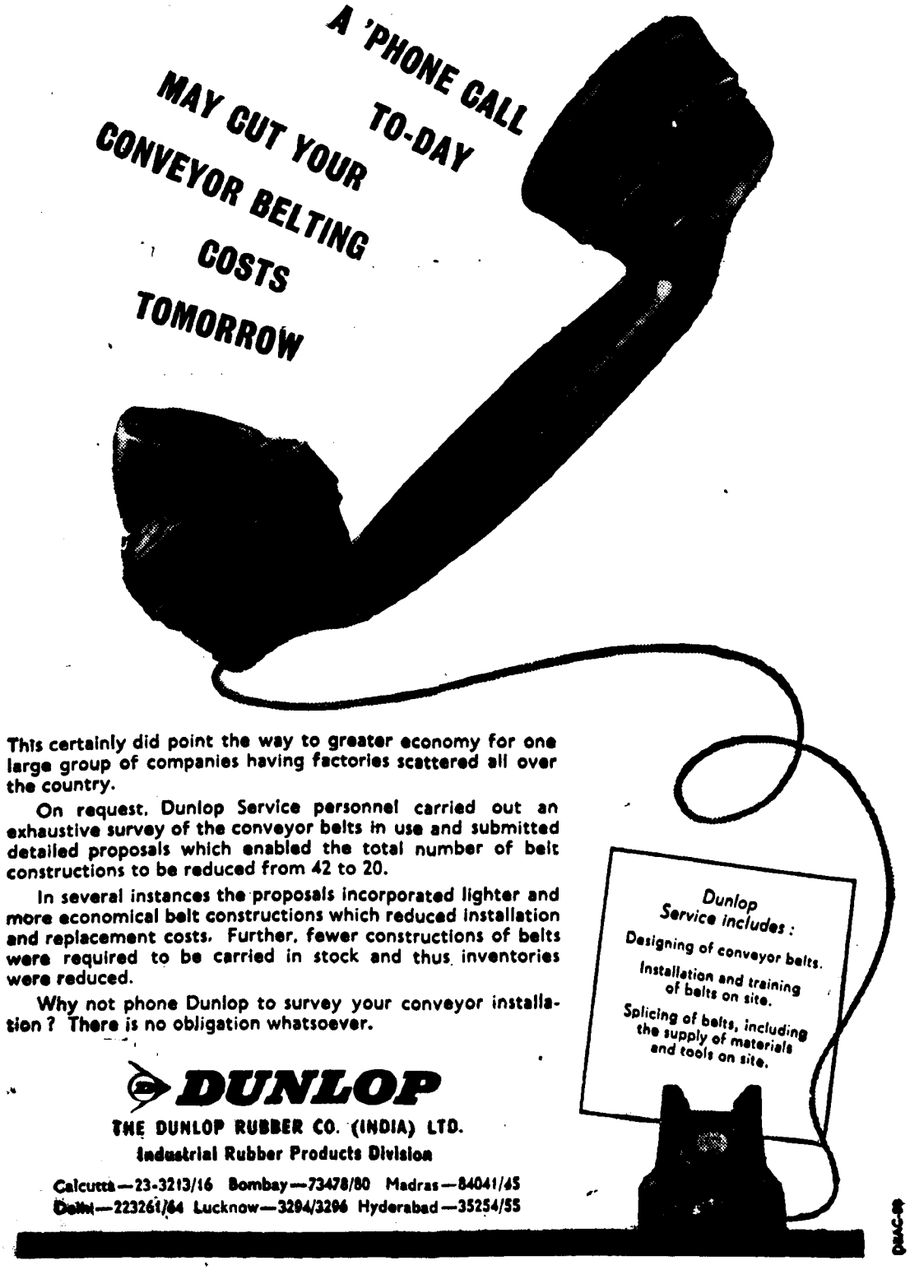
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Special Article

FOR A PRACTICAL SOLUTION OF DISARMAMENT PROBLEM

By SERGEI S. VESHCHUNOV, Counsellor of the U.S.S.R. Embassy in New Delhi.

BACK in the days of the League of Nations, Geneva gained the unenviable reputation of being a diplomatic talking-shop. The idea of disarmament, constantly fought for by the Soviet Union, was then buried under endless debates. Similar had been the results of the post-war talks on disarmament. And that is why when the conference of the 18-Nation Disarmament Committee was drawing near most people were apt to think that just another of those endless conferences, which discussed the disarmament problem over the past 15-years without any results, was about to begin.

But this attitude changed literally in the course of a single day after the Head of the Soviet Government, N. S. Khrushchov, issued his historic call to the Heads of the Governments represented in the Committee to participate in its proceedings from the very beginning. His call emphasised the tremendous importance the Soviet Government attaches to the work of the Committee and the speediest solution of the disarmament problem.

Then when the Committee met, the Soviet Government submitted at the very first-session a draft treaty on general and complete disarmament under strict international control, in order to give to the work of the Committee a concrete and businesslike character. In fact this draft treaty was the main event in the work of the 18-Nation Committee. For, though new important proposals were expected of the Soviet Government, no one could imagine that it would come out with a document, which so clearly, strictly, in almost a mathematical language presented the whole process of disarmament from the beginning to the end. What is particularly important about the Soviet draft is that it is not some interim or working document, nor a scheme of basic propositions, but the text of a treaty proper which sets forth article by article, paragraph by paragraph the entire process of disarmament in the form of precise legal obligations.

THREE CONCRETE STAGES IN FOUR YEARS

The Soviet draft treaty envisages the destruction and liquidation of the whole war machine in three consecutive stages within the limits of which the disarmament and control measures are distributed in such a way that no State will receive any unilateral military advantages in the process of disarmament. In only four years' time there will remain neither nuclear bombs, nor tanks and artillery, nor navies or military aircraft. The armies themselves will be fully disbanded, and all military institutions—from General Staffs to local military boards—will be abolished.

Already in the first stage mankind will be relieved of the danger of becoming the object of a nuclear attack. Since all means of nuclear weapons delivery i.e. combat rockets, pilotless aircraft, bombers, surface craft and submarines etc. will be destroyed at this very stage, the dreadful A-bombs and H-Bombs will be rendered useless just like bullets without rifles or revolvers. Another important step envisaged in the very first stage of the Soviet draft is the abolition of all military bases on foreign territories and withdrawal of all troops within the boundaries of their national frontiers. Moreover, the strength of the troops of States will be considerably reduced, the armed forces of the USSR and the USA, specifically, not to include more than 1.7 million men each.

The second stage of disarmament, as envisaged by the Soviet draft treaty, will completely remove the threat of a nuclear war. For, at this stage all nuclear weapons and all other weapons of mass destruction will be banned, their stockpiles destroyed and their production discontinued. Further cuts in national armed forces at this stage, down to one million men in the case of the USSR and the USA, will reduce the chances of armed conflicts in general.

Finally war would be banished forever from the life of human society after the completion of the third stage, by the end of the fourth year. For, during this last stage all the remaining armed forces and armaments as well as the entire war machinery of States are to be abolished.

INTERNATIONAL CONTROL

In working out the draft treaty on general and complete disarmament the Soviet Government presumed that the establishment of a strict and reliable international control is an imperative condition of a successful implementation of general and complete disarmament.

To establish control over the fulfilment by the States of their agreement commitments the Soviet Government has proposed that an international disarmament organisation should be set up, including all States which are parties to the agreement. The organisation is to start its work simultaneously with the beginning of disarmament measures. Thus, already the first step towards the abolition of the war machine of States will be put under strict international control.

According as the disarmament process develops, embracing new and new types of armaments and armed forces, the functions and powers of the international control organisation also will develop. In solving this question the Soviet Government proceeds from the principle that control measures should be carried out during the entire course of disarmament and even after its implementation and strictly correspond to the volume and character of disarmament measures. What is noteworthy about the Soviet proposals on the question of international control is that it is the fulfilment of the disarmament measures that is put under control, and not the armed forces and armaments of the States which remain at one or another stage of disarmament. In other words, the Soviet draft treaty envisages control over disarmament, not control over armament.

A COMPARISON

The "Outline of Basic Provisions of a Treaty," submitted before the 18-Nation Committee by the US Government after the expiry of over one full month since the Committee commenced its proceedings, appears to be least concerned about disarmament and actually proceeds no further than control over armament—a special kind of control. In a slightly retouched version of its older plans the USA has offered, in the name of control, a plan of dividing Soviet soil into zones and effecting control (and espionage) by zones, by a selective method, so to say.

The meaning of this kind of "control" becomes very clear when one recalls that the US Deputy Defence Secretary Gilpatrick stated quite openly, soon after the 18-Nation Committee commenced its work, that the most important thing for the Pentagon was to "specify" the system of targets in the territory of the USSR.

The US proposals also embody direct attempts to secure unilateral advantages for the West to the detriment of the Soviet Union's security. The USA, for

(Continued on page 1392)

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THE BUSINESS WORLD

Barve's Bold Budget

By

CROESUS

IT is not surprising that the Union Planning Minister, Mr. Gulzarilal Nanda, should have so confidently reassured the Lok Sabha, last Monday, that there was no ground for any sense of diffidence about the States being able to raise Rs. 610 crores through additional taxation during the Third Plan period, notwithstanding the fact that the additional taxation actually imposed by the States in 1961-62, i.e. in the first year of the Third Five-Year Plan, yielded only about Rs. 17 crores (to yield over the entire five-year period a total of about Rs. 100 crores). Evidently he was encouraged by the bold maiden performance of Mr. S. G. Barve, Maharashtra's Finance Minister, when he presented the additional Budget Estimates for 1962-63, on June 7, 1962. The new tax measures outlined by Mr. Barve are expected to yield Rs. 5.71 crores during the current year (or Rs. 8.61 in a full year). In other words, Maharashtra's efforts at raising new taxes in 1962-63 alone would contribute Rs. 31.54 crores to the States' share of additional taxation during the Third Plan period.

This is no doubt a commendable effort in the context of the repeated criticism of the Planners that the States have not been pulling their full weight in raising additional resources. It is, at the same time, on the admission of Mr. Barve himself, "a very considerable tax effort", though he has sought to justify it by saying that "we have undertaken the carrying out of an ambitious Plan and taxation effort of this order is obligatory for discharging our responsibility in that regard". This is honest enough, but to maintain in the same breath, that, while adopting the taxation programme, Government has taken the utmost care to avoid burdening the poorer and more vulnerable sections of the population, is to make a very tall claim, if it is not proper to describe it as hyprocritical. This claim cannot certainly hold water when the Finance Minister has chosen to tax such items as hand-made 'bidis', 'gur' and Mangalore tiles, not to speak of bicycles and vacuum flasks, which even the poorest classes now go in for, not because they regard them as luxury items but because these enable them to economise on their transport and tea bills. Surely, nobody is going to be deceived by the familiar consolation which finance ministers are wont to trot out, namely that, in most cases, the incidence of the tax would be absorbed in the price before it reaches the consumer. What the consumer minds is not the dope that the tax would be absorbed in the price before it reaches him but the rise in the price as such. Whatever assurances the authorities may give, no producer is so philanthropic as to let the additional incidence of tax eat into his profit margin. Nor is the argument that other States have levied a given tax a convincing one. In the final analysis, it is the impact that counts, and Mr. Brave cannot claim, unless he wants to delude himself, that the impact of his new tax measures will not be felt by the common man; however slight the increase he has proposed in the rates of tax applicable to a particular commodity may be, it is bound to be reflected in the sale price to the consumer. It is difficult, again, to agree with the Finance Minister of Maharashtra that the slight increase he has proposed in the rates of tax on raw cotton and cotton yarn is something that enters into production of end-products of high value only. Our cotton textiles, unless they are of superfine or extra superfine variety, cannot be described as such, although their prices have gone up, in all conscience, thanks to successive doses of the Union Excise Duty. Moreover, Mr. Brave should not have overlooked the additional burden of Rs. 12.10 crores (in fact, the yield, it is estimated, would be two to three times higher) imposed by the Union Finance Minister in his latest budget.

It has also been claimed that, in devising the new measures of taxation, an attempt has been made to see that the burdens will fall to the maximum extent where they can be borne. In a sense, this may be said to apply to taxes on such items as aviation motor spirit and petrol, electricity duty on specialised non-industrial utilisation of power for air-conditioners, and refrigerators, etc., but taxes on items like aerated waters, domestic electrical appliances, suitcases, and carriage of goods by road and motor vehicles tax on stage carriages cannot be said to fall in this category. Today, if people use domestic appliances, such as cooking ranges, electric stoves and electric irons, they do so more as an escape from the high cost of coal (not to speak of the dirt and sort that accumulates with the use of coal) and the stiff charges of the 'dhobi', rather than as a fashion. But, in his anxiety to gather as much revenue as possible in his first attempt itself, perhaps, Maharashtra's Finance Minister has not cared to consider all these aspects.

While one has to admire the trouble that Mr. Barve has taken to find some justification or other for every one of his new tax proposals, one feels rather intrigued that he has not bothered to say anything about the impact of all his tax proposals on the future trend of prices. It would have been interesting to know from him the extent to which the levy of additional taxes every year on this scale would impinge on the working class living index. It would not have taken much time for the Bureau of Economics and Statistics of the Government of Maharashtra to work this out. But it should be obvious, even to the uninitiated, that the effect would be much greater than that experienced during the Second Plan period, when wholesale prices increased by 35 per cent.

The people of Maharashtra should be eternally grateful to the predecessors of the present Finance Minister for having built up several specific funds, such

as, for example, the Sugarcane Cess Fund. For, but for the accumulations to the credit of this Fund and the Fund for Development Schemes, they would probably have been in for more taxes. Be that as it may, an interesting point that arises in this connection is whether the Finance Minister is justified in closing the Sugarcane Cess Fund and appropriating the balance in that Fund for general purposes, as he has done, merely on the score that the Sugarcane Cess has been replaced by a purchase tax. If only he cares to call for the speech of the Finance Minister who created this Fund (Mr. V. L. Mehta) he will be able to find out the circumstances in, and the purposes for, which this Fund was started and the specific assurance (that the Fund would be used only for improving cane cultivation in the State) given at the time. Will not the action of Mr. Barve amount to going back on the solemn assurances of the Government ?

The new tax proposals for 1962-63 apart, the budget speech this year is particularly notable for its exhaustiveness and clarity. The decision to provide additional literature, such as the Economic Review and the statements and charts contained in a companion publication, along with the budget literature is to be welcomed. To those who may wish to acquaint themselves with the economic conditions in the State more fully, these should be particularly useful.

And, before I conclude, I must refer to the really encouraging affirmation of Mr. Barve that "Maharashtra's Third Plan for Industry and Mining has been formulated on the basis that it will be the private sector which will play the major role in setting up new industrial and mining enterprises in the State." This, if I may say so, is the only silver lining to the budget cloud in so far as business men are concerned.

The Cashewnut Industry in Goa

By DR. JOSE C. ALMEIDA

THE cashewnut industry is Goa's second most important industry, the first place having been occupied by the mining industry. There are, in all, ten units currently operating in this region and they are situated in the concelhos of Bicholim, Ponda and Goa. Only four of these units are reasonably big while only one unit is managed by a limited company. Since the financial capacity of most of the units is small and they are governed by private enterprisers of meagre means, they cannot by any reckoning be considered as large-scale units. The main activity of these units consists in roasting the cashewnuts by a manufacturing process spread over various stages. For improved productivity, there needs to be a higher order of functional co-ordination amongst all the stages of production.

These units do not employ any machinery for dehusking the cashewnuts and the job is done by "skilled labour", specially trained for this purpose. The effective capacity of the industry is thus dependent upon the availability of skilled labour. The local supply of cashewnuts at 3000 tons is not sufficient to meet the demand for local consumption as well as for exports. This situation was remedied in the past by purchasing cashewnuts from the foreign markets, mostly from Mozambique. For economic operation of the units, it is necessary that the raw material supply should be in the region of 5000 tons. Thus the two major factors conditioning the growth of this industry in Goa are: the availability of skilled labour and the raw material. There are some other minor factors such as the availability of credit, which also affect the industry directly.

The furnaces employed by the cashewnut industry have not been working at full capacity in recent years. Hitherto not more than 30 per cent of the available capacity has been utilised. The localization of the industries in the mining areas of Bicholim and Ponda places additional strain in the sense that necessary labour cannot be recruited as the mining industries in these centres are in a position to offer higher wages.

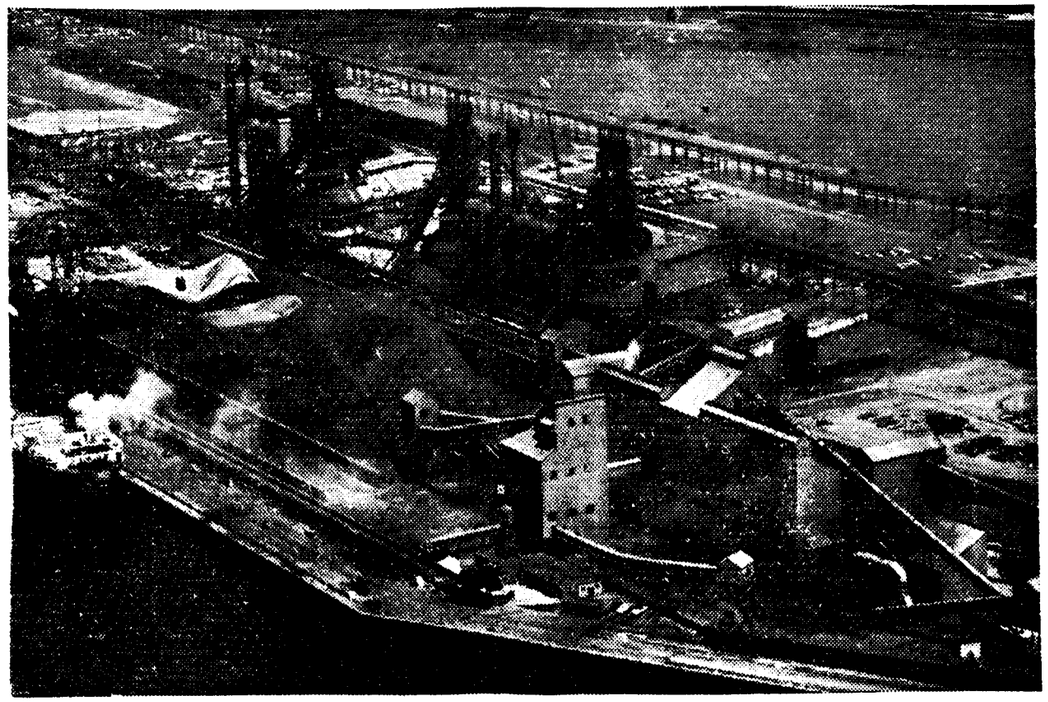
In 1960 Goa's exports were as high as 1,300 tons mainly due to the facilities granted to the industry for the import of cashewnuts from Mozambique. On an average the exports of cashewnuts during the last few years were about 1000 tons per year. Assuming the local consumption at about ten per cent of total production, the annual output of the cashewnut industry can be estimated at about 1,100 tons.

A majority of the workers in the cashewnut factories are daily wage earners. Some women workers work in their own homes for the factory. The distribution of the workers in each factory is roughly like this: 6 to 10 workers are employed in the roasting stage, about 600 are employed in the nut cracking stage, about 300 in the husking stage, about 100 in the selection stage, about 6 in the sorting and granding stage about 10 in the packing stage. Normally foremen are paid Rs. 116 per month; wage earners above the age of 18 are paid between Rs. 2.50 and Rs. 1.50 per day. While the duration of work in the factories is normally eight hours, the wage earners are not paid for Sundays and holidays.

Analysing the cost of production in the various stages of the operation and keeping out the cost of raw materials, it is estimated that for preparation, packing, sale and despatch of one ton of cashewnuts to the customs house in New York, it comes to about Rs. 380. The overhead expenses can be considerably reduced if large-scale production process is initiated. Present estimates indicate that the cost of this operation can be reduced to Rs. 330 per ton.

Every year in the month of March the Portuguese Government in Goa used to protect the grower of cashewnuts by fixing its price in conformity with the price ruling in the Indian markets and the other markets abroad. During the last three years, the prices of cashewnuts have gradually taken an upward trend. The prices in the US market have usually fluctuated according to the laws of demand and supply, but an analysis of the prices during the last three years shows that the wholesome nut has kept up its upward trend in prices, specially in the case of grades WF 200, WF 220 and WF 240. The local demand being hardly one-tenth of the total produce, it has very little influence in disturbing prices.

Hitherto the Goan cashewnuts have had to face competition in the US market from the Indian Union which is capable of competing in prices, but not in quality. As stated earlier, the industries in Goa did not enjoy any special credit or subsidy facilities. Only during the last two years, i.e. 1959 and 1960 the "Junta de Comercio Externo" gave loans at the rate of 6 per cent for the import of cashewnuts with husk from Mozambique. The industry, however enjoyed exemption of import duty relating to the import of cashewnut husk from Portuguese overseas territories. Tin sheets



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and other equipment required by the industry were also exempted from the payment of import duties.

On all exports, the exporters have hitherto paid one per cent ad valorem as export duty and two per cent ad valorem as "on other dues".

The industry has functioned in a disorganised manner. Given facilities in the form of credits or subsidies, there is no doubt that the units can start operating up to optimum capacity. Unless they are organised on more sound lines, they are likely to stagnate in the face of competition from the units operating in other parts of India. The industry needs to be encouraged not only because of its capacity to earn foreign exchange, but also because of its being able to provide employment to sizeable numbers.

Business Notes

Urban Markets

MARKETING RATING INDICES FOR TOWNS

THE CLARION ADVERTISING SERVICES need to be congratulated for having attempted the computation of market rating indices for class I towns of India. This is the second attempt that an advertising agency has made in this country to rate the towns on the basis of their market potential. In 1960, Messrs. J. Walter Thompson Private Ltd., had prepared a consumer index of markets based upon no less than twelve economic indicators. Th present rating made by the market research department of Clarion Advertising Services is based upon three major factors, namely (a) 1961 population, (b) per capita consumption and (c) growth of population over the decade 1951-61. All these three are the central factors for defining the size of a particular urban market.

The summary of the analysis is given in the table below :

(Total population: 36.02 millions)

Group	Index range	No. of towns	Percentage share of	
			Population	Market
A	50 and above ..	4	30.9	43.3
B	10 to 50 ..	10	21.9	17.4
C	5 to 10 ..	21	18.3	15.5
D	Below 5	73	28.9	23.8
	TOTAL ..	108	100.0	100.0

It would be seen that the study covers about 36 million population in 108 towns. Four of the leading cities, namely, Bombay, Calcutta, Madras and Delhi command about 43.3 per cent of the market with 30.9 per cent of the population.

The rating of these four cities according to the present index is:

Calcutta (Corporation Area) ..	100.00
Greater Bombay	152.97
Delhi	91.73
Madras	53.22

In all of the other three categories, the share of the market is slightly less than the percentage of population. It shows that the per capita consumer expenditure in the four cities is higher than in the remaining 104 towns. Therein lies the reason for the 'more than proportionate size' of the market in the leading four cities. The application of these index numbers cannot, however, be made uniformally to the sales potential of all products without regard to the degree of priority enjoyed by them in the budgets of the urban families. There is a certain compulsion in regard to the expenditure on necessities. A proper way would be to estimate the volume of the discretionary and the non-discretionary components of the consumer expenditure of these towns so as to estimate the probable expenditure on the necessities, the consumr durables and the luxuries. If a manufacturer of fans were to rely upon these index numbers, he will be disappointed because the purchase of fans is a function of the discretionary component of the consumer expenditure and not the total volume of consumer expenditure. This is to highlight the fact that whereas these index numbers can be very rough guides for determining the size of the market, they cannot be used in the case of particular products, for which an elaborate market research survey must be planned. Thus, these index numbers can hardly take the place of scientific market research which must be used for assessing accurate sales potential for particular commodities in the urban centres. While the attempt at constructing these indices is laudable, the manufacturers who are planning gigantic sales programmes are warned not to place too high a faith in these index numbers.

Term Loans

R. B. STUDY GROUP'S REPORT

IN THE WAKE of rapid industrialisation initiated by the Five-Year Plans, the crucial importance of providing term loans to industry and the need for improvising the techniques of appraisal of term loan applications so as to provide such loans have, not unnaturally, come in for comprehensive appraisal. Sometime ago, the Reserve Bank of India set up a Working

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LIMITED

Interest rate
on
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will be
Raised to 3% p.a.
with effect from
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Group to study and report on the general principles followed by financial institutions extending such loans.

According to the report since submitted by the said Working Group, while several special financial institutions have been established, in recent years, for the provision of medium and long-term credit for industry, there is still further need for broadening the institutional set up. In this connection, the Working Group has tried to dispel the long-held notion entertained by the banks that term loans are "non-liquid and risky." The Group has categorically stated that "the traditional concepts of liquidity are not applicable to term loans" and, further, that "the liquidity of such loans depends on the 'anticipated income' of the borrowers, as they are intended to be repaid over a period of years out of the enhanced profits arising from the utilisation of the loans." The adoption of formal term lending, at least by the larger banks, the Group has opined, would bring in a certain flexibility in the operations of the Indian banking system. When suggesting such participations, the Group is not oblivious of certain limitations such as the high credit/deposit ratio bringing in pressure on the liquidity ratio of the Indian Banks.

As regards the appraisal aspect, the Group has expressed the view that, while a static analysis of the balance sheet position might suffice for a short-term loan, the appraisal of term loans would require a dynamic approach, inasmuch as these loans call for a projection of future trends of output and sales, as also of estimates of costs, returns and flow of funds. Hence the thesis of the Study Group that "the standards to be adopted and the methods of analysis required for the appraisal of term loans are more appropriate to investment decisions than to short-term lending."

According to the Report, there are four broad aspects of appraisal: technical feasibility, economic feasibility, financial or commercial feasibility, and managerial competition. While the examination of technical feasibility consists of an assessment of the various requirements of the actual production process, the economic feasibility has reference to the earning capacity of the project. The appraisal of managerial competence is felt to be of considerable importance, since, in a dynamic economic environment, the ability of the enterprise to forge ahead of others depends primarily upon the quality of its management. The financial, however, is by far the most important aspect of term loan appraisal, and, as such, a different criterion, as distinguished from that adopted for short-term accommodation, is suggested. According to this new criterion, term lending institutions have to ensure; (i) that the estimated cost of the project has a fair chance of materialising; (ii) that the financial arrangement is comprehensive, without leaving any gaps and ensuring availability of cash as and when needed; (iii) that the estimates of earnings and operating costs are as realistic as circumstances permit; (iv) and that the borrower's repaying ability, as judged from the project operations, is demonstrable with a reasonable margin of safety.

Sheet Glass

NEED TO IMPROVE QUALITY

OF COMPARATIVELY recent growth, the sheet glass industry has recorded notable results not only in the expansion of its capacity and production but also in the range of its products. The industry has now been enjoying protection for the last twelve years, and Mr. K. R. P. Aiyangar, Chairman of the Tariff Commission, has himself expressed satisfaction with the performance of the industry, despite several difficulties in obtaining regular supplies of raw materials. But it is only on the count of high cost of manufacture, and the consequent high prices to the consumer, that this industry, like many an other in the country, has failed to come up to public expectations. There are, of course, some extenuating circumstances, such as the cost of some items that enter into the cost of production over which the industry has no control, but they do not fully explain the prevailing high prices. It is in this context that the question of the obligations of a protected industry came up prominently at a public inquiry into the extension of protection to the sheet glass industry beyond December 31, 1962.

Referring to the expansion of capacity of the industry, Mr. Aiyangar pointed out that the present producers were still the same four units as in 1960; five more units had been licensed, but they have yet to establish production. Thus, the installed capacity of the units in production at present, as given by the producers, stands at 13.101 million square metres, as against 10.573 million square metres in 1960. If the five new units also come into existence as scheduled, Mr. Aiyangar pointed out, the capacity of the sheet glass industry would increase to 17.30 million square metres in 1963 and to 20.48 million square metres in 1964. Meanwhile, there has not been any appreciable rise in production; the total net production which was 8.240 million square metres in 1960, rose only fractionally to 8.282 million square metres in 1961. However, the output of thicker varieties has risen considerably.

As regards domestic demand, the Tariff Commission had estimated it in 1960 at 9.29 million square metres and envisaged an annual increase at the rate of 1.394 million square metres during the three succeeding years. The present estimates of demand for sheet glass, according to the Tariff Commission Chief, range from 10.22 million square metres to 13.93 million square metres for 1962, 11.61 million square metres to 15.98 million square metres for 1963, and 13.47 million square metres to 18.02 million square metres for 1964. However, according to the Development Wing, the demand for sheet glass would be somewhere near 16.257 million square metres by the end of the Third Plan.

In regard to the problem of raw materials — sand, soda ash, limestone, sodium sulphate, dolomite and arsenic — needed by the industry, only soda ash and, to some extent, sodium sulphate continued to be imported. However, the industry's complaint is that the prices of all the basic raw materials, including those of the imported ones, increased railway freight rates, expensive road transport, and non-availability of adequate rail, as well as road transport, had all combined to push up the cost of manufacture sharply. Another complaint of the industry is that there has been no consistency in the quality of basic raw materials, which has not only affected the quality of the glass produced but has created great wastages in production.

On the other hand, the Tariff Commission Chairman highlighted the general complaint received from the consumers and the trade associations that the prices charged by the indigenous industry for sheet glass were greater than those of imported glass, which, in fact, was also considerably better in quality. He accordingly reminded the producers that, "as a protected industry, manufacturers have obligations to spare no pains to improve the quality of their products and simultaneously to reduce their costs by effectig all possible economies in consumption, over-heads, etc. so that they could afford some relief to consumers and also stabilise themselves on a sound footing." Not until this happens, it is needless to stress, can the industry hope for a bright future.

New Issues

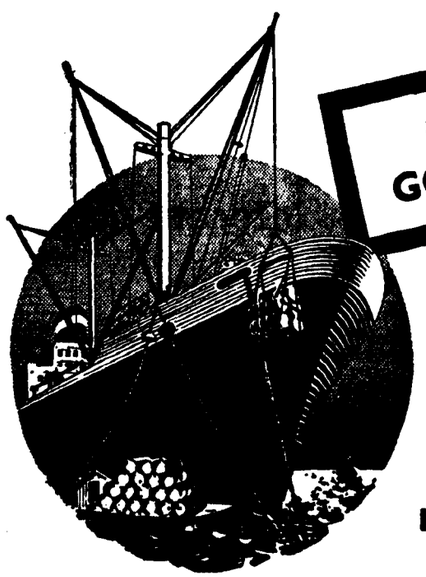
ASSAM SILLIMANITE LIMITED

TWO MORE companies are approaching the public in the near future for subscriptions to their share capital.

Assam Sillimanite Limited has plans to raise Rs. 70 lakhs in the form of 7 lakh equity shares of Rs. 10 each. After this issue is subscribed, the whole of the authorised capital of the company, Rs. 100 lakhs, would have been issued and subscribed.

Of the present issue, 2.9 lakh shares are being reserved for allotment to the International Finance Corporation, if it proposes to exercise the option provided to it by the company in consideration for the loans granted by it. Another 60,000 shares are to be reserved for allotment to the West German technical collaborators, Messrs. Vereinigte Grossalmeroder Thonwerke, Grossalmerode. Of the remainder, 60,000 shares have been reserved for allotment to the existing shareholders of the company and another 50,000 for allotment to the Life Insurance Corporation of India. The balance 2.4 lakh shares are to be offered to the public for subscription at par, the full amount being payable alongwith the applications. The list opens on June 18 and shall close on June 25 or earlier at the discretion of the directors, but not before June 20. The new shares will rank as regards dividends and in all other respects pari passu with the already issued shares except that they will not rank for any dividend that may be declared in respect of the financial year ending March 31, 1962.

The proceeds of the issue are to be utilised for extension of the company's refractories manufacturing factory at Ramgarh, in Bihar, which started production in February-March, 1961, with an installed capacity of 3,000 tons of refractory products per annum. The expansion programme is to be completed in two stages. The first stage will raise the installed capacity of the



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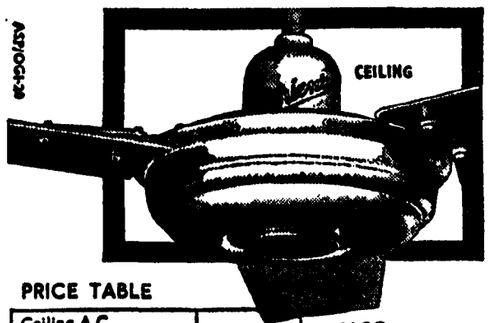
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DWC-7

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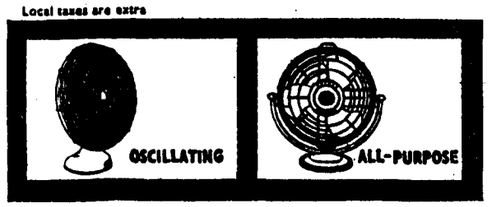


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factory by 29,000 tons per annum; it is expected to be completed by the end of the current calendar year. The second stage envisages raising of the installed capacity further by another 17,000 tons per annum. Work on this stage will be taken up after the completion of the first stage.

The total cost of the project, covering both the stages, is estimated at Rs. 139.21 lakhs. The International Finance Corporation has agreed to make available two loans, one for $9,24,000 (approx. Rs. 44 lakhs) and the other for $4,41,000 (approx. Rs. 21 lakhs), for financing the import of machinery and equipment during the first and the second stage, respectively. These loans are to be repaid in easy instalments from 1965 to 1974 and will carry an interest at the rate of 6.25 per cent per annum.

The company's main business till now had been quarrying and shaping of sillimanite from Khasi Jyantiya Hills in Assam. The manufacture of refractories, suitable for use in all types of blast furnaces, on the scale envisaged in the expansion programme of the Ramgarh factory will obviously help it in increasing its profits. The company paid a dividend of 6 per cent per annum, less tax, during the years 1959-60 and 1960-61, out of its profits which, after taxation, amounted to Rs. 1.29 lakhs in 1959-60 and Rs. 1.59 lakhs in 1960-61.

The demand for refractories is estimated to go up to 1.6 million tons per annum by the end of the current Plan. The present production in the country is in the neighbourhood of 0.52 million tons a year, which is far below the country's current requirements. The company, thus, is likely to encounter little difficulty in marketing its products; in fact, it is reported to have already on hand orders which can only be serviced early next year after the first stage of the expansion programme is completed.

SATELLITE ENGINEERING

THE SECOND company that has plans to enter the capital market sometimes next month is an engineering concern, Satellite Engineering Limited, incorporated as a public limited company in the State of Gujarat in April last for the purposes of manufacturing fluorescent starter switches, miniature filament bulbs, automobile pistons and other allied products.

The company's authorised capital is Rs. 30 lakhs, of which Rs. 10 lakhs is subscribed. An offer is being made to the public for subscribing to 50,000 equity shares of Rs. 10 each.

The company has secured technical know-how from Messrs. W. & E. Kupfer Ltd., for the manufacture of starter switches and miniature filament bulbs and from Messrs. Meteor Pistons, S.R.I., Milan, Italy, for the production of pistons. Its factory is located at Kathwada, near Ahmedabad.

The manufacture of fluorescent starter switches has already started (the capacity of this plant is 89,600 dozen starter switches per annum on single shift basis). Miniature filament bulbs will be produced on receipt of raw materials and some additional equipment in another six months time. The piston manufacturing unit is scheduled to go into production in 1964.

General Insurance

UPWARD TREND IN BUSINESS

THE FIGURES given in the Indian Insurance Year Book 1961, published by the Controller of Insurance, Government of India, provide an interesting reading. One gets the idea that general insurance business has gone up by over Rs. 3 crores during the period for which the report speaks for. The net premium income in all classes of general insurance business of Indian insurers, it would be observed, increased to Rs. 18.51 crores in 1960 from Rs. 15.02 crores in 1959. In 1960, Rs. 5.93 crores were earned from fire insurance, Rs. 3.09 crores from marine insurance and Rs. 9.49 crores from miscellaneous insurance business. In the case of non-Indian insurers, the net premium income in India was also higher in 1960 as compared to 1959, in marine and miscellaneous business, but it was slightly down in fire insurance business.

The net premium income outside India of Indian insurers was also higher in 1960 as compared to 1959. It amounted to Rs. 14.43 crores in 1960 of which Rs. 7.33 crores were earned from fire insurance, Rs. 2.72 crores from marine insurance and Rs. 4.68 crores from miscellaneous insurance business. The Index Number of general insurance business recorded on the whole a rise of 11.8 points in 1960 compared to 11.1 points in 1959.

A significant point to note is that the life insurance business has not fared badly after nationalisation. In fact it goes to the credit of the Life Insurance Corporation that after nationalisation it has weathered the storm successfully. It may also be, noted that after nationalisation a higher proportion of new life insurance business was obtained from persons in the higher income groups than in the lower income groups.

IDA

THE SWEDISH GESTURE

THE CREDIT for making available the first supplementary contribution for strengthening the resources of the International Development Association, an affiliate of the World Bank, goes to Sweden whose Parliament a few days ago voted a grant of $5,826,975 for the purpose. This sum is to be remitted to IDA authorities in freely convertible Swedish kroners, not tied to Swedish exports nor restricted to use in any specific country, and will raise Sweden's total contribution to IDA's funds to nearly $16 million.

As has been repeatedly emphasized by the World Bank President, Mr. Eugene R. Black, who is also the Chief of the International Development Association, IDA's resources need to be strengthened if this international finance institution is to continue to play its useful role in the economic uplift of the under-developed countries. Not only these resources require to be augmented by a general increase in the subscriptions of the member countries, which number 61, but there is obviously a case for making of such special contributions by the highly developed among IDA's members. The lead given by Sweden, it is hoped, will be followed up by the advanced countries of the West, some of which are even otherwise making useful contribution to the economic development of the backward countries through unilateral loans and grants or through consortiums such as the ones formed for helping India and Pakistan.

(Continued from page 1383)

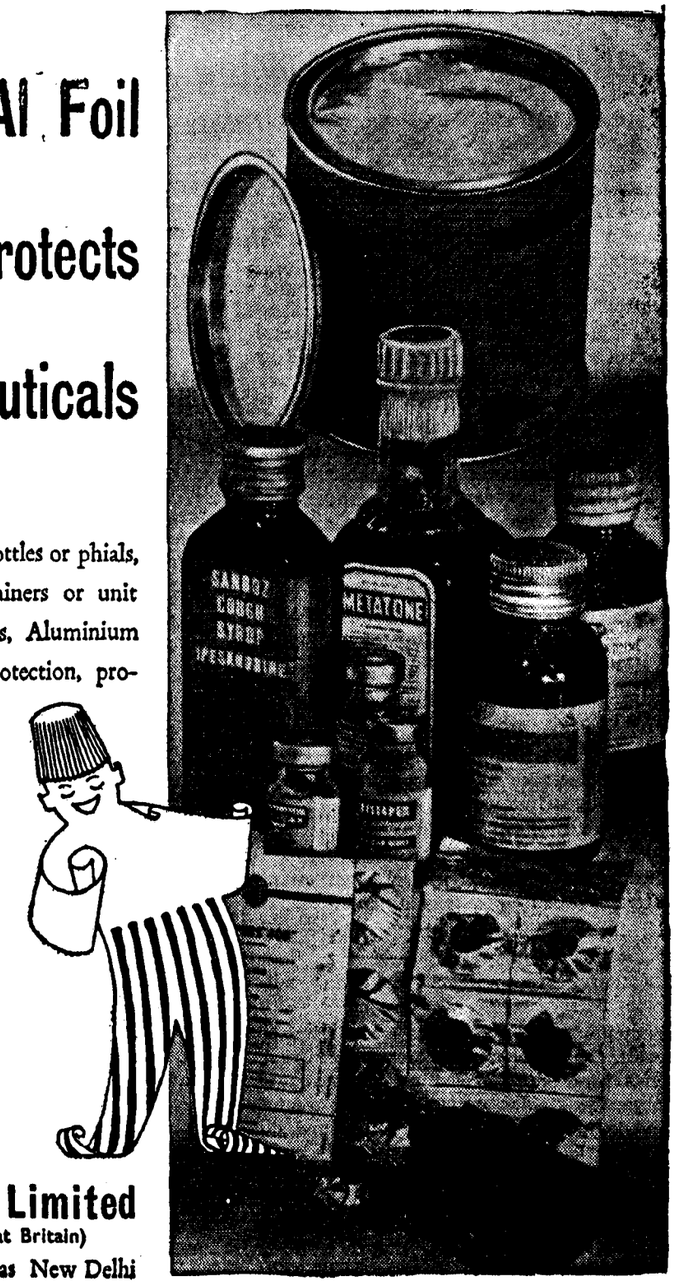
instance, proposes to reduce by 30 per cent in three years the means of delivering nuclear weapons. But at the expense of what types of weapons? Missiles with a range of 5,000 kilometres and more i.e. the intercontinental and global rockets! But such things as American war bases and forces in foreign territories are treated as mere trifles in the US "Outline" and referred to only in the third i.e., the last stage of disarmament, the deadline of which is not indicated at all.

The above comparison brings out clearly the fact that while the Soviet draft proposes disarmament with control, the US "Outline" envisages control without disarmament.

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FROM THE CAPITAL'S CORRIDORS

THE FOREIGN EXCHANGE CRISIS: FINANCE MINISTER'S STATEMENT

THE Union Finance Minister, Mr. Morarji Desai's last week's statement in the Lok Sabha, on the foreign exchange situation, has been on the expected lines. Mr. Desai traced the genesis of the current foreign exchange crisis in the country to three factors, namely (1) payment of large sums (in foreign exchange) outside the credits made available by the friendly countries for import of machinery, components and other departmental requirements, as also on account of discharge of debt obligations; (2) deterioration in 'invisible' earnings and accruals of foreign exchange, especially on account of fall in remittances from Indians abroad; and (3) slow mobilisation of the readily usable assistance made available by the friendly countries.

Talking about the present foreign exchange resources of the country the Finance Minister said: "Our sterling balances stand at about Rs. 100 crores at present, against Rs. 128 crores on April 1, 1962. We have, in addition, Rs. 118 crores of reserves in the shape of gold as well as certain working balances maintained by Government which are not a part of the Reserve Bank's balances. Although the Reserve Bank is required to maintain a minimum of Rs. 200 crores in gold and foreign exchange in its Issue Department, this requirement can be relaxed by Government. As member of the International Monetary Fund, we have a second line of reserves to fall back upon, if necessary."

This, alongwith the postponement of the commitments to be made by the Aid-India Club in respect of the assistance to be made available by it for the second year of the Third Plan, the Finance Minister said, made it obligatory on the part of the Government to adopt measures which will lead to slowing down of drain on foreign reserves so that after taking into consideration the aid that is available, there is no net drawal on them over the year as a whole. Mr. Desai proposed the following four measures to deal with the current acute foreign exchange situation.

(1) Redoubling of efforts to increase exports;
(2) Speedier mobilisation and utilisation of assistance already promised by friendly countries;
(3) Cutting down of imports both on Government as well as private account; and
(4) Rectification of the unfavourable trend witnessed in the recent past in invisibles."

Regarding stepping up of exports, the Finance Minister said while the Minister for International Trade would adopt whatever measures were necessary to achieve this objective, it was imperative that greater attention should be paid to crops like cotton and oil seeds etc., which have a major bearing on our export drive.

The unfavourable trend in "invisibles" Mr. Desai proposed to rectify through plugging of all loopholes through which foreign exchange which should normally be earned by the economy was being diverted to illegitimate purposes. One such loophole, he pointed out, was travel abroad by Indians even though no foreign exchange was released to them by the Reserve Bank. To check this, he stated the Reserve Bank had been asked to issue new regulations to close this source of leakage by stopping journeys abroad by Indians who had not been given any foreign exchange by it. Simultaneously, he added, changes were being made in the regulations governing travel for purposes like business and education, with a view to effect sizeable savings. More intensive measures to counter smuggling of all kinds were also under the consideration of the Government, he disclosed.

CUT IN IMPORTS

Soon after Mr. Morarji Desai had made his above-mentioned statement in Parliament, two notifications were issued — one by the Ministry of Commerce and Industry and the other by the Ministry of Finance. The former related to the cuts in imports, while the latter was in respect of foreign travel by Indians.

The Commerce and Industry Ministry notification said:

"Established importers will be granted quota/additional licences and other types of licences equal to 50 per cent of their entitlement calculated in terms of the policy announced in the current Red Book. The minimum value of licences to which the established importers are eligible in terms of the provisions contained in para 31 of Section I of the Red Book or elsewhere, will be reduced by 50 per cent. The value of licences granted on an annual basis or in two half-yearly instalments will be subject to 50 per cent cut.

"Licences already granted to established importers for the current period will be called back for reduction in value. Established importers should immediately return the licences granted for the current period to the concerned licensing authority for amendment in value, without entering into any further commitment for the supply of goods against such licences.

"The cut will not be applicable to licences to be granted to established importers under aid from U.S.A.

"A cut will also be applied in licensing the requirements of actual users from free resources. The extent of cut will be decided in each case on merits, subject to the availability of foreign exchange.

"A 50 per cent cut will be applied in the entitlement of licences to be issued to Consumer Co-operative Societies in terms of the provisions contained in Appendix 41 of the current Red Book.

"The position will be reviewed by the end of September, 1962, and supplementary licences will be issued wherever necessary, subject to availability of foreign exhcange."

RESTRICTIONS ON TRAVEL ABROAD

The Finance Ministry notification said: "With immediate effect, no person in India who wishes to travel abroad, can obtain a ticket from a shipping company or an airline without producing clearance in writing from the Reserve Bank of India. A directive to this effect has been issued by the Reserve Bank to all shipping companies and airlines operating in this country."

TAX CONCESSIONS

While introducing the Finance Bill to give effect to his tax proposals for the year 1962-63, in the Lok Sabha on Tuesday, Mr. Morarji Desai announced the following concessions:

(1) Cloth certified by the All-India Khadi and Village Industries Commission to be genuine khadi will be exempted from the processing duty even where such processing is done by power.

(2) **Cotton Yarn:** All single cotton yarns, whether bleached or grey, as well as unprocessed folded cotton yarns would be totally exempted from duty if issued in hanks up to 40 counts.

(3) **Powerloom Units:** Powerloom units having between 50 and 300 looms will be allowed to pay duty at half the standard rates for the period up to February 28, 1963, and at three-fourth of the standard rates during the year ending February 29, 1964. The relief during this interval is intended to enable the powerlooms to readjust their economy.

(4) **Mercerising:** Rate of excise duty for mercerising and waterproofing (including rubberisation) is to be reduced from 25 nP. to 10 nP. per square metre in respect of fabrics of an average count of below 26s and to 15 nP per square metre for fabrics of higher counts.

(5) **Handloom Fabrics:** Handloom and powerloom fabrics processed by independent operators will be charged four-fifth of the standard rates. This concession will apply to fabrics only when they are processed by units which are not in any way connected with a spinning or a weaving unit.

(6) **Processing Units:** Independent processing units which were in existence on April 24, 1962, but were not required to take out a Central Excise licence because of confining their activities solely to processing handloom or exempted powerloom fabrics would be given the exemption for the first 20,000 square metres of cloth bleached, dyed or printed by them in any month.

(7) **Woollen Fabrics:** Woollen fabrics produced on handlooms or powerlooms, that is, units not having their own spinning plants would be charged only two-third of the standard rates if such fabrics are processed in a unit which was not in any way connected with a spinning or weaving mill.

(8) **Indigenous Newsprint:** Duty on indigenous newsprint will be reduced from 22 nP. to 5 nP. per kilogram. At the same time a countervailing duty would be levied on imported newsprint.

(9) **Penicillin:** Duty on penicillin, streptomycin, quinine, insulin and a few other items commonly used as basic remedies for prolonged treatment of certain endemic diseases like malaria, tuberculosis, leprosy and dysentry is to be reduced to 2½ per cent.

(10) **Fertilizers:** To guard against dimunition in use of fertilizers ammonia and carbon dioxide used for manufacturing fertilizers, a nominal duty of Rs. 25 per metric tonne would be levied, as against the standard rate of Rs. 125 and Rs. 500 respectively.

(11) **Coal Tar:** Coal tar will be totally exempted from excise duty for the present.

(12) **Cables:** Duty on telecommunication cables as well as winding wires which were assessable at 15 per cent ad valorem would be assessed at five per cent ad valorem.

(13) **Acids:** All units producing without the use of power not more than 50 tons per annum of hydrochloric and nitric acids are to be exempted from all duty provided duty-paid sulphuric acid is used in their manufacture.

(14) **Plywood:** Coarse plywood, used mostly in the manufacture of packing cases, is to be exempted when produced in units whose total output in a year did not exceed 4,000 square metres.

(15) **Re-Rollers:** All re-rollers using mainly re-rollable scrap and who do not ordinarily get a quota of billets exceeding 10 tons a year are to be exempted provided duty has been paid for such scraps or billets.

(16) **Capital Assets:** Losses in respect of capital assets which had been or would be assessed up to the assessment year 1961-62 would be enabled to carry forward losses for eight years. Future losses in respect of long-term capital assets would be allowed to be carried for only four years.

As a consequence of these concessions, the additional yield to the Central Exchequer, which was estimated at Rs. 71.7 crores at the time of presenting the tax proposals in April, will be reduced by Rs. 77 lakhs.

BOARD OF TRADE'S FIRST MEETING

The Board of Trade, which met here last week under the Chairmanship of Mr. Manubhai Shah, Minister of International Trade, considered important items on the agenda concerning the development of trade and expansion of exports.

The question of evolving a code for fair trade practices and exhibition of price lists and price markings at the manufacturers', wholesalers' and retailers' level was discussed in detail. The representatives of wholesalers' and retailers' associations from different parts of the country were also present.

The Board generally welcomed the idea that in due course not only a code for fair commercial practices should be evolved and enforced but also an operational programme should be drawn up. In order to make a further study, it was decided to set up a sub-committee under the chairmanship of Mr. Shriyans Prasad Jain, President of the Federation of Indian Chambers of Commerce and Industry, who will be assisted by seven other members drawn from the trade and industry. The committee will draw up a draft code of fair commercial practices and will also prepare preliminary phased programme of implementation. What should be the commodities with which the average consumer would be vitally concerned, which important industrial and trade centres should be selected for the introduction of such a programme and in what manner manufacturers', wholesalers' and retailers' associations could co-operate among themselves in order to implement such a phased programme, will also be studied by the sub-committee in detail. Its conclusions and recommendations would be submitted to the Board within a period of two to three months.

The role of consumer co-operatives, fair-price shops, stamping of prices and exhibition of price lists and price markings will also be studied by this committee.

This approach is designed to initiate a movement wherein, through social discipline and co-operative effort, the manufacturers, wholesalers and retailers can not only establish fair trading practices but also ensure fair prices to the consumer.

EXPORT PLAN

The most important item on the agenda was the export plan for the current financial year. It was agreed that while the long-term programme was important, the most vital thing at the moment was the export performance during the current financial year. The Board agreed that every sector of trade and industry should fully activise itself and co-operate in the national effort to reach the modest export target of Rs. 720 crores set for the current year.

Several members pointed out that the two most important difficulties were transport bottlenecks and delays in granting of incentives and assistance. It was also pointed out that the supply of raw materials in some cases was not timely and adequate. On behalf of the Government, the steps that were proposed to be taken to meet these difficulties were indicated. The various export promotion councils and the Department of International Trade, it was stated, were trying to grant incentives and assistance to different industries as expeditiously as possible. A full-time Director of Incentives had already been appointed for this purpose. Any exporting trader or industry, who experienced any difficulty, could contact the Director of Incentives. A Director of Transport and Freight had also been ap-

pointed to assist the exporters in removing any difficulties in the way of speedy movement of goods meant for export.

ACHIEVING TARGET

However, it was realised that while the simplification and streamlining of procedures would be a continuous process, the trade and industry should make a determined effort to achieve the target fully. The supply of raw materials to the exporting industries would also be taken up on high priority. It should not be difficult for the exporters to obtain from the trade and manufacturers sufficient quantities of goods to achieve the target.

Several long-term measures for promoting export performance were considered. The main participating industries which had a steadily increasing export potential were plantation crops, cotton textiles and jute textile industries. It was, herefore, decided to give greater attention to these three staple exporting industries which contributed more than 50 per cent of the total exports. As far as engineering goods and chemicals and allied products were concerned, there was considerable possibility of their contributing larger volume of exports both on immediate basis as well as on long-term basis. The facilities to be extended to these industries should also be given special priority. The economy of scale and the optimum size of units for maximising productivity in these industries will be specially studied.

The Board agreed that while the long-term measures should continue to receive attention, the immediate task of all concerned was to give all attention to immediate export performance.

INCENTIVES

The Board also discussed the respective roles of the manufacturer-exporters and merchant-exporters. It was recognised that both these categories of exporters had vital roles to play in export promotion. The question of assistance to be given to the exporters would have to be further studied in consultation with each industry and trade concerned, as the nature of assistance would naturally vary according to the different categories of industry and trade.

The Vice-Chairman of the Board made a broad review of the discussion that the Government had with different export promotion councils during the last few months. All the export promotion schemes, he said, had now been put on a permanent basis and necessary and suitable modifications had been either made or were in the process of being made. One of the main items of incentives, he added, was that not only the supply of necessary raw materials and components for export items but also the machinery entitlement had been included in each scheme so as to provide built-in modernisation and raising of levels of productivity in each of the export entitlements.

A comprehensive directory of exports is being compiled in order to serve as guide to our embassies abroad and foreign buyers.

The question of promoting export houses and international trading firms, both by manufacturer and merchant exporters, was emphasised. The Board felt that the creation of a sound and healthy export tradition would get a great fillip by the establishment of well-organised export houses and export agencies.

Regarding the item on export finance and credit, the Board was informed that a study group, headed by the Chairman of the Industrial Finance Corporation, had been constituted. The Board felt that liberalised and widespread credit and guarantee facilities should be provided to the export trade and suitable institutional arrangements should be made to make both short-term and medium-term credits available at favourable rates of interest to the exporters and the exporting industries.

QUALITY CONTROL

The Board approved the establishment of a Quality Control and Inspection Council. The Council, when constituted, would place before the Board the operational programme of the quality control and pre-shipment inspection. It would be for the trade and industrial associations to promote the movement of quality control by establishing control houses and testing laboratories. Simultaneously, encouragement would be given to the specialised firms establishing control houses and test laboratories. Government would also establish control houses and testing laboratories for some of the important items of export trade at various industrial and trade centres. The quality control movement would have to be generated over a period of time so as to cover a large number of products and a large portion of the country in order to create consciousness on adhering to specifications and quality control.

The Board, however, emphasised that pre-shipment inspection should be given immediate priority because this would be the most vital and immediate phase of the quality control and inspection programme.

While the transport difficulties would continue, the Board felt that as the quantities involved in the export progarmme were only a small fraction of the total transport of goods in the country, it should not be difficult for the national transport systems to give overriding priority for movement of goods meant for export.

There was a general discussion on the committee to be appointed for studies of cost reduction programmes. Further consideration of this item, to select export products and manufactured articles for the cost reduction studies, will be continued at the next meeting of the Board to be held in Calcutta on July 6, 1962. Rest of the items on the agenda will also be taken up then.

The Board concluded its deliberations with the emphasis that the most important single task before the country was to create an adequate and vigorous export climate in the country in all sectors of economy. Only through the creation of such a climate, notwithstanding any minor or major difficulties, could the modest export target for the current year be a capable of being fully realised.

EXPORT POTENTIAL

A note circulated to the Board contained some loud thinking on the part of the Department of International Trade on the export potential of some important commodities, as also some of the measures contemplated to step up exports. The following extracts from this note would be read with interest.

"Mineral ores, particularly, iron ore and manganese ore, we have in plenty and their exports would give much higher foreign exchange earnings in the short term."

"The other group of articles which could be exported in large quantities in the short-term are those falling in the agricultural sector. We are priced out for groundnut oil and linseed oil. Their production over the years has increased, but internal prices of groundnut oil are higher by about 40 per cent over international prices. Clear decisions should be taken to earmark about 100,000 tons of these oils together for export; the necessary subsidies could be provided via the State Trading Corporation and its operations. Similarly, at least 500,000 tons of sugar should be earmarked for export."

"Pulses, the exports of which have been restricted,



need to be practically freed for export. Production in the last five years has increased from 5 million tons to 6.4 million tons and if 100,000 to 200,000 tons move in export, no particular harm would be done to the internal economy or the diet of the public. Similarly, oninos, potatoes, chillies, garlic and some other commodities should be made available freely for export, as also good quality rice like Basumati rice."

To step up cotton output, "irrigated area, whether presently available or to be added, needs to be actively diverted to cotton".

"There is possibility of much greater production on the side of marine products as well as meat and meat products. Unfortunately, higher production of fish has gone primarily towards increased supply to the domestic market. This is an excellect field for public sector operation and proposals for establishment of two public sector fisheries and one piggery mainly for exports are being examined. Simultaneously, public sector will have to take a lead in establishing installations at ports for storage of such commodities as oils, alcohol, molasses, etc."

COMPULSORY EXPORTS

"Export obligation on part of each manufacturer will serve to spread sacrifice evenly and would take away the 'pull' of the internal market which today the "manufacturer" has to resist as compared to the "non-exporter manufacturer" who exploits the internal sheltered market and who does not share the sacrifice and harder work involved in exports. Export obligation could be transferable so that when a manufacturer is not able to produce right quality, he can buy from others. In due course he will also produce right quality for export. Compulsory exports may have to be introduced in due course through some legislative measure if necessary."

"It is proposed to establish an Institute for Training in International Trade so that personnel in adequate numbers would be available both in the private sector and the public sector specialised in applied commerce and international trade techniques and to acquire knowledge of more than two to three foreign languages."

"The export finance problems are also being taken up. A proposal to set up an 'Export Credit and Guarantee Corporation' for extending guarantees for margins etc. and for rediscounting facilities through State Bank and other scheduled banks is under consideration. The problem of liberalised and well-spread export financing facilities both short-term and long-term is being considered."

"Central selling agencies are necessary in many fields. Iron ore is being sold only by the State Trading Corporation. Ferro-manganese producers have agreed that State Trading Corporation should also handle ferro-manganese. The manganese producers are also likely to agree to centralised sales agency. The film producers have now agreed, in principle, to the establishment of a central export agency. Shellac is an important export commodity in which India holds a large share of the world market and centrally-controlled selling agency would give much higher return per unit against exports. In order to avoid speculative forces, export of groundnut oil and linseed oil should also be canalised through the State Trading Corporation."

"Buffer stock agencies and State operations in stockpiling would help regulating prices at moderate levels, insuring somewhat steady prices for exports of finished products as well as of the primary products."

"Reorganisation of trade missions abroad and international trade information and exchange services will have to be undertaken."

"It is proposed to establish an Indian Exhibition and Fairs Society to participate in and to encourage fairs and exhibitions more so abroad."

HELPING IRON ORE EXPORTS FROM ORISSA

The Central Government has approved, in principle, a scheme of the Orissa Government to step up production of iron ore in the Sukinda-Daiteri area from 0.5 to 2.0 million tons for export, subject to the following conditions:

(1) The State Government accommodating the scheme within its overall ceiling;

(2) The Railways being able to move the surplus production from this area (surplus to what can be handled through Paradip port) to Calcutta or Vishakhapatnam, as the case may be; and

(3) The availability of foreign exchange required for the implementation of the mining project.

Part of the Sukinda-Daiteri area has already been opened up during the Second Plan for stepping up iron ore exports. The area is close to Calcutta as well as to the proposed new ports at Haldia and Paradip.

The State Government of Mysore has also set up an organisation for exploitation of mineral resources, including iron ore, for export. Any request from other State Governments, for undertaking mineral development projects for exports, will be dealt with on merits, it is stated here.

TRADE WITH TIBET

The Government of India has declared Tibet as a foreign territory in exercise of the powers conferred by the Indian Tariff Act, 1934. A notification, issued by the Government, says that customs duty, at the rate prescribed under the Indian Tariff Act or any other law for the time being in force, leviable on any article when imported into or exported from a port in India or the State of Pondicherry, shall be leviable on any such article when imported or exported, as the case may be, by land from or to Tibet.

SODA ASH AND CAUSTIC SODA: REQUIREMENTS AND OUTPUT

The existing requirements of India for soda ash and caustic soda are estimated as under:

1. **Soda Ash**		
i. Light	..	280,000 M. tons per annum.
ii. Heavy	..	50,000 M. tons per annum.
Total	..	330,000 M. tons per annum.
2. **Caustic Soda**	..	225,000 M. tons per annum.

The indigenous production of these two chemicals is as follows:

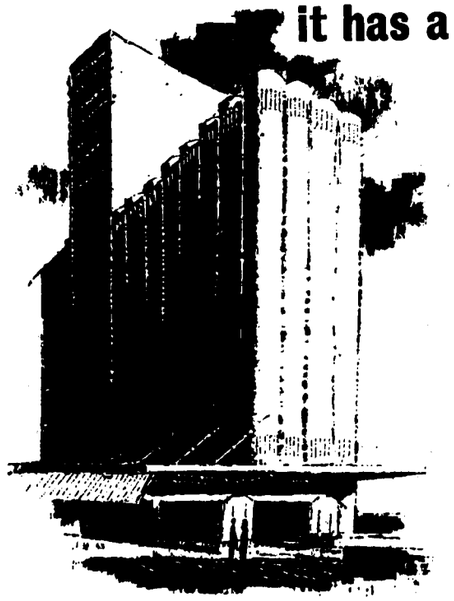
(M. tons)

		1961	1962 (Estimated)
1. **Soda Ash**			
i. Light	..	176,638	220,000
ii. Heavy	..	—	6,000
Total	..	176,638	226,000
2. **Caustic Soda**	..	119,854	130,000

The following further capacities have been licensed for their manufacture during the Third Plan period:

i. Soda Ash	..	310,000 M. tons.
ii. Caustic Soda	..	288,000 M. tons.

A silo—built to accommodate 100,000 tons of foodgrains! If the set-up looks too luxurious, consider *this:* every year in India more than a million tons of foodgrains are destroyed by pests—due to old methods of storage! Colossal wastage? It is. One reason why scientific storage is important—almost next in line to raising food production in India. Today Larsen & Toubro supplies a wide range of plant and equipment in the field of food and agriculture: tractors and implements, earth-moving equipment, fertiliser plants, grain silos and food processing plants.



it has a lift. it has a railway siding.

what is it?

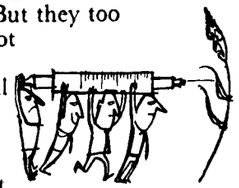
stronger than a pair of bullocks!

Certainly! And faster. Not the caterpillar—but the tractor that bears the famous name. It ploughs, for instance, about an acre an hour! (A pair of bullocks takes 16 hours!) Impressive? Then think also of the bigger machines: bull-dozers, scrapers, dumpers, traxcavators... all essential equipment for building irrigation dams and canals, clearing forest lands, harrowing and soil conservation.



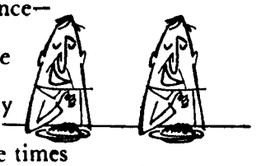
plants do have feelings!

So science has proved. But they too occasionally need a "shot in the arm". Fertilisers, in other words. Essential for healthy growth and increased yield. Every year the demand is growing—and with it the need for fertiliser plants and equipment like the Chemiebau superphosphate plants and other process equipment manufactured by L & T.



which one is eating rice?

Hard to tell the difference—and that exactly is the point. Synthetic rice *looks* similar; it tastes equally good. Then why choose it in place of rice? Because it is three times more nutritious. It is comparatively cheap... two aspects that are important to a country with a food problem. And this is where Buhler come in—with their long experience and know-how.



bread does not grow on trees!

Nor do biscuits, for that matter! Bakeries need flour—large quantities of it every day! Now think of the time it takes to produce one ton of flour *by hand.* And think of the modern Buhler mill that grinds 1,000 tons a day—just one of the plants that L&T now progressively manufactures.



L & T contributes also to the development of these vital industries:

- **dairy**
- **oil**
- **steel**
- **chemicals & pharmaceuticals**
- **paper**
- **minerals**
- **electricity**
- **transport**
- **construction**

LARSEN & TOUBRO LIMITED IN SERVICE L&T LIES SUCCESS



NEW SCHEMES FOR MYSORE, MADRAS AND KERALA

The following major new industrial schemes have been included in the Third Five-Year Plan for the States of Mysore, Madras and Kerala. They will be in the public sector under the Central Government.

(Rs. crores)

State and Scheme	Approx. Investment
Mysore	
Watch Factory	2.5
Madras	
i. Raw Film Project (Near Ooty)	8.0
ii. Boiler Plant, Trichi ..	12.0
iii. Surgical Instruments Plant, Guindy	6.2
iv. Neyveli High Temperature Carbonization Plant ..	25.0
Kerala	
i. Second Shipyard, Cochin	20.0
ii. Phyto-Chemical Plant, Narialmanglam	6.2

The following new industries are to be set up in the public sector under the State Governments in these States:

(Rs. lakhs)

State and Scheme	Plan Provision
Mysore	
Sulphuric-acid Plant at Ingaldahl, based on pyrites, to produce 25 tons of acid per day	25
Madras	
i. Multi-purpose Food Plant ..	15
ii. Pilot Iron and Steel Plant, based on Salem Magnetite and Neyveli Lignite	75
iii. Steel Re-rolling Mill with a capacity of 20,000 tons per year ..	100

LD STEEL FROM BHADRAVATI

The Mysore Iron and Steel Works in Bhadravati will be the second, after Rourkela, to manufacture steel in India by the extremely economical LD process. The already existing plants are at present being extended by DEMAG by an LD and elecric steel works, one 800 ton mixer, one three-high blooming mill, one three-high finishing train and the necessary crane and subsidiary equipment. After completion of the extensions, 130,000 tons of crude steel will be produced annually in Bhadravati. During the last few years, LD steel works with converters holding up to 175 tons have been built by DEMAG for a number of steel works at home and abroad.

IN BRIEF....

In order to avoid hardship to Indian citizens resident in Goa, Daman and Diu who had taken out Life Insurance Policies with Portuguese Companies operating in Portuguese-held territories in India before their liberation, the Government of India, in consultation with the Life Insurance Corporation, has decided that all such policies will, in future, be serviced by the Life Insurance Corporation.

*

The final estimate of sesamum for 1961-62 puts the current year's area under this crop at 5,561,000 acres and the production at 366,000 tons. Compared to the partially revised estimates for 1960-61 (5,360,000 acres and 316,000 tons), the estimates for 1961-62 show an increase of 3.8 per cent in area and 15.8 per cent in production. The yield per acre during the current year works out to 147 lbs., as against 132 lbs. last year, showing an increase of 11.4 per cent.

*

The Minister of International Trade, Mr. Manubhai Shah, declared last week that India was not accepting any cut in Indian cloth imports into the United Kingdom. According to Lobby reports, the Government of India is equally opposed to a Government-to-Government agreement on textile imports into the U.K., instead of the Industry-to-Industry agreement as at present.

*

The British Government has reminded the Commonwealth countries in general and India in particular that Ottawa Preferences can be terminated by giving six months' notice by either party.

*

The Indian Investment Centre has received a foreign grant to undertake "feasibility" studies in order to attract American investment and know-how to India. The Ministry of Heavy Industries has suggested that these funds could be used in financing the visit to India of experts to study the feasibility of solid coal pipeline, river transport for coal, coal-mining machinery manufacture and manufacture of machine tools.

*

Poland is sending out to India a team by the middle of this month to discuss the possibility of long-term arrangements for the import of iron ore and other commodities from India. An Indian team is likely to visit Poland by October to negotiate industrial collaboration for the manufacture of coal-mining machinery and machine tools.

*

There is "at present" no proposal for the nationalisation of private coal mines, it was stated by the Union Minister of Mines and Fuel last week.

*

Aluminium Cables and Conductors (Uttar Pradesh) Private Ltd., Calcutta, has entered into a collaboration agreement with Messrs. VEB Kablework Oberspree of Berlin and Messrs. A. C. Limex of the German Democratic Republic for the manufacture of paper insulated power cables.

*

After inviting tenders on a global basis, the Calcutta Port Commissioners have placed an order with Simons Lobnitz Ltd., a Scottish firm, whose quotation was the lowest, for the construction of two diesel-propelled hopper barges of 1,400-ton hopper capacity, costing £712,450, inclusive of the cost of spares and incidental expenses.

*

A five-year grant of $ 3½ lakh from the Ford Foundation has been received by the Institute of Applied Manpower Research, set up (by the Government of India in New Delhi. The grant will be used by the Institute for further research programme, the establishment of a library in the manpower and economic development fields and for the training of Indian nationals abroad.

*

The Government of India has decided to reduce the existing rates of compounded levy on khandsari sugar by one-third for the period from July 1 to October 31, 1962.

*

The target set for production of radio receivers in the Third Plan is nine lakhs per year to be achieved by 1965-66, as against three lakhs a year set in the Second Plan. Of this, the production target for the organised sector is eight lakh receivers and for the small-scale sector one lakh receivers.

COMPANY AFFAIRS

TEXMACO

THE Directors of Textile Machinery Corporation Limited indicate in the annual report that the year 1961 has been one of considerable improvement for the company. Although there were certain handicaps like the labour troubles, which were controlled to a large extent, and a cut in power supply, the working has been by and large quite satisfactory, and has yielded comparatively higher profits. The Directors, however, add that the extent of progress made has not been fully reflected in results of the year because the improvement has been gradual. It would be reflected, they believe, in working results for the current year. Profit for the year at Rs. 76.39 lakhs was considerably higher than the last year's figure of Rs. 58.21 lakhs. After providing for depreciation of Rs. 24.37 lakhs, and for taxation Rs. 19.31 lakhs, the Directors suggested that Rs. 5.80 lakhs be transfered to reserve for development. The Directors further recommend the payment of a dividend subject to deduction of tax on equity shares of Rs. 10 each at the rate of Re. 1 per share. This will absorb Rs. 15 lakhs. The last year's dividend was maintained.

During the year under review the production in all branches of textiles Division has increased. Ring Frames and Carding Engines have shown substantial improvements and Drawing Frames have begun to be assembled. The developments of Simplex Frames is proceeding speedily and the first Frame is expected to be completed sometime in the current year. The working of the Textile Division is steadily improving and the Directors hope for a higher production in the current year. Orders in hand for all types of textile machinery are quite adequate. Apart from the better utilisation of the existing plant and equipment, the company is launching an ambitious programme for the manufacture of textile machinery to meet the growing needs of the country as determined by the Standing Committee that was set up by the Government of India to assess the requirements for the Third and Fourth Five-Year Plans. The Chairman of the company, Mr. K. K. Birla, was the Chairman of this Standing Committee and its recommendations have been accepted by the Government. The expansion programme will require the installation of a lot of new machinery and also the renovation of the existing plant and it is going to be implemented at the rate of the availability of the necessary import licences. The Company recently exhibited a Ring Frame, completely designed and manufactured in the company's works, at the World Fair at Seattle in America and it is a matter of satisfaction that the Ring Frame has been well spoken of.

The Directors report that the company was granted a licence to manufacture Texmaco Ward Capstan Lathes in collaboration with the well-known firm of Messsrs. H.W. Ward & Co. Ltd., London. The production of some lathes has started. These lathes have been delivered to the market and have been well received. Steps are being taken to increase the production according to a phased programme during the current year. The company is also making endeavours to undertake the manufacture of a more complicated variety of lathe known as 7 Combination Turret Lathe. A modern plant is being set up for the manufacture of these machine tools.

STANDARD MOTOR PRODUCTS

The annual report for the year to December 31, 1961, for Standard Motor Products of India Limited reveals that during the year their car Standard Herald was introduced which was well received in the market. They, however, add that the introduction of the 4-door Herald is delayed. Licence application for capital goods was granted in October 1961 and it takes 18 to 24 months to obtain capital goods and tooling. The introduction of the 4-door Saloon may be expected in 1964.

The profit of the company for the year came to Rs. 17.99 lakhs. After setting aside Rs. 8.25 lakhs for taxation and Rs. 2 lakhs for development reserve, there was a surplus of Rs. 7.7 lakhs. A dividend at the rate of 7 per cent on ordinary shares subject to tax was recommended by the Directors which, if approved, would absorb Rs. 3.29 lakhs.

INDIAN STANDARD WAGON

The profit recorded by the Indian Standard Wagon Company Limited for the year to March 31, 1962, after providing for taxation, depreciation, development, etc., came to Rs. 13.15 lakhs. The Directors have recommended the payment of a dividend on ordinary shares of Rs. 25 each at the rate of 28.5 per cent subject to tax.

The Directors consider the profit for the year slightly more favourable than the last year. They add that the additions to reserve this year are of Rs. 7.07 lakhs to General Reserve and Rs. 5.29 lakhs to General Development Reserve. These further reserves are necessary to ensure progress towards the modernisation of the plant.

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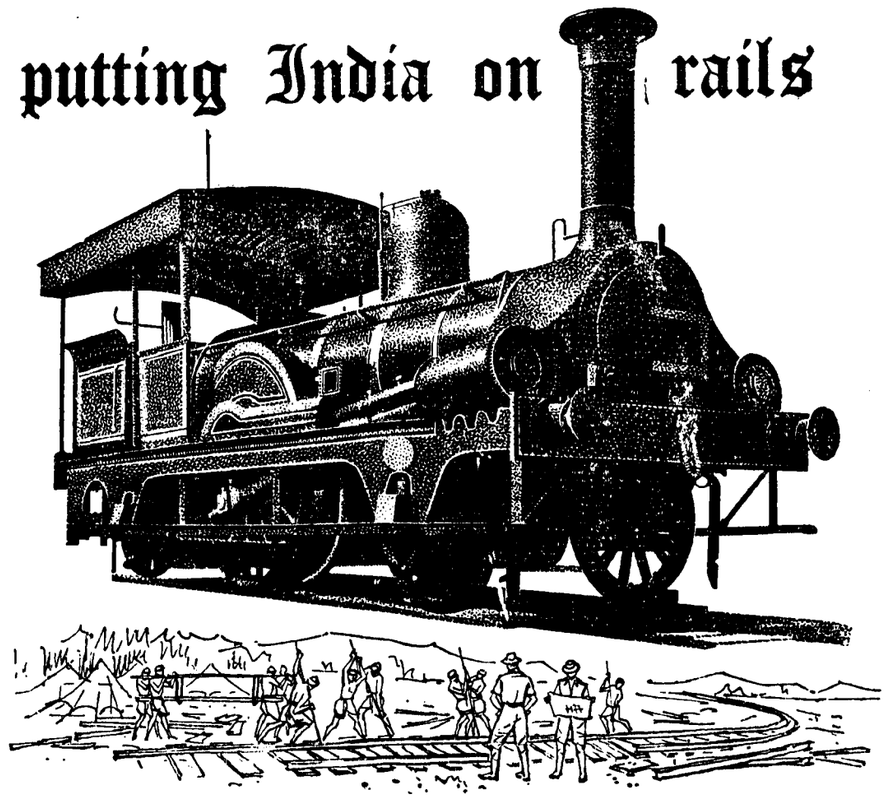
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3. India & China: Development contrasts	1.00	0.50
4. Socialism Tomorrow	1.00	0.50
5. The Flag of Freedom & other Articles	0.50	0.25
6. Indian Agriculture	1.00	0.50
7. Economic development of South-East Asia	1.00	0.50
8. India & Middle East and India in 1958	7.50	3.75

Please mail your enquiries to :—

THE EASTERN ECONOMIST LIMITED,
United Commercial Bank Bldg.,
Parliament Street, New Delhi.
Phone : 44984 Gram : RESEARCH

putting India on rails



Featured above is the "EXPRESS", Eastern Railway's first passenger locomotive.

UNTIL the advent of John Gray upon the scene in 1829, the main lines of business of the old-established firm of Burn & Company were house-building and cabinet-making. Gray put the affairs of the young company on a firm foundation and expanded its activities into the new fields of civil and mechanical engineering, iron founding and contracting.

Recognised as India's first railway contractor, Gray laid between the years 1851 and 1859 one hundred miles of permanent way for the East Indian Railway Company stretching over two provinces. Gray's pioneering railway work "reflected great credit on the Firm" and earned the Company good profits which went into the purchase of some land at Howrah on which a foundry and workshops—the nuclei of the present Howrah Ironworks of Burn & Co. Ltd.—were erected.

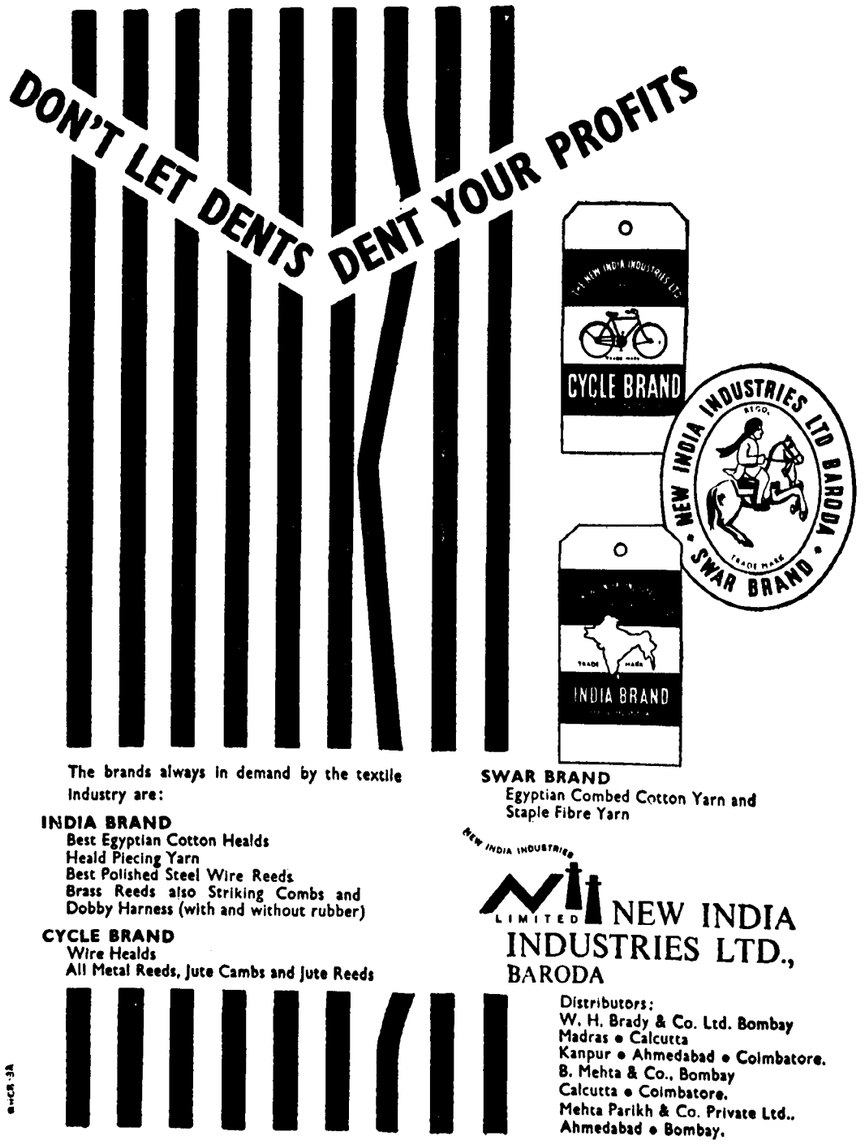
As a constituent of the Martin Burn Organisation, Burn & Co. Ltd., Howrah, have, among other things, specialised in railway engineering and the large-scale building of rolling stock for the Indian Railways. Since 1904, the Company has produced more than 58,000 four-wheeler units of more than 100 types and over 1,12,000 sets of crossings and switches for India's fast expanding transport system. In addition, from their Structural Shops have come many thousands of tons of fabricated steelwork for the building of railway bridges spanning the great rivers of this sub-continent.



MARTIN BURN LTD.
MARTIN BURN HOUSE
12, Mission Row,
Calcutta 1

Branches : New Delhi Bombay Kanpur Patna

MBGC-16



The brands always in demand by the textile industry are:

INDIA BRAND
Best Egyptian Cotton Healds
Heald Piecing Yarn
Best Polished Steel Wire Reeds
Brass Reeds also Striking Combs and Dobby Harness (with and without rubber)

CYCLE BRAND
Wire Healds
All Metal Reeds, Jute Cambs and Jute Reeds

SWAR BRAND
Egyptian Combed Cotton Yarn and Staple Fibre Yarn

NEW INDIA INDUSTRIES LIMITED
NEW INDIA INDUSTRIES LTD., BARODA

Distributors:
W. H. Brady & Co. Ltd. Bombay
Madras • Calcutta
Kanpur • Ahmedabad • Coimbatore.
B. Mehta & Co., Bombay
Calcutta • Coimbatore.
Mehta Parikh & Co. Private Ltd.,
Ahmedabad • Bombay.

ASSAM SILLIMANITE LIMITED

having its Registered Office at A. T. Road, Gauhati, Assam

ANNOUNCE WHAT THEY HAVE FILED WITH THE REGISTRAR OF COMPANIES, ASSAM, TRIPURA AND MANIPUR, SHILLONG

A PROSPECTUS offering for public subscription a new issue of 2,40,000 equity shares in the Company of Rs. 10/- each at par.

APPLICATION FORMS along with copies of the **Prospectus** can be had from the Registered Office of the Company, from the Managing Agents, or from the Underwriters, Bankers and Brokers whose names and addresses are given below:

UNDERWRITERS

1.	Industrial Finance Corporation of India, Reserve Bank Building, Parliament Street, NEW DELHI ..	Rs. 10,00,000
2.	Life Insurance Corporation of India, Jeevan Kendra, Jamshedji Tata Road, BOMBAY-1. ..	Rs. 5,00,000
3.	M/s. Matadin Khaitan & Co., 9, India Exchange Place, CALCUTTA-1. ..	Rs. 5,00,000
4.	M/s. Murarka Brothers, 7, Lyons Range, CALCUTTA-1	Rs. 9,00,000
5.	M/s. Ramnarain Kayan & Co., 7, Lyons Range, CALCUTTA-1.	

BANKERS

State Bank of India — at any of its Branch in India

Eastern Bank Ltd. — Calcutta, Bombay and Madras.

The Punjab National Bank Ltd. — at any of its Branch in India.

The Hongkong and Shanghai Banking Corporation — Calcutta and Bombay.

National and Grindlays Bank Ltd. — Bombay, Calcutta, Delhi, Kanpur, New Delhi, Madras, Bangalore, Cochin and Gauhati.

First National City Bank — Calcutta and Bombay.

United Bank of India Ltd. — Gauhati.

BROKERS

Calcutta

M/s. Place Siddons & Gough Pvt. Ltd.,
6, Lyons Range, Calcutta-1.
M/s. Murarka Brothers,
7, Lyons Range, Calcutta-1.
M/s. Damodar Chowbay & Co.,
7, Lyons Range, Calcutta-1.
M/s. Matadin Khaitan & Co.,
9, India Exchange Place, Calcutta-1.
M/s. Ramnarain Kayan & Co.,
7, Lyons Range, Calcutta-1.
M/s. N. L. Roy & Co.,
7, Lyons Range, Calcutta-1.

Bombay

M/s .J. R. Motishaw & Co.,
32, Apollo Street,
Bombay-1.
M/s. Chimanlal J. Dalal & Co.,
107, Stock Exchange New Building,
Dalal Street, Bombay.

New Delhi

M/s. Harbans Singh Mehta & Co.,
33,Regal Building,
Parliament Street, New Delhi-1.
M/s. Raj Paul Chadha & Co.
Delite Cinema Building,
Asaf Ali Road, New Delhi.
M/s. Raja Ram Bhasin & Co.,
'Ashiana', Faiz Bazar,
Delhi-6.

Ahmedabad

M/s. Chinubhai Chimanlal Dalal,
Manek Chowk,
Ahmedabad.

Madras

M/s. Dalal & Co.,
National Insurance Building,
Madras.

The subscription list will open at the commencement of banking hours on June 18, 1962, and will close at the close of banking hours on June 25, 1962, unless closed earlier at the discretion of the Directors PROVIDED that the subscription list will not in any event be closed earlier than the close of banking hours on June 20, 1362 and that it will be closed at that date if a full subscription has been received by that date. Share certificates will be issued within 4 months from the date of allotment.

The Company commenced business on 25th day of October, 1951, and had been principally engaged in the mining and prospecting of Sillimanite and other refractory materials from the Khasi Hills in Assam. It has recently also undertaken extensive prospecting for refractory clays and minerals.

SCOPE AND PROSPECTS

The main aim of the Refractory Project, which the new issue is to help finance, is the establishment of a plant at Ramgarh, in Bihar, for the manufacture, on a large scale, of a special type of Sillimanite and other refractory bricks and shapes to meet the demand of India's growing needs. The Prospectus contains inter alia details of the land acquired by the Company and details of the pilot plant already in operation.

FOREIGN TECHNICAL COLLABORATION

The Company has entered into a Technical Collaboration agreement with the Vereinigte Grossalmeroder Thonwerke, Grossalmrods, West Germany and full details are given in the Prospectus.

INTERNATIONAL FINANCE CORPORATION (WASHINGTON) PARTICIPATION

The Company has entered into an agreement with the International Finance Corporation, Washington whereby, the International Finance Corporation Washington will lend the total foreign exchange requirements of the project amounting to Rs. 44 lakhs, for the first stage, and Rs. 21 lakhs for the second stage. Full details of the agreement are given in the Prospectus.

The names, addresses and description of the Directors of the Company are:

Name	Address	Occupation and Description
Sri Shri Mohan Wahi	18, Kautilya Marg, Diplomatic Enclave, New Delhi.	**Senior Partner.** United Provinces Commercial Corporation. **Director:** Agrind Fabrications Ltd. Land Reclamation Corporation Ltd. Indo-Burma Petroleum Co. Ltd. Lewis & Tylor (Pvt.) Ltd. United Provinces Commercial Corpn. (Pvt.) Ltd.

Name	Address	Occupation and Description
Sri Amolakh Chand	Jacob Parade, Lashkar, Gwalior.	**Director:** Indian Oil Co. Ltd. (A Govt. of India Undertaking). **Member:** Life Insurance Corporation of India (Board & Investment Committee) **Director:** U. P. Financial Corporation (A Statutory Corpn.) Upper India Couper Paper Mills Ltd., Lucknow.
Sri H. T. Beattie	Khargoli Road, Gauhati, Assam.	**Controlling Agent:** R.S.N. Co. Ltd. and I.G.N. & Rly. Co. Ltd., Gauhati.
Sri Nigel Whitehead	49, Hill Park, Malabar Hill, Bombay.	**Director:** Indo-Burma Petroleum Co. Ltd. Balmer Lawrie & Co. Ltd.
Sri Krishna Mohan Wahi	103|A, Block F, New Alipore, Calcutta-33	**Director:** Agrind Fabrications Ltd. Land Reclamation Corpn. Ltd. Lewis & Tylor Pvt. Ltd. Parts Services India Ltd. United Provinces Commercial Corpn. Pvt. Ltd.
Sri Krishna Chandra Pant, M.P.	C-1|35, Pandara Road, New Delhi.	**Consultant in the Chemical Industry. Technical Director:** Alco-Chem. Limited.

The name and address of the Managing Agents are:

United Provinces Commercial Corporation
6, Ganesh Chandra Avenue,
Calcutta-13.

The Capital structure of the Company is:

AUTHORISED : Rs. 1,00,00,000
Divided into 10,00,000 Equity Shares of Rs. 10 each .. .. Rs. 1,00,00,000

ISSUED, SUBSCRIBED AND FULLY PAID UP:
3,00,000 Equity Shares of Rs. 10 each .. Rs. 30,00,000

RESERVED FOR OPTION:
2,90,000 Equity Shares of Rs. 10 each at par, to International Finance Corporation, Washington. .. Rs. 29,00,000
60,000 Equity Shares of Rs. 10 each at par to M|s. Vereinigte Grossalmeroder Thonwerke, Grossalmerode, West Germany, for Technical Collaboration. .. .. Rs. 6,00,000

RESERVED FOR EXISTING SHAREHOLDERS:
60,000 Equity Shares of Rs. 10 each at par being A RIGHTS issue of shares to existing shareholders allotted for cash (without underwriting commission or brokerage) .. .. Rs. 6,00,000

RESERVED FOR LIFE INSURANCE CORPORATION OF INDIA
(in satisfaction of underwriting agreement as mentioned in detail in the prospectus).
50,000 Equity Shares of Rs. 10 each at par .. Rs. 5,00,000
Rs. 76,00,000

NOW OFFERED FOR PUBLIC SUBSCRIPTION
2,40,000 Equity Shares of Rs. 10 each at par .. .. Rs. 24,00,000
.. Rs. 1,00,00,000

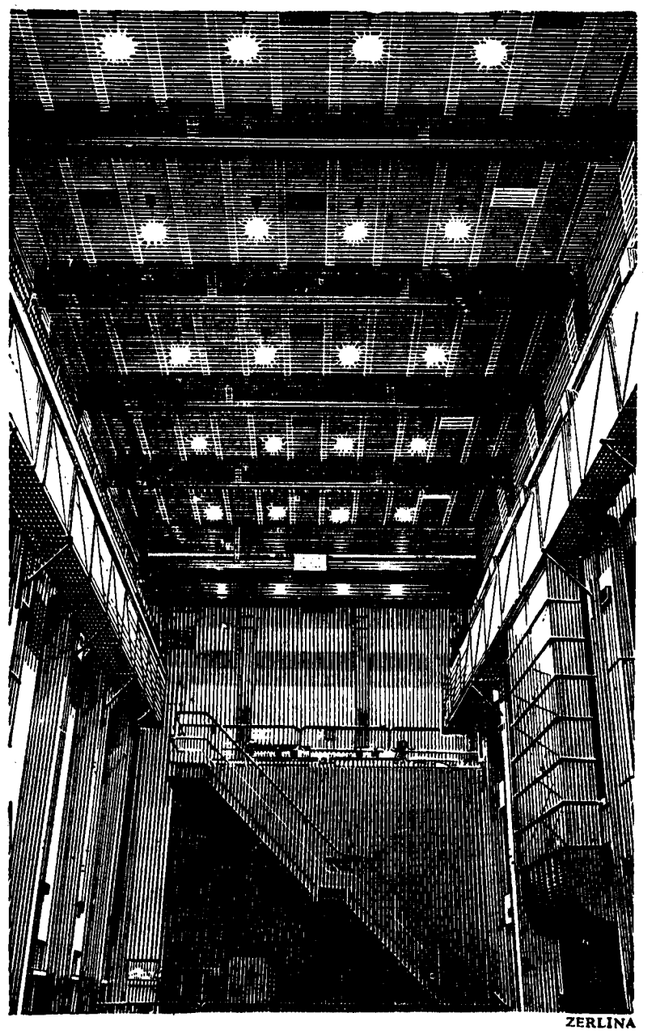
This announcement is not a Prospectus, and persons interested in the matter are urged to apply at once for a copy of the Prospectus for full details.

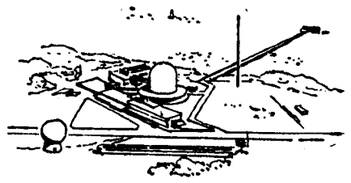


Our fleet of nineteen modern freighters offers fast, regular and dependable service between

INDIA—U. K. & THE CONTINENT • INDIA/EAST PAKISTAN—SOUTH AMERICA
INDIA—BLACK SEA & EASTERN MEDITERRANEAN PORTS
INDIA—POLAND Also around the INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1
Managing Agents: — LIONEL EDWARDS (PRIVATE) LTD.





The Atomic Energy Establishment Trombay

ZERLINA

LIGHTING BY PHILIPS

A vitally important industrial-research complex, the Atomic Energy Establishment at Trombay is another outstanding example where Philips have solved an entirely new and complicated lighting problem.

From APSARA, the first Indian designed and built Reactor, to ZERLINA, India's third Nuclear Reactor, Philips have been actively associated with the Project Authorities. Their expert advice and pre-planned, scientific lighting techniques have contributed to the success of this gigantic installation.

Philips' scientifically designed equipment is the result of experience, research and development aimed to meet the evergrowing demands of better lighting... And hand-in-hand with Philips' unrivalled quality goes the invisible *plus* of Philips' international experience and know-how.

PHILIPS
quality lighting for ultimate economy

FREE: *For planned lighting, designed economically to suit your specific need—whether it is industrial, commercial or any other specialised application—consult Philips Lighting Service Bureau.*



PHILIPS INDIA LIMITED

Your average executive spends more than half his waking hours away from home. He is away working for his employer, helping you make a success of your enterprise.

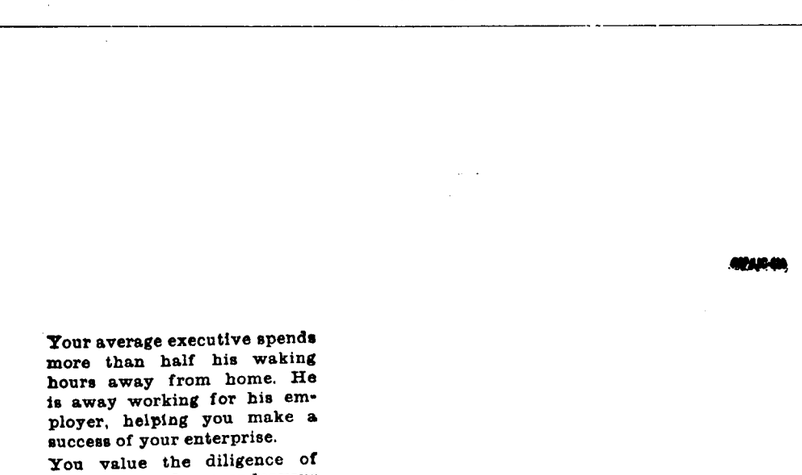
You value the diligence of these men and you endeavour to reward them accordingly.

The LIC can show you a new tax-light way to do so. It is through the Group & Superannuation Schemes. These Schemes possess three unique advantages:

1 Your executives can receive a part of their emoluments tax-free to build up retirement benefits and maximum family security
2 This may not involve any extra cost to the employer
3 The employer gets tax-relief on what he pays towards the Scheme

For further information, please contact the nearest LIC Divisional Office and have a word with the Manager. He will be delighted to give you full particlars.

IS HIS DESK HIS HOME?



Life Insurance Corporation of India

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.0
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	109.9	120.0	145.4	130.6	122.8	123.9	124.9
1961-62	..	120.1	100.3	122.2	142.6	138.8	124.6	126.6	125.1
March	1961 ..	117.5	113.4	121.9	159.1	137.3	128.4	129.7	127.5
April	„ ..	117.6	112.0	121.5	153.1	136.0	126.1	127.5	126.0
May	„ ..	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
March	1962 ..	119.2	99.8	123.0	136.3	135.5	124.9	126.4	123.6
April	„ ..	120.5	98.8	122.4	135.1	136.9*	125.2	126.8	124.2
May	„ ..	124.2	102.0	122.3	134.8	137.3	125.6	127.3	126.2
May 5, 1962	..	122.1	101.1	122.4	135.6	136.3	125.3	126.8	125.1
May 12, 1962	..	123.8	102.4	122.3	134.8	136.0	125.5	126.9	125.9
May 19, 1962	..	125.0*	102.4	122.3*	134.3	137.4	125.5	127.2	126.5
May 26, 1962	..	125.4	102.1	122.3	134.7	138.3	126.2	127.9	127.0

* Revised

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

Period		Bombay: Bombay	Bombay: Bombay June 1934=100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U.P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E.P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug.-Dec.)	..	103	—	—	—	—	105	104	—	106	—	—	—
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*	.. .. ..	412	431	300	167	400	486	495	168	478	173	170	173
1961 August	.. ..	419	438	302	171	410	491	501	167	481	171	171	177
September	.. ..	417	436	302	169	410	491	499	169	479	171	171	177
October	.. ..	415	434	302	168	417	499	501	172	480	176	177	177
November	.. ..	415	434	302	170	417	508	497	174	481	180	178	177*
December	.. ..	416	435	302	171	410	499	493	175	481	178	177	177*
1962 January	.. ..	417	436	296*	170	399	513	495	178	482	177	174	177*
February	.. ..	419	438	—	170	399	513	492	—	480	177	177*	175*
March	.. ..	420	439	—	170	—	—	493	—	480	—	—	—

† Base 1944 = 100. * Provisional.

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

	1-6-1962			25-5-1962			18-5-1962			11-5-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	127.10	125.30	126.18	127.55	124.25	126.03	124.20	122.50	123.21	121.55	120.45	121.13
Silver (per kilogram)	221.75	216.50	218.47	222.00	220.95	221.55	221.05	219.35	220.23	222.90	218.85	221.21

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
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
1961-62 ..	1,957,42	19,58	1,977,00	117,76	115,93	233.69	11.82	121.65	1,621,65	1,977,00
Average of Fridays										
Feb. 1961 ..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12,58	121,75	1,587,28	1,954,79
March „ ..	1,970.51	14,91	1,985,42	117,76	127,01	244,77	12.33	119,41	1,621,24	1,985,42
April „ ..	2,017,13	18,88	2,036,01	117,76	118,01	235,77	11,58	121,90	1,678,34	2,036,01
Feb. 1962 ..	2,022,55	18,29	2,040,83	117.76	126,11	243,87	11.95	119,51	1,677,45	2,040,83
March „ ..	2,066,22	20,06	2,086,28	117,76	121,86	239,62	11.60	116,49	1,730,17	2,086,28
April „ ..	2,136,62	23,21	2,159,83	117,76	110,61	928,37	10.57	118,65	1,812,81	2,159,83
Week-Ending										
4-5-1962 ..	2,145,14	14,84	2,159,98	117,76	105.00	122.76	10.31	116.35	1,820,87	2,159,98
11-5-1962 ..	2,161,30	26,94	2,188,24	117,76	105,00	222,76	10.17	114.61	1,850,87	2,188,24
18-5-1962 ..	2,146,66	16,34	2,163,00	117,76	101,50	219,26	10.14	114,37	1,829,37	2,163,00
25-5-1962 ..	21,21,85	41,64	2,163,48	117,76	96,50	214,26	9.90	114.85	1,834,37	2,163,48

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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
1961-62 ..	60,71	16,55	81,95	140,73	299,94	119,13	504.08	19,64	34,10	18,11	63,87	137,69	207,74	22,93
Average of Fridays														
Feb. 1961 ..	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,07
Mar. „ ..	61,88	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	134,90	467,38	18,97	55,31	10,60	84,08	135,28	142,78	20,37
Feb. 1962 ..	57,52	16,38	77,10	147,85	298,75	137,30	521,05	18,34	31,16	10,68	61,15	162,63	207,44	29,64
Mar. „ ..	63,22	13,26	77,37	151,76	305,62	141,78	532,39	20,11	44,87	10,88	75,55	179,66	168,20	33,12
April „ ..	65,39	7,96	86,56	153,71	313,62	146,14	544,76	23,28	66,02	8,27	112,72	136,79	162,58	35,11
Week-Ending														
4-5-1962 ..	51,36	16,06	78,98	151,60	298,00	159,35	533,36	14,89	52,10	5,99	113,64	129,57	181,32	35,85
11-5-1962 ..	49,05	18,78	89,04	151,46	308,34	149,51	542,84	26,98	70,60	4,80	109,80	138,98	155,25	36,38
25-5-1962 ..	49,01	15,89	89,12	150,66	304,67	165,23	554,90	41,69	63,48	6,15	104,17	121,74	180,31	37,36

* 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.

INDIAN UNION

INDUSTRIAL PRODUCTION IN 1960 AND 1961

Name of Industry	1960: No. of Units	1960: Actual Production	1961: No. of Units	1961: Actual Production
Food & Cigarettes:				
Biscuits (Tonnes)	40	23,372	40	25,938
Breakfast Foods:				
(a) Corn & Wheat Flakes (Tonnes) .. .. ..)		187)		205*
(b) Processed & Rolled Oats & Oat Flakes (Tonnes))	4	441)	4	465*
(c) Processed Pearl Barley (Tonnes) .. ..)		1,488)		1,592*
Chocolate & Cocoa:				
(a) Chocolate including drinking Chocolate (Tonnes)	3	701	3	1,003
(b) Cocoa-Powder (Tonnes)	2	80	2	92
Cigarettes (Million Pcs.)	15	36,971	15	39,465
Confectionery (Tonnes)	43	16,944	43	17,171
Flour Milling (Thousand Tonnes)	68	995	68	1,013
Liquid Glucose and Dextros:				
(a) Liquid Glucose (Tonnes)	3	8,690	3	8,717
(b) Dextrose Powder (Tonnes)	3	2,557	3	2,788
Paints, Enamels, Varnishes, etc.				
Alkyd Resins (Mill. Kg.)	12	3.075	12	3.733
Aluminium Paste (Mill. Kg.)	1	0.433	1	0.453
Chrome Colours (Mill Kg.)	10	0.860	10	0.950
Nitrocellulose Lacquers (Million Litres)	8	1.557	8	1.773
Paints (Mill. Kg.)	53	51.816	53	59.94
Phthalocyanine Blue (Mill. Kg.)	1	0.056	1	0.052
Red Lead (Mill. Kg.)	3	3.470	3	3.447
Titanium Dioxide (Anatase) Mill. Kg.	1	2.721	1	3.005
White Lead (Mill. Kg.)	2	0.880	2	0.902
Zinc Oxide (Mill. Kg.)	6	8.690	6	7.938

*Estimated.

Source: Ministry of Commerce and Industry.

INDIAN UNION

PUBLIC SECTOR INDUSTRIAL UNDERTAKINGS COMPLETED AND IN FULL OPERATION

(Rs. in '000)

1. Name of concern	Indian Rare Earths Ltd.		Travancore Minerals Ltd.		Fertilizers Corpo. ration of India Ltd.		Hindustan Anti-biotics Ltd.	
2. Registered Office	Bombay		Quilon (Kerala)		New Delhi		Pimpri (Near Poona)	
3. Date of incorporation	18-8-1950		30-10-1956		1-1-1961		June, 1954	
4. Accounting year	Ending 31st Mar.		Ending 31st Mar.		Ending 31st Mar.		Ending 31st Mar.	
	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61
5. Capital subscribed								
(a) by Govt. of India ..	64,00	64,00	25,00	25,00	32,33,14	39,27,14	2,47,26	2,47,26
(b) by others	36,00	36,00	25,00	25,00	—	—	—	—
6. Reserves and surplus	29	34	17,57	20,64	5,05,80	5,42,34	1,90·49	2,71,73
7. Borrowings	..	..	..	..	12,25,50	12,65,29	..	..
8. Other liabilities	15,15	15·22	53,54	36,36	15,16,17	13,96,07	1,87,30	2,14,78
9. Total Liabilities (5 to 8) ..	1,15·44	1,15,56	1,26,11	1,07,00	64,80,61	71,30,84	6,25,05	7,33·77
10. Gross fixed assets	88,14	87·19	18,07	19,41	66,61,61	72,94,38	2,44,68	2,78,57
11. Depreciation	39,23	42·10	3,28	4,77	15,43,24	18,53,32	65,90	82,20
12. Net fixed assets (10—11) ..	48,91	45,09	14,79	14,64	51,18,37	54,41,06	1,78,78	1,96,37
13. Investments	94	..	..	..	..	..	..	..
14. Current assets	19,80	17·45	25,19	32,26	13,07,61	16,22,84	3,70,56	3,79,79
15. Loans and advances	..	..	13,69	14,65	..	..	75,71	1,57,61
16. Cash and bank balances ..	23,82	38,05	72,44	45,45	..	..	..	..
17. Miscellaneous expenditure & losses	12,94	7,82	..	..	54,63	66,94	..	..
18. Total assets (12 to 17)	1,15,44	1,15·56	1,26,11	1,07,00	64,80,61	71,30,84	6,25·05	7,33,77
19. Wage bill	6,51	7,54	41,65	42·54	..	2,77,75	22,51	28,34
20. Number of persons employed (Actual No.)	2,40	3,01	15,23*	14,41	..	1,26,58*	10,44	12,05
21. Profit before taxation	93	5,12	16,43	14,88	25·53	34,91	39,85	1,44,24
22. Value of output .. .. (Sales Value changes in stock+own consumption)	9,89	29,54	85,82	88.10	10,48,05	12,10,82	2,96,60	3·27,96
23. Value of sales	22,49	28,47	84,76	82,04	9,51,93	11,52,63	2,99,36	3,20,83
24. Remarks			*excluding Officer.		*including casuals.			

INDIAN UNION

PUBLIC SECTOR INDUSTRIAL UNDERTAKINGS COMPLETED AND IN FULL OPERATION — Contd.

(Rs. in '000)

1. Name of concern ..	Hindustan Cables Ltd.		Hindustan Insecticides Ltd.		Hindustan Machine Tools Ltd.		Hindustan Salt Co. Ltd.	
2. Registered Office ..	Burdwan (West Bengal)		New Delhi		Jalahalli (Bangalore)		Jaipur	
3. Date of incorporation ..	4-8-1952		11-3-1954		7-2-1953		12-4-1958	
4. Accounting year ..	Ending 31st Mar.		Ending 31st Mar.		Ending 31st Mar.		Ending 30th June	
	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61	30-6-60	30-6-61
5. Capital Subscribed								
(a) By Govt. of India ..	1,24,97	1,24,97	97,00	97,00	5,31,00	5·81,00	24,20	42,20
(b) By others	—	—	—	—	—	—	—	—
6. Reserves and surplus ..	30,85	39,80	43,55	61,11	6,60	9,38	..	..
7. Borrowings	89,00	74,00	25,33	26,94	1,83·50	2,92,22	..	..
8. Other liabilities	37·87	42,87	92,18	44,91	62,87	1,44·12	1,79,06	1,98,24
9. Total Liabilities (5 to 8) ..	2,82,69	2,81,64	2,58,06	2,29,96	7,83,97	9,63·72	2,03,26	2,22,44
10. Gross fixed assets	1,48,28	1,66,71	1,02,86	1,14,76	..	..	92·97	97,61
11. Depreciation	37,04	48,53	26,40	37,95	..	..	8,39	13,80
12. Net fixed assets (10—11) ..	1,11,24	1·18,18	76,46	76,81	3,99·60	5,18,80	84,58	83,81
13. Investments	2,99	4,09	..	..	6	6	34	53
14. Current assets	98,63	1,01,30	94,20	99,07	3,64,28	4,11,67	82,31	1,86,39
15. Loans and advances	14,83	24,00	4,22	3,86	10,27	28·22	5,09	8,23
16. Cash and bank balances ..	50,60	29,42	82,38	50,22	9,76	57	29,54	34,43
17. Miscellaneous expenditure and losses	4,40	4·65	80	..	..	4,40	1,50	9,05
18. Total assets (12 to 17) ..	2,82,69	2,81,64	2·58,06	2,29,96	7,83,97	9,63,72	2,03,26	2,22,44
19. Wage bill	10,43	13,17	11,54	11,58	54,94	67,22	10,22	10,97
20. Number of persons employed (Actual No.)	6,48	8,21	5,20	5,36	30,52	41,26	9,45	9·75
21. Profit before taxation	15,65	24·29	40,77	28,38	47,37	81,78	(—)5,82	(—)5,60
22. Value of output (Sales Value changes in stock+own consumption)	1,22,25	1,60,38	1·63,38	1,37,76	2,26,50	3,43,69	46,35	57,28
23. Value of sales	1,28,26*	1,57,24*	1,68,18	1,28,97	2,43,05	3,56,80	58,91	53,77
24. Remarks.	* Includes sale of scrap.							

INDIAN UNION

PUBLIC SECTOR INDUSTRIAL UNDERTAKINGS COMPLETED AND IN FULL OPERATION — Contd.

(Rs. in '000)

1. Name of concern ..	Nahan Foundry Ltd.		National Instruments Ltd.		National Newsprint and Paper Mills Ltd.		Praga Tools Corporation Ltd.	
2. Registered Office ..	Nahan (H.P.)		Calcutta		Nepanagar (M.P.)		Hyderabad	
3. Date of incorporation ..	26-10-1952		26-6-1957		25-1-1947		28-5-1943	
4. Accounting year ..	Ending 31st Mar.		Ending 31st Mar.		Ending 31st Mar.		Ending 31st Mar.	
	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61
5. Capital subscribed								
(a) By Govt. of India ..	40,00	40.00	90.55	90,96	2,55,00	2,55.00	70,00	70,00
(b) By others	—	—	—	—	2,38,25	2,39,51	66,90	66,90
6. Reserves and surplus	43	1,42	2.07	1,73	4,02	4,11	6,21	2,67
7. Borrowings	8,75	8,77	25,00	22,50	1,26,16	91,81	..	..
8. Other liabilities	8,75	13,41	18,19	28,35	29,07	39,09	12,41	15,85
9. Total Liabilities (5 to 8) ..	57,93	63,60	1.35,81	1,43,44	6,52,50	6,29,52	1,55,52	1,55,42
10. Gross fixed assets	15,40	16,66	68,42	72,91	5,40,67	5,55,61	82,73	99,83
11. Depreciation	6,58	6,93	11,17	15,33	1,41.81	1,70,80	47,39	52,51
12. Net fixed assets (10—11) ..	8.82	9,73	57,25	57,58	3,98,86	3,84,81	35.34	47,32
13. Investments	51	56	..	..	..	..	2	2
14. Current assets	28,63	30,40	39.99	49,76	73,87	83,81	32,35	96.83
15. Loans and advances ..	12,22	5,48	12,04	12,38	10,04	10,48	6.16	6,46
16. Cash and bank balances ..	7,75	17,43	22,10	19,64	50,90	68,37	31,65	3.69
17. Miscellaneous expenditure and losses	..	..	4,43	4,08	1,18,83	82,05	..	1,10
18. Total assets (12 to 17) ..	57,93	63,60	1.35,81	1,43,44	6,52,50	6,29,52	1,55,52	1,55,42
19. Wage bill	9,23	9.81	24.64	29,76	18,40	22,41	18,76*	27,10
20. Number of persons employed (Actual No.)	7.20	8,39	1,143	1,244	1,130	1,151	1,661	1.638
21. Profit before taxation ..	3,50	4,41	6,73	6,75	37,76	32,94	4,25	3,15
22. Value of output (Sales Value changes in stock+own consumption)	13,68	22,36	51.48	67,40	2,36,93	2,47,04	40,51*	48,26
23. Value of sales	19,32	20,57	52.21	62,58	2,35,25	2,46,74	47,89*	67,15
24. Remarks							* For 9 months ending 31-3-1960 only.	

(To be continued)



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• CHEMICALS

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THE EASTERN ECONOMIST

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THE EASTERN ECONOMIST

JUNE 22, 1962.

A Helpful Mission

MR. DUNCAN SANDYS, Britain's Secretary of State for Commonwealth Relations, had a dual mission assigned to him during his visit to India. The nature of both was such as to allow only very limited information to be disclosed to the Press. In fact, he could do no more than touch the fringe of the controversial issue of the purchase of the supersonic jet fighters and he was very cautious in adding nothing to his very brief prepared statement on it. But in respect of the trade negotiations with the EEC at Brussels, he allowed himself a greater liberty, which served to modify the brevity-cum-austerity of the joint statement issued here on Tuesday on the Common Market negotiations. The net assessment unmistakably shows that the visit was helpful in widening the area of agreement on the forthcoming talks at Brussels and in clearing up some of the atmosphere of misapprehension on the delicate question of the supersonic aircraft.

From the full text of the Government of India's memorandum to the EEC and the official summary of the British proposals on safeguards to the export trade interests of India, Pakistan and Ceylon, it is apparent that a wide divergence exists between the two view-points. The differences are conditioned by the background against which the memorandum has been drawn up and the proposals are framed. The inhibiting factor for the latter was the British Government's own assessment of the length to which the EEC might go in agreeing on the form of the safeguards.

India has, of course, taken the view that negotiations between the Six and India, which have developed closer economic ties since India entered the era of planned development, presuppose adjustment in the original position that the Six may have been inclined to take up. She believes that there is scope for accommodating the developing Commonwealth countries, for whom trade with Europe is a vital determinant of their balance of payments and, therefore, of their plans of expansion. Accommodation has already been shown by the Six in the case of Canada, Australia and New Zealand by extending the application of the transitional tariff safeguards to all their industrial exports instead of the selected ones as first contemplated. India's deep concern about the short-term difficulties of the export trade with Britain, in the event of insufficient tariff safeguards and a transition period of inadequate duration, predominantly govern her approach to the negotiations. There is, nevertheless, the belief that in the long run a rapidly growing European market will produce a catalytic effect on her export-import trade.

Mr. Duncan Sandys' talks with Mr. Morarji Desai have been fruitful in an encouraging degree and from the available indications it seems clear that on the British side there is now an increased awareness of India's trade problems in relation to the enlarged Community. These problems must not be considered as concerned purely with exports. The Community's external tariff policy will no doubt produce a profound influence on her exports. But the flow of economic aid from that region makes the equilibrium between imports and exports a matter of primary concern to her. A heavy import surplus with the prospect of a slower expansion of exports (or, perhaps, stagnation or decline in a few commodities after the end of the transition) can ill go together. Furthermore, limiting the transition to the fourth year of the Fourth Five-Year Plan, gives too short a time to India to recondition the pattern of her exports.

Against this background, it is somewhat cheering to hear from Mr. Sandys that the two governments have come to a clearer and more positive understanding on the line to be adopted in the Brussels negotiations. In the last analysis India must argue her own case from her view-point if it is to produce any effect at Brussels. As we go to Press, Mr. Desai has made a statement in the Lower House, highlighting the fact that the EEC would very likely sign a special agreement with India to allow scope for the progressive expansion of her trade with the enlarged Community. The Finance Minister is undertaking a mission to conduct high level talks with the Six. This is heartening news, but optimism will need to be cautious.

Public debate in India and abroad on the MIGs even before any transaction or agreement is completed has had a vitiating effect in making a confused situation worse confounded. The Prime Minister's statement in the Upper House on Wednesday this week (which does not differ from the clarification given by the Defence Minister in his reply to the debate in the Lower House on the budget demands) makes it clear that there is no offer from the Soviet Government. But the intention to explore the possibilities of purchase is there, which makes the distinction between the two technical stages too thin. The risk of the consequences following the deal remains. Mr. Sandys has made the valuable disclosure that Britain has expressed her willingness to make an offer, depending on the preliminaries for the regular negotiations. Initial discussions between the two Governments will be the first preliminary, to be followed by precise proposals in the light of the former. This is the time to weigh meticulously the longer risks implicit in the MIG deal.

Nuclear Disarmament

THE Anti-nuclear Arms Convention, sponsored by the Gandhi Peace Foundation, met under the dark shadow of the deadlock at Geneva over the talks for clamping a ban on nuclear arms tests. It is incomprehensible how the Convention could be taken as having assembled under appropriate auspices, in utter disregard of this irony in the situation. If anything, the element of irony ought to have served as a reminder that the minimum that needed to be achievd in the immediate context was the abolition of nuclear tests. A tone of urgency is now imparted to the ban inasmuch as the tests have already entered the critical phase of experiments at high altitudes.

What was required at the Convention was a sense of realism, not an exercise in gazing at the stars. This is not to imply that the ardent advocates of peace, who participated in the three-day deliberations, were all oblivious of this imperative.

In fact, an outspoken voice was raised to impress upon the Convention that great things were expected of it, not in the nature of a philosophical discourse or a scientific thesis, but in the concrete form of a specific solution to the immediate problem of nuclear tests. The Convention could not suggest any. In the result, an air of unreality pervaded its sessions.

Contrary to the objective of the Convention, from the very start the discussions strayed from the abolition of nuclear arms to general disarmament. General disarmament is no doubt the final condition for the abolition of war, but little attention seemed to have been paid to the fact that in the order of priorities, based on imminent potential danger, nuclear tests, output and stockpiles demand the first offensive. But even if this reversal in priorities is overlooked, it was amazing that the issue of general disarmament was discussed naively in a philosophical spirit.

The proposition was advanced in all earnestness that India should set the tone for disarmament by a bold unilateral action. This was later amended by the addition of such other countries as may be pursuaded to join the unilateralist group. And with what result? How would unilateral disarmament by a non-nuclear power or powers produce a magic effect on the nuclear powers? What sanctions would be forged for the defence of the disarmed nations against aggression even with conventional weapons? A pious hope was expressed that the world would not allow such a nation to be the victim of aggression. If its protection is to be achieved by armed defence at the hands of other powers (and there seems no other way) disarmament defeats its own purpose.

The Convention was right in proceeding on the incontrovertible premise that nuclear arms are not the exclusive concern of the nuclear powers and in their destructive potential they will recognise no nuclear and non-nuclear boundaries. The nuclear war will be a total war without any frontiers of operation. But the remedy suggested at the Convention to bring the nuclear powers round was patently too impracticable to win substantial support. The UN General Assembly, it was stressed, could be prevailed upon to pass a resolution on nuclear disarmament and the recalcitrant powers could be expelled from the organisation. The sponsor was aware that the explusion of the Big Powers would be nothing short of effective dissolution of the United Nations itself. But the logic advanced by him was curious. The UN should rather commit suicide than resign itself to a purposeless and hypocritical existence. But, alas, even after this sacrifice at the high altar of principle, the scourge of nuclear arament would survive.

The nuclear powers hate nuclear armament as intensely as the non-nuclear ones. But having entered the dangerous race of armament of this variety, fear and distrust of each other deter them from retracing the step. It is up to them to realise the futility of the course they are pursuing due to a psychology of helplessness. And here the rest of the world can bring the pressure of mass opinion to bear upon their attitudes. This is a moral mission. In adopting the solution of persuasion at the UN level as well as by signature campaigns, the Convention reiterated a remedy that was already too widely known. But the resolution it adopted for organising a deputation of front rank leaders from different countries to approach the Heads of Government of the four nuclear nations to appeal to them to ban the tests, stop the manufacture of nuclear weapons and destroy their existing stock-piles — all in one bundle—betrays a lack of objectivity.

A Healthy Trend

AN illuminating research piece by the Reserve Bank of India on the ownership of shares of joint stock companies at the end of December, 1959, which incidentally fills an important gap in the available statistics on the working of the corporate sector of the Indian economy, imparts solid content to the belief that economic power in this country is getting more and more diffused. A study of the share registers of 70 companies, 56 of them old and established and 14 newly set up, has revealed that out of a total of 4,92,066 shareholders of these concerns, 98.87 per cent belonged to the group "individuals", 0.91 per cent to the group "joint stock companies", 0.17 per cent to the category "trusts and charitable institutions," 0.04 per cent to the classification "other institutions including LIC" and 0.01 per cent to the miscellanous section. Amongst individuals, 64.2 per cent had invested upto Rs. 1,000 and another 27.9 per cent between Rs. 1,001 and Rs. 5,000. These are obviously drawn from middle income brackets.

The total equity capital of these seventy companies held by individuals (52 per cent), as could be expected, was, of course, proportionately small as compared to that held by institutional investors, but it compared quite favourably with the pattern obtaining in the United States (57 per cent) and the United Kingdom (52 per cent). Another encouraging fact that has emerged from this study is that the number of shareholders belonging to the "individuals" category is steadily going up. In the new companies there were as many as 99.13 per cent individual (including joint holdings) accounts, as against 98.83 per cent such accounts in this trend obviously has gathered further momentum since 1959, as despite growing monetary stringency in the organised banking sector, most of the new issues in the market have been absorbed by investors as soon as the subscription lists have opened. Partly the boom in the Indian capital market can be ascribed to the protected sales field which the Indian industry enjoys by virtue of imports being shut off (this leads to capital appreciation at a very early date), but it can safely be assumed that the middle and the lower middle income groups are no longer shy of investing their savings in profit-yielding ventures as they used to be a couple of decades ago.

This development is healthy indeed and should augur well for capital accumulation which influences the pace of industrialisation. It apparently needs to be nursed and fostered carefully. One important step that ought to be taken with this end in view is making the balance-sheets of companies more intelligible to the lay investor who cannot always be expected to be so well-versed with their intricacies. This perhaps explains the preference of the small investor for shares of ventures which have on their Boards of Directors well-known industrialists or which have been floated in collaboration with foreign firms of repute.

Another important fact that has emerged from this survey is pertinent from the point of view of throwing open the capital of some State enterprises for subscription by the general public. The holdings of individuals, according to this

cement, electricity, shipping and iron and steel, while they are noticeably lower in such industries as tobacco, rubber and sugar. This perhaps indicates the preference of individuals for making their investments in *giant* enterprises of basic importance to economic growth, rather than merely in consumer goods producing industries. Nothing has been heard for quite some time now of the proposal to associate private investment by individuals with State undertakings. A firm decision on this issue is warranted in the light of the Reserve Bank's study.

Guest Editorial

Slump and Counter-offensive

By **PAUL BAREAU, Editor, The Statist**

THE persistence of the decline of prices in Wall Street and the meekness with which other security markets are following the American lead are beginning to cause some worried frowns on high brows in the United States and Europe. Anxious questions are being asked as to how far this deflation of security prices may begin to affect the economy and deepen into a more serious recession.

One can still say of the decline that it is essentially a corrective movement. It has been getting rid of the over-optimistic values to which the prices of equities had been hoisted last year. These prices were based on the assumption not only that inflation would continue but that it would go hand in hand with steadily increasing profits and dividends. That belief has been undermined for some time, particularly in the United States where for the past three or four years it has become evident that though costs might go up, manufacturers were finding it increasingly difficult to pass these higher costs on to the backs of consumers by way of higher prices. The same phenomenon has become apparent in Britain and in most of the older industrial countries.

In fact a highly interesting paradoxical stage has been reached in which cost inflation could become an active deflationary force. If profit margins have to take the impact of higher costs there will be inadequate profits to plough back into new industrial investment. Moreover, if profits fall and dividends have to be cut—and there has been a dismal succession of such company results in Britain recently—the undertakings concerned will find it extremely difficult to raise new capital in the open market. In these circumstances the classic pattern of deflation could be recreated, savings would tend to run ahead of productive investment and this in turn would create the conditions in which the vicious circle of further contraction of production and falling prices would start revolving ever more quickly.

The sudden realisation that this might be the shape of events to come, came in the United States with the vigorous intervention of President Kennedy in the steel prices dispute. This brought to American investors and industrialists alike the revelation that the days of easy profits were finally over. The hint was taken and very soon after came the infamous "black Monday" of May 28th. This was followed by a technical recovery due to bear covering, but since then prices have fallen again and the "low" of May 28th has been penetrated.

Whether this decline in security prices, which has been followed at some distance by the London Stock Exchange and European Bourses, grows into a deeper recession, depends on the counter-offensive launched by the authorities in the United States and elsewhere. In Britain these counter measures have got off the mark with highly commendable speed. There had previously been some cuts in the Bank Rate. Hire purchase restrictions have been eased. The Bank of England, with the consent of the Treasury, has taken an important step to widen the basis of bank credit by repaying to the commercial banks part of the special deposits they had previously been called upon to make with the central bank.

All this is in the best tradition of Keynesian economics. It should have the effect of stimulating the economy at a time when it requires a little judicious application of the accelerator. Fortunately, the strength of sterling, the reinforcement of the gold and convertible currency reserve and the state of the balance of payments, make it not only possible but safe for such reflationary measures to be taken.

In the United States, unfortunately, the doctrines of the late Lord Keynes are not as unanimously accepted as they are in Europe. President Kennedy and his economic advisers believe in them, and the Administration has moved in the right direction by promising substantial cuts in taxation. That proposal has, however, met most violent resistance in Congress and particularly among the ultra-conservative Republicans, to whom any policy consciously aiming at a budget deficit reeks of the devil.

President Kennedy has recently attacked this attitude. He has criticised the myth that Federal budget deficits create inflation and surpluses prevent it. He has pointed to the sizeable budget surpluses after the war which did not prevent inflation and to the persistent deficits of the last few years which have not upset the basic price stability in the United States. He has suggested to Congress that economic policy requires a somewhat more sophisticated approach.

It is evident that a battle royal on economic policy will be waged between the Administration and certain sections of Congress. Although it is highly probable that the Administration will win, a great deal of damage, actual and psychological, may be done while the debate rages.

There have recently been signs that the U.S. dollar may prove one of the casualties of this battle. It is significant that during the crumbling of security prices the one firm section of the market, whether in Wall Street or London, has been that for gold shares. Speculators are again beginning to talk about the possibility of a world-wide adjustment in the price of gold and to argue that such a day will be brought nearer if the stock market slump snowballs into a larger economic recession. The same symptoms are to be found in the market for gold itself where private hoarding demand has recently been swelling significantly and where the price has again risen above the danger point of $35.12. It is far too early to say the slump in the security markets is getting out of bounds and affectng the economy; but the danger signals are unmistakably flying.

THE WEEK'S NOTES

Algeria

OAS — SANITY RESTORED

AS JULY 1, the fateful day for the referendum in Algeria, began to approach, speculation about precipitate developments in Algeria became rife. Not that the result of referendum was held in doubt, but what was doubted was the possibility itself of the holding of the referendum. These apprehensions were accentuated by the sudden shift in the strategy of the OAS from a campaign of murder to the scorched earth policy. Entire institutions were set on fire or razed to the ground in the past few days. This was evidence of the fact that the OAS was fighting the last ditch battle in sheer desperateness. But its effects were horrifying.

The Europeans were quitting Algeria in fright because of the uncertainty about the future. The exodus to metropolitan France began to assume ever-increasing proportions. It is estimated that not long ago the rate of evacuation went up as high as 5,000 per day. This exodus and the firmness displayed by President de Gaulle about sticking to the prescribed date for the referendum at last convinced the OAS of the futility of their policy of destruction. The possibility of starting a fresh prosecution against Salan was another indication that their opposition would be crushed without any hesitation. The Avian agreement, as they now saw, had come to stay. It was in this situation that the secret talks between the OAS and the FLN were carried on in Algeria. They took not less than a fortnight to conclude, but the final outcome has brought spectacular relief.

Dr. Mostefai's broadcast over Algiers Radio gives the authoritative gist of the terms of the agreement between the two parties. The OAS is to be granted full amnesty as soon as practicable after the declaration of independence in Algeria. As Dr. Mostefai announced in his broadcast, the European settlers have been granted the unqualified assurance of equality of status with the Algerian nationals and safeguards for their property and other economic rights. What is important, as Dr. Mostefai's offer over the Algiers Radio made it clear, the past would be buried deep and the slate would be wiped clean to write a new chapter in the history of Algeria. The OAS apparently realised that once the FLN was in the saddle it would get the necessary resources—including especially the military resources—for a counter-offensive and it would only be a matter of days before its activities would be stamped out. Wisdom, therefore, lay in reconciling itself with the inevitability of Algerian independence and accepting the fair terms offered by the FLN. Nevertheless, the OAS had to abandon all hope of securing any modifications in the Avian agreement. The FLN leadership was quite dogmatic that the party would not budge an inch from the Avian agreement, but amnesty could be granted within its terms. While the OAS directive requires abandonment of the scorched earth policy from the night of Sunday, June 17, sporadic attacks by groups of unorganized desperadoes may not be ruled out. But the countrywide terror campaign is now withdrawn.

Kerala Coalition

UNCERTAINTY ENDED

THE ACTION of the Executive of the Kerala Pradesh Congress Committee in issuing a sharp policy directive to all the members of the Party, including particularly those of the Congress Legislature Party, making it quite clear that the coalition must be continued and strengthened will be hailed as a timely display of firmness. It was badly needed at a time when the differences between the coalition partners — the Congress and the PSP — became open subjects of public discussion producing no other effect than that of creating a strong impression that the fate of the Coalition Government was haunted with uncertainty even in the immediate future. No doubt the Executive of the KPCC lent full support to the Congress Ministers in their demand that the lower primary schools in the State should be allowed to run under private auspices. This demand is now conceded by the PSP, although it will be effective next year. But the school controversy was by no stretch of reasoning an issue on which the coalition could be allowed to founder. The Communist Party even out of office has retained its cohesion and strength and it is easily in a position to make capital out of the laxity in administration arising from differences inside the Cabinet. From propaganda for this purpose to organized agitation against the coalition would in no way mean a long step. Furthermore, communalism is again raising its head in Kerala after the severence of the alliance of the Muslim League with the Congress Party. One distressing result of uncertainty about the future of the coalition would have been to let loose the disruptive forces of Communism and communalism in the political life of the State.

More re-assuring proof of the firmness of the executive of the KPCC has come in the form of the explanation it has demanded from Mr. Maleth Gopinath Pillai, Secretary to the Congress Legislature Party, for issuing an inciting statement that on any particular issue, where the KPCC and the Congress Legislature Party held opposite views, the Ministers would be bound by the views of the Legislature Party in disregard of the directives of the KPCC. This is no occasion for making hair-splitting distinctions based on interpretations of constitutional obligations. Mr. Pillai is on unsure ground. He would be technically right if, and only if, the issue was one on which the Party gave a definite pledge to the electorate in its election manifesto and the Pradesh Congress Committee's directive amounted to a violation of the mandate. This question does not arise here at all, so that even a plausible excuse will not be available to the Legislature Party to flout the directive of the KPCC which it has rightly issued with a sense of emergency.

Financial Powers

DEVOLUTION

MR MORARJI DESAI'S announcement, in the course of his reply to the debate on the Finance Bill, regarding the Government's decision on the devolution of financial powers to the spending Ministries should serve to set at rest a long-standing controversy. Decentralisation was already being experimented in three Ministries at the Centre, but the announcement made by the Finance Minister carries the process a stage further and it is certainly a very vital stage. Mr. Desai declared that the Government had from now on decided to invest the Ministries with certain financial powers within defined limits on items which would be previously subjected to a close scrutiny. This planned devolution pre-supposes very careful pre-budgeting on the part of the Ministries concerned and a strict scrutiny by the Finance Ministry. Incidentally, this process should help to make budget estimates more precise and the present lopsided margins in estimation would be eliminated to a great extent.

The orthodox control of the Finance Ministry over expenditure, even after the demands were granted by the legislature, had justification when the Government's functions were quite limited. But after independence, with the assumption of the role of a Welfare State and the adoption of planned development of the economy, the scale on which expenditure is being incurred has increased enormously and the items on which the outlay is distributed have multiplied rapidly—factors which make centralised control by the Finance Ministry exacting in its own case and irritating and dilatory in the case of the other Ministries. It is somewhat strange that this bold reform should have been criticised on the ground that it would lead to laxity in spending and negligence in the standards of economy and efficiency in expenditure. The strict budgeting and scrutiny by the Finance Ministry do not leave much room for the play of these alleged consequences. The Finance Ministry has often been accused of making a fetish of the departmental procedure and causing inordinate delays in the sanctions of funds to the Ministries. The shortfalls in the performance of the Ministries in respect of their annual developmental programmes were very often attributed to the tight control retained by the Finance Ministry. Now that this grievance has been removed the Ministries would be put to the test of speedy and efficient execution of expansion projects. This reform should go a long way to reduce the "lapse ratio" in the grants by reason of non-utilisation before the end of the financial year.

Untouchability

PACE OF REMOVAL

THE MAIN finding recorded by the Commissioner for Scheduled Castes and Scheduled Tribes in the Tenth Report for the year 1960-61 emphasizes the fact that the removal of untouchability is taking place steadily, but at a gradual pace. But the reason for his concern is really not cogent. He is too much pre-occupied with the date-line of 1970 fixed in the Constitution for the withdrawal of the special safeguards provided for the scheduled castes and scheduled tribes. He thinks that the pace must be hastened so that the removal of untouchability will be accomplished before the safeguards are removed. There is nothing sanctimonious about this date-line. Untouchability is essentially a very intricate, deep-rooted, socio-religious phenomenon and if at the end of 1970 the situation justifies the extention of the date-line, there will certainly be no hesitation on the part of any section of Parliament to amend the Constitution to the end. To remove untouchability is the function both of the Government as well as private agencies, but the greater share of responsibility to bring about this result rests on non-official sources. A band of social reformers, inspired with missionary zeal, will do more expeditious and lasting work than any number of legal or financial provisions could do. What is, therefore, required is to pool such resources.

The Commissioner's recommendation for the appointment of an expert committee representing different social sciences and persons well-versed in administration and social work is superfluous. This problem has been thrashed in a number of scholarly treatises and a good deal of thought has gone into this question, nor has there been a dearth of active work for the removal of untouchability. The proposed committee is unlikely to throw any new light to accelerate the pace of removal. The Commissioner has frankly given credit to the Government for showing spectacular results in the field of the education of the scheduled castes during the periods of the first two five-year plans. This is undoubtedly gratifying since education will operate as a powerful force enabling the scheduled castes to assert their inherent position as equal members of the society. But it is disconcerting to find the Commissioner recording the conclusion that the economic condition of the scheduled castes has not shown any marked progress and no special schemes on a sufficient scale have been devised by the State Governments for levelling up their standards of living. This state of affairs is depressing against the background of a multitude of programmes of economic expansion in the smaller towns and the countryside. A deliberate policy ought to be adopted to make investment in programmes of appropriate industries or agricultural occupations to absorb the working force in the scheduled castes. Their economic and educational betterment will strengthen the forces working for the removal of untouchability. What is required in this arduous and time-consuming task is patience and perserverence.

Parliamentary Control

AN UNHELPFUL SEMINAR

IT WOULD appear that the departure which the Feroz Gandhi Smarak Samiti made this time, from the previous year's laudable practice of inviting a distinguished speaker to deliver an address on a constitutional subject of public interest, by holding a seminar instead has not proved to be a happy change. Last Sunday's seminar on the "Smooth and Effective Control of Parliament over the Executive" can hardly be regarded as having made a substantial contribution to the subject. Rather, the seminar took the form of a forum for the ventilation of grievances by the participants and this class included not only the Opposition Parties or Independent M.Ps. but back benchers in the ruling Party. To take some of the major points raised at the seminar. It is difficult to see how the procedure for the preparation and discussion of the budget can be made more elaborate than it is. A fruitful convention is now established whereby, in place of the Finance Minister piloting the entire budget, the Minister concerned with the demands for grants faces the House, offering comprehensive scope for raising criticism and obtaining elaborate clarification. The Public Accounts Committee and the Estimates Committee function with a remarkable degree of independence and they enjoy wide opportunities and powers to collect evidence.

How is the supremacy of Parliament or its control over the Executive to be asserted? Eventually, the solution will depend upon the standard of the practice of democracy in a genuine spirit. Parliamentary democracy, based on the party system of government, does not give an unfettered right to the Executive, drawn from the majority party, to govern at will, the mandate of the electorate notwithstanding. Its essence lies in discussion on the floor of the House and consultation through the various committees. A democratic executive is not expected to conduct itself with a closed mind, but it is placed under an implied obligation to be responsive to the Opposition and to be ready to modify its policies and decisions in response to constructive suggestions advanced by the Opposition. The process of consultation can be fruitful and Parliament's control over the Executive can be made effective in accordance with the quality of the debates and criticism. This presumes specialisation by Members of Parliament in subjects of their choice and observance of a code whereby they should normally limit their participation to such subjects only.

The World Abroad

WHAT IS THE "ESTABLISHMENT"?

By

ODYSSEUS

IT IS FASHIONABLE in Leftist circles in the U.K. today to satirise the "establishment." By this, the Left means anyone who has gone to one of the traditional public schools, on to Oxford or Cambridge, and then achieved a good position in the City, the Civil Service, or the Conservative Party, allegedly through his social connections. The "establishment" is 1962 slang for what used, with equal suspicion, to be called the "ruling classes."

It is not my purpose to try to refute this theory of "insiders" and "outsiders." We may agree that the able working class boy, or the lower middle class outsider, has a more difficult initial struggle to secure recognition for his talents and has to push harder to get his toe in the door.

But what should be sauce for the goose should be sauce for the gander. The Left, which is understandably irritated about the social "establishment," is wholly indifferent to the economic "establishment."

Here are some examples. Admission to the ranks of taxi-drivers in London is limited by strict rules. An enterprising company has found a loophole in these rules and has launched a fleet of cheap mini-minor cabs. That these are well patronised means that they satisfy a previous unsatisfied demand. What is significant is not that the "legitimate" (sic!) taxi-drivers object, but that their "establishment" has succeeded in getting parliamentary support for a bill to close the loophole and enable them to retain their monopoly.

THE COTTON "ESTABLISHMENT"

Soon after World War II depression hit the U.K. cotton industry. The industry's first response was to inaugurate price-fixing and output control. As Professor C. L. Allen of London University says in his first rate new book "The Structure of Industry in Britain" (Longmans. London. 1961. Price 12sh. 6d.), these schemes maintained prices at a higher level than would have obtained under free competition and slowed the rate at which surplus capacity was eliminated. They were condemned by the Restrictive Practices Court at a time when the industry was suffering from the enterprise of Indian and Hong Kong manufacturers who had invaded the U.K. textile market. Prices fell, and the full extent of the surplus capacity of the cotton "establishment" was revealed. It might have been expected that government would leave the industry to contract, especially as it seemed that the process would be rapid and since most of the displaced workers could, in an era of full employment, count on finding jobs in neighbouring industries. But, as Professor Allen observes, apart from the tender regard which both political parties have for Lancashire as the home of many marginal Parliamentary seats, present day Governments cannot, it appears, allow free competition when it threatens a large established industry. If the ordinary "establishment" is a social force, whose moth-eaten survival is to be deplored, the economic "establishment" is a victorious political force very much in being. So the Government provided compensation for scrapping machinery and subsidies for the re-equipment of a contracted cotton industry, which, it was hoped, would be capable of meeting overseas competition. That it would, however, have been more realistic to allow the cotton industry to find its own level through competition now emerges from a report of a House of Commons Estimates Committee, which says that much of the expensive machinery installed in 1959 is threatened with idleness, and much of the £23 million provided in compensation has been spent "to no purpose."

When a contracting economic "establishment" is a nationalised industry, like the railways, it should be possible to rationalise without the delays and individual resistance that accompany reorganisation in an industry composed of many independent firms. In fact, however, not only the trades unions protest but a wide section of the public joins in, urging that even though certain branch lines are insufficiently used to make them pay, they are fulfilling a "social need." A letter to the "Times" says that the Government proposes to deprive "thousands of ordinary people of one of their basic freedoms: the freedom to travel in reasonable comfort and safety at a reasonable cost." To suggest that it would be worth investigating the use of the railway lines as cleared tracks for hovercraft, capable of flying over the routes at high speeds, and able to stop at will, would be to affront the railway "establishment."

Professor Allen describes the tremendous transformation which British industry has undergone between 1900 and 1960. Goods of little importance in 1900, or entirely unknown, now form a huge proportion of U.K. output, and even those produced in large quantities in past decade have changed profoundly in quality. Motors, the present chief form of transport, hardly existed and there were no aeroplanes at all sixty years ago. The private cars and commercial lorries of the 1960's are very different from those of the 1930's and an entirely new product, agricultural tractors, now forms a substantial part of the industry's output. Television, the present chief form of entertainment, was unheard of in 1900, and was still several years in the future when imagined by Bernard Shaw in his play "Back to Methusalah" in 1917.

TRANSFORMATION OF U.K. INDUSTRY

The transformation of British industry is obvious as one looks back over the decades, but at the time when new products first appeared and the changes were in embryo, innovators needed vision and courage to push ahead in the face of disbelief or indifference. Governments, the press, and business leaders, usually concentrate on the problems of established industries, especially of those in difficulties. The industrial "establishment" naturally associates national prosperity with the progress of particular groups of great industries and is slow to be persuaded that the future may lie with obscure industries of trifling size. So a period

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of transition is likely to be one of foreboding. The decline of established industries can be observed and measured, but contemporaries cannot judge the future of industries in embryo. In 1900, no one could predict that by the late 1950's exports of road vehicles from the U.K. would be five times in value those of cotton textiles, that the net output of the radio and tele-communications industries would be substantially greater than that of shipbuilding, or that of aircraft greater than that of wool textiles.

If the past is a guide to the future, we must suppose that the industries that will surge into the lead in the twenty-first century may as yet be unidentified, if indeed they exist at all. There is no reason to suppose that the changes of the coming fifty years will be less striking than those of the last fifty. Or is there?

Today the economic "establishment" — the public authorities, central and local — decides, directly or indirectly, over half the U.K.'s annual gross investment — in the nationalised industries, in supervising the steel industry, in its role as leading customer for many products, such as aircraft, in financing research and development, in long term policies that affect major private industries, like agriculture, in financing the expansion, re-organisation, re-equipment, or location of industries, and in innumerable other ways.

An economy which is merely rationalising, re-equipping, or expanding existing industries is not dynamic. Growth means innovation — the exploitation of entirely new products or techniques. British industry was not transformed by the leaders of the economic "establishment," but by the enterprise of innumerable small or medium sized entrepreneurs, like Rolls, Morris, Marconi, Ferranti, de Havilland, or Mullard, men whose criterion was a matter of fact: "Does it, or doesn't it pay?" Today, this question is regarded as bad taste and is asked in a shrinking area of the economy. The economic "establishment's" criterion is the "national interest." This is not a matter of fact but of opinion, largely determined by vote catching.

Conclusion? The clock cannot be put back. State intervention is here to stay. But I do urge that, in all countries, we should look upon the economic "establishment" with as keenly satirical an eye as we look upon the social "establishment." I applaud Professor Allen when he says that it is unwise to pursue policies that encourage uniformity. We should abhor "closed shops," keep clear the channels of entry into professions, trades, industries, be suspicious of the pressure of an industry's "establishment" — its representative body — that divides firms into "legitimate" and "illegitimate" members. We should applaud the poacher rather than the game keeper. These are the ways to keep the economic "establishment" on its toes, to keep every kind of initiative alive, to minimise the over-centralisation of decisions, to maintain the competitive pressures which keep established firms and industries from falling back on the government for rescue operations. These should be the aims of "progressive" people as much in the economic as in the social sphere. Full employment, the Welfare state, the Socialist attack on private enterprise, the UK's new anti-monopoly policy, the closer relations between government and industry, all combine to make industrialists conscious of their "social responsibilities". In highly competitive industries the necessary discipline exists. But in nationalised industries or in monopoly markets, the economic "establishment" is likely to get its reactionary way all too easily. What should be the test of the "national interest"? The truth lies in nuances but, broadly speaking social aims are best accomplished by ensuring competition and by doing whatever earns the biggest profits.

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The European Scene

ASIAN TEXTILES VERSUS EUROPEAN CHEMICALS

From Our Special West European Correspondent

PARIS, June 16.

THE European natural-textiles industry (cotton, wool, linen, silk and jute) today faces two formidable competitive challenges: synthetic textiles and the exports of Asian countries. However, these two threats are not cumulative, they cannot be added together. On the contrary, the first provides the antidote to the second, to the extent that European spinning and weaving mills make the relatively minor technological adjustments necessary to use their equipment to handle synthetic fibres. Only in the case of Japan are these competitive threats cumulative, for Japan at once benefits from comparatively cheap labour and is a major producer of synthetic fibres: her output of these is second only to the USA's and increased last year by 30 per cent. Japan thus constitutes a case apart, and the European textiles protectionists confuse the issue when they lump Japan in with the "cheap-labour countries of Asia". Their governments in fact treat Japan as a case apart — Tokyo forces them to, because the value of the Japanese market for European capital goods gives her a bargaining counter that has been used adroitly.

For India, however, the situation is very different and some recent studies of trade in textiles between Europe and Asia have been honest enough to say so. Despite the agitation of the textiles protectionist lobby (which is particularly active in Brussels during the negotiations about Britain's entry into the Common Market), it is not Indian agricultural fibres that threaten the European mills. It is rather that chemical fibres threaten the natural products, and the European mills have the opportunity to switch easily from natural to chemical materials, whereas the Indian mills (lacking the support of a major chemicals industry) have not. Thus, exaggerating a little, one could well imagine the situation where all restrictions on import of Indian textiles into Europe were removed without the Indian exporters gaining much nor the European mills losing much — because synthetics would have claimed the greater part of the market, and the European mills would have converted to follow this trend.

In stating their case against unrestricted import of Indian textiles, the Common Market producers continue to speak of the textiles industry as a labour-intensive occupation. The public and politicians, who are always several years behind technological developments, believe that this is true and find the protectionist case reasonable: European wages are higher than Indian, so it appears that open competition would result in loss of employment for large numbers of European workers. There would be much to say about the comparison of European and Indian wages in the textiles industry. The contrast between per capita revenues is stark and familiar but it does not apply in textiles, for European textiles wages are about the lowest in any branch of Western industry while Indian textile wages are nearer the highest in the country. Taking productivity into account, the difference is even less, and by the time Indian textiles are landed in Europe they are not so fabulously cheap, except for types of cloth that are produced in vast quantity and which serve as a raw material for an advanced textile industry such as Europe's. However, the disadvantage of the European mills in the matter of labour costs cannot be denied.

The point is that the textiles industry in Europe is becoming less labour-intensive and is in fact being incorporated into the chemicals industry. The chemicals firms are going into textiles while, what comes to the same thing, the textiles firms are widening the range of their chemicals production. For example, Hoechst and Bayer in West Germany, which issued from the break-up of I. G. Farben, now do one-quarter of their business in textiles. On the other hand, a French firm like Textil, which started out as a specialist in finishing (i.e. the chemicals end of the traditional textiles industry) has broadened its interests until it is now really a chemicals firm. The textiles industry, primarily a mechanical occupation, was always chemical at one end, finishing; now it is chemical at the other end too, raw materials, for these are increasingly man-made fibres. The mechanical division that subsists between two chemical ends is being revolutionised constantly, and under the direction of the chemicals industry. This was inevitable. The chemicals industry is highly concentrated and it found itself getting involved with an ancient craft that had virtually escaped the second industrial revolution and still retained a scattered capital structure. To spin and weave the chemical fibres it received from Hoechst, Rhone-Poulenc or ICI it needed fresh capital and new management, and these came from the bigger industry. The unification of the two industries would not have gone so far but that it was discovered that the best outlets for the man-made fibres was in mixtures with natural fibres: rhovyl and wool, cotton and nylon linen and tergal.

The chemicals industry soon realised that it could not rest content with being the supplier of a new sort of raw material to an ancient industry. The revitalisation of that industry was a prime condition of its own expansion. For example, last year it was found in West Europe that sales of underwear made entirely of synthetics increased by 24 per cent, whereas sales of the same piecegoods made of a mixture of synthetics and natural fibres increased by 66 per cent. The chemicals firms discovered that, like it or not, they were in the textiles trade. They proceeded to modernise it, improve the technical qualification of its labour and expand the size of its installations (this last, because there were economies of scale to be realised in mills using synthetics that did not exist when they used only natural fibres). Even that part of the textiles industry that stuck to agricultural fibres found that it had to resort to the aid of the chemicals firms to give its materials special treatment that enabled them to stand comparison with chemical fabrics; as is known, big advances have been made in the chemical treatment of wool, cotton and linen. The competition of Asian natural textiles hastened this process. As European mills found their export markets threatened, they sought compensation in chemicals sidelines. For example, there are firms that are called jute spinners or weavers and are still listed in the stock markets as textiles firms, but which in reality



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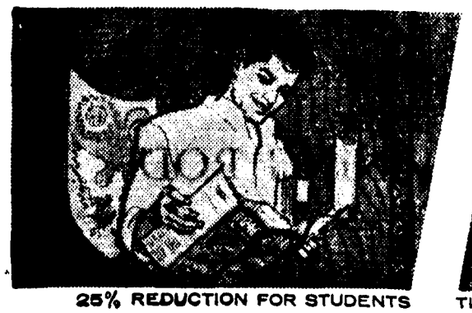
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The swallowing up of the textiles industry by the chemicals firms is, of course, far from complete but the trend is clear. Already, last year in France two out of every three shirts sold were of nylon, and 30 per cent of all the fibres consumed by the textiles industry were chemical in origin. The tonnage of man-made fibres converted into textiles, five years ago, was 39 per cent of the tonnage of cotton used; last year it was 55 per cent—and much of the cotton used was in combination with synthetics. One refers to tonnages because there is no other convenient measure, but this is quite misleading since chemicals fibres are lighter: weight for weight, the "covering power" of synthetic textiles is three and a half times that of wool and twice that of cotton. The inroads of synthetics are thus much more substantial than the tonnages indicate.

Te European mills have not suffered from this process. Although we speak of the "cotton industry", the "wool industry" and so forth, there are really only spinning, weaving, dyeing and piecegoods industries, which are perfectly capable of changing their raw materials, given technical adjustments. The silk weavers of Lyons, for instance, who date from the Middle Ages, would have disappeared long ago if they had not learned to weave rayon soon after it was invented; they have learned to handle synthetics with no more trouble. In any case, as mentioned, the new fibres are often used in combination with the old, so the conversion is even simpler. Some branches are hit: installations for combing wool obviously have no future when wool sales decline, and spinners are short-circuited when the chemicals firms produce continuous fibres. Yet on the whole the adjustments are not too painful when spread out over several years and when the bigger and richer chemicals industry is there to supply capital and know-how.

The moral of all this is that it is misleading to speak of competition between the European and Indian textile industries. The real competition is between the Western chemicals industry (of which textiles is, increasingly, becoming one division) and Indian mills spinning and weaving natural fibres of which the market is contracting. In this competition, the balance of power is decidedly unequal and the trend, as everywhere that synthetics have challenged natural materials, is toward victory for the challenger. World consumption of all textiles has increased since just before the war from 8 million to 15 million tons, but in that period the percentage of chemical fibres in the total has risen from 11 to 23; output of synthetics alone has been multiplied by 10 in the last decade. (These figures must be read with the above remarks about weight-for-weight covering power in mind.) Moreover, figures referring to the last 10 or 20 years give no idea of the advance of synthetics, for they are just entering on their period of maximum expansion. Italian output of synthetics, for example, rose by 25.6 per cent last year, and so far this year it is running 68 per cent above 1961! The current French plan foresees an annual increase of no less than 16.5 per cent in output of synthetics, against only 4.5 per cent yearly for the textiles industry as a whole (including synthetics)

The impact of this progression on the trade balance of the European countries is considerable. They save imports of natural raw materials and of piecegoods made of natural fibres, while gaining new export markets for chemical fibres that are not manufactured by developing countries that do not have a chemicals industry. Thus, chemical fibres last year contributed Rs. 145 crores to the French trade accounts, counting earnings and savings on both sides of the register. Meantime, countries producing natural fibres see their markets contract or stabilise, while prices fall. Between 1953 and 1959 natural fibre imports by West Europe rose by only 6.4 per cent, which is negligible in view of the rise in population and incomes in that period. Worse, the value of those exports fell by 24 per cent. This greatly assisted the European mills who were transferring from natural to chemical raw materials, but it lopped $642 million off the revenues of the natural fibre exporters.

It has been said so often that one comes to believe it that textiles are the one department where the developing countries can compete on equal terms with the industrialised West. European producers have said that this is so true that they require blanket protection to save them from an invasion of cheap Asian cloth. On the contrary, the trends indicate that textiles are no exception to the general evolution of world trade in favour of the industrialised economies, to the disadvantage of the developing countries.

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Economic Report from the U.S.

DECLARATION OF ECONOMIC INDEPENDENCE

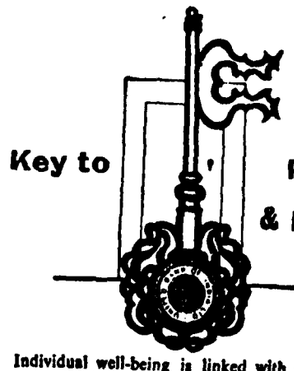
By GUY SIMS FITCH

WASHINGTON, June 12.

PRESIDENT Kennedy journeyed to New Haven, Connecticut, this week, to old and renowned Yale University, to receive an honorary degree and deliver the commencement address. It was an address rumoured in advance as an important pronouncement on economic policy — and that it was. In effect, the President was issuing a kind of declaration of economic independence for the United States. He called on the American people to free themselves of old and enfeebling generalities — the myths, cliches and other impediments of the past — and to seek and find constructive and realistic responses to the new challenges of a new age. In this sense, one is reminded of another commencement address delivered 15 years ago at another old and renowned seat of learning, this at Cambridge, Massachusetts. It was at Harvard University in June 1947 that the then Secretary of State George C. Marshall made the proposals that developed into the highly successful and integrated plan of European economic reconstruction which still bears his name and which, though long since ended, helped lay the foundation for much of Western Europe's present unity and strength.

Just as there were those who may have missed the significance of Secrtary Marshall's words when they were uttered back in 1947, there may be some who do not quite grasp the significance of President Kennedy's words in this year of 1962. Yet what the President had to say about the problems of the modern U.S. economy, with specific reference to fiscal policy and the role of government, may well lay the foundation for important innovations in American economic thought and practice. To a large extent, the President's new approaches to economic policy were foreshadowed by the wide-ranging actions of his Administration during its 18 months in office. And certainly, he has spoken often enough about finding solutions to today's pressing problems, as at the recent White House Conference on National Economic Issues. But he has now taken this subject from the all-but-exclusive grasp of the economic specialists and injected it openly and vigorously into the realm of public attention, there to be subjected to the rigours of national discussion and debate.

The President indicated more clearly than ever before his interest in seeing some important revisions in Federal fiscal policy, with emphasis on a more realistic measurement of the government's impact on the economy. This would help remove the myth that budget deficits somehow are bad in themselves — or at best necessary evils — and it would permit the government greater leeway in adopting tax and spending programmes geared to national requirements. In this regard, the President noted that deficits or surpluses in the conventional, or administrative, U.S. Budget more often than not appear to bear little direct relationship to the fueling or stifling or inflationay movements. As a matter of fact, despite some apparent budgetary difficulties, the public debt per person and as a percentage of the gross national product (GNP) — the total output of goods and services — has declined substantially since the end of World War II. In the same vein, while Federal outlays have been going up steadily, they have grown less rapidly during the p.s. 15 years than has the economy as a whole. These increases, moreover, have been due largely to expanding governmental responsibilitis in an economy which has been growing in complexity as well as size. In this kind of an economy, the government cannot be expedited to abrogate its authority and influence, but must be prepared to use them wisely and prudently to promote the nation's legitimate interests in economic progress and welfare. It is easier to set, and even to agree on, basic economic goals — such as high employment, rising production, stable prices and a strong currency position — than it is to find ways of at aini g them. This is a matter not of conflicting ideologies, as the President sees it, but of the practical management of a modern economy. It calls not for cliches or labels, but for hard-headed discussion of the sophis.icated and difficult questions involved in "keeping our mighty economic machine moving steadily ahead." These questions, inextricably linked, concern every aspect of economic life — be it fiscal and monetary policy, consumer buying power, business investment, wage and price decisions, technological change, employment opportunities, balance of payments, world markets, or any other. Finding the kinds of solutions to these problems that will best meet the nation's needs and potential within the concept of its traditionally free and democratic society is a challenge President Kennedy has thrown to this generation of Americans.



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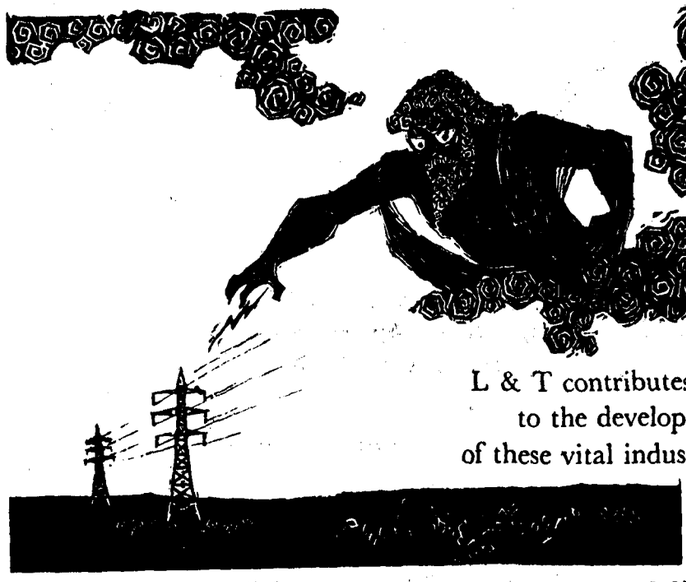
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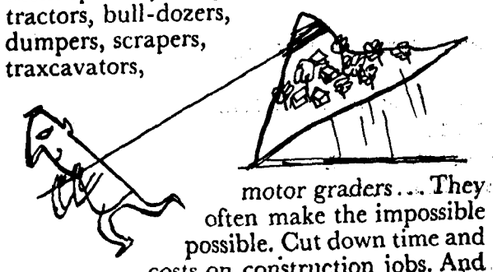


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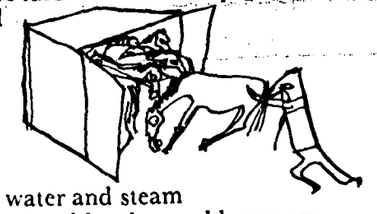
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SISTA'S-18-2

Special Article

THE NEXT DECADE

WHAT will be the shape of things in the world after a decade? This is a highly speculative question but an attempt has been made by the United Nations to find an answer, keeping in view the wide disparities in standards of living which exist in the world. On the one hand space research has made possible some scientific feats which were unthinkable a few years ago; on the other, the degree of hunger, poverty and suffering which exists in vast areas of the world is unimaginable. The United Nations, in a special "proposal for action "by the Acting Secretary General, has provided an answer to this question and has decided to designate the current decade as the United Nations Development Decade.

The various agencies of the United Nations will attempt development in terms of not only economic growth but also in terms of social changes so as to meet the rising aspirations of the people in the developing countries. The pattern of economic growth is outlined in these words: "The main economic objective for the decade is to create conditions in which the national incomes of the developing countries not only will be increasing by 5 per cent yearly by 1970, but will also continue to expand at this annual rate thereafter. If this can be done, and if the population of the developing countries continues to rise at its present rate of 2 to 2½ per cent yearly, personal living standards can be doubled within twenty-five to thirty years. If, however, the growth of population should be even more rapid by the end of the decade than it is now—and there are indications that in a number of countries the annual rate of increase is already 3 per cent or higher—it will take correspondingly longer to double living standards."

The United Nations would shun the traditional controversies regarding the demarcation of the public and private sectors in economic life, agricultural development versus industrial development and education versus vocational training. More stress would be put on national planning, the importance of the human factor, reducing under-employment and unemployment, stabilisation of commodity markets, stimulating the flow of capital assistance from developed countries to the developing countries, emphasis on pre-investment work, initiation of new techniques and smooth flow of highly skilled personnel to the developing countries. All these are noble ideals but the attainment of the stipulated targets will depend both on the co-operation that the United Nations is able to obtain from the participants in this process of economic development and the successful application of the new approaches outlined above.

During the 1950's the developing countries of the world did not record appreciable rates of increase in national income. On the average, only one per cent per annum increase was witnessed which kept the living standards at pitifully low levels. This also applied to social progress whose indicators showed only "slow and spotty" improvement. Wherever some improvement was achieved, it was of uneven character, i.e. certain sectors of the economy raced ahead while others lagged behind. Industrial production, for example, in the under-developed countries improved in percentage terms almost at the same level as in the industrially developed countries and in certain cases, the rate of industrial growth was even higher than that achieved in the advanced countries. Unfortunately, the share of the industrial sector in the national economies was very small with the result it failed to bring about any drastic structural change in them.

An analysis of the pattern of growth in income as well as population in the African, Asian and Latin American countries has shown that rates of growth can be accelerated with the help of external assistance. The United Nations has estimated that "a flow of capital representing one per cent of the incomes of the developed countries adds about ten per cent to the national income of the under-developed countries and about 100 per cent to their present net capital formation". If foreign investment of this order were intelligently utilised, it would result, on the average, in raising the national income of the developing countries by three per cent per annum. In order to achieve this target, the United Nations has recommended the following six major tasks which must be performed:

(i) The more systematic survey, development and utilization of physical and human resources in under-developed countries;

(ii) The formulation of true development plans providing for maximum mobilization of domestic resources and the effective utilization of external assistance;

(iii) An improvement in the machinery of administration, in institutions and in production incentives in order to meet the new and increased demands arising from these development plans;

(iv) A redirection of science and technology to increase the attention given to specific problems of low-income countries;

(v) An increase, and subsequent more vigorous growth, of the export earnings of under-developed countries;

(vi) An increased and a more assured flow of capital on suitable terms to the under-developed countries.

The mobilisation of human resources in the developing countries is an essential condition for raising living standards. It is proposed that during the Development Decade efforts should be made at the national as well as international level on these three aspects: (i) better utilisation of the labour force by creating higher levels of productive employment; (ii) improving the quality of the labour force by vocational education and training; and (iii) enlisting popular support for the tasks of national development, and the partcipation of broad social groups in them.

For conducting man-power surveys, the United Nations will provide special assistance. It has been suggested that these man-power surveys must be carried out swiftly so as to size up the problem in its proper perspective in every developing country.

In the sphere of education, UNESCO has made specialised studies and has put forward targets likely to be achieved by 1970-71. These are not very ambitious targets and can certainly be attained if the nations con-

cerned decide to execute their plans with determination. The targets in the various continents are:

"In Africa: 70 per cent of the children of age group 6-12 will be in primary schools (present level 40 per cent): 15 per cent of the appropriate age group in secondary schools (3 per cent): and 0.4 per cent of the appropriate age group in universities (0.2 per cent);

In Asia: 50 per cent of children of primary school age will be in primary schools. On the basis of incomplete information on national plans it is further estimated that 50 per cent of primary school pupils will go to secondary schools, plus a further 20 per cent to trade and agricultural schools. In the area of higher education the present percentage of 2 per cent is expected to move towards a target of 3 per cent of the appropriate age group being enrolled in higher education institutions;

In Latin America: All children of primary school age will be in 6-year primary schools (implying an increase in the primary school population from 26 million children in 1960 to 45 million children in 1970); 30 per cent of the appropriate age group in second level schools; and 4 per cent of the appropriate age group in universities."

An historical analysis made by FAO has shown the wide disparity in consumption standards between the rich and the poor regions of the world. It has also brought forth the slow rate of growth in food production in the developing regions. During the past decade, the increase in food supplies was of the order of 2.5 to 3 per cent per annum while population increase was about 2 per cent per annum, thus indicating a per capita increase of about 1 per cent per annum. This order of rise was hardly sufficient to take the starving millions out of their sub-standard levels of living. The nutritional levels to be attained at the end of the present decade in the four major regions of the world have been substantially increased; they are:

Region	Per Capita Consumption	
	Calories	Proteins (gms)
1. Far East	2,300	10
2. Near East	2,470	20
3. Africa	2,420	15
4. Latin America	2,400	25

The rate of food increase will also be increased from 1 per cent to 1.5 per cent and in certain areas upto 2 per cent. These targets can be achieved only by increasing the use of fertilizers which, according to the FAO estimates, will approximate to 15 million tons in 1970. This is about 8 times the present level of consumption and shows the volume of effort that needs to be put in for increasing production to such a high level.

In the task of promoting public health in the developing countries, targets have been fixed for key-workers so that the programme for education may be conceived in these terms. It is proposed to provide a physician for every 10,000 population, a nurse for every 5,000 population, a technician (laboratory, X-ray etc.) for 5,000 population, a health auxiliary for 1,000 population, a sanitarian for 15,000 population and a sanitary engineer for 2,50,000 population.

The proposal put forward by the Secretary General envisages measures for increasing the earnings of the developing countries through increased international trade and substantial increase in capital assistance. The special agencies of the United Nations such as the World Bank and IDA will continue to assist in mobilising funds for the purpose. The development plan touches upon every important aspect for promoting economic growth but it is not possible to enumerate each one of them in the brief compass of this article. The Report certainly provides a blueprint for making life more cheerful in the less-fortunate lands of the world during the next decade.

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THE BUSINESS WORLD

Attitude Towards Industries and Industrialists

By CROESUS

ONE State Government after another has been coming forward to offer attractive concessions to entrepreneurs from both within and outside their States in order to start more and more industries in their areas. Lately, Kerala, Madhya Pradesh, and Gujarat seem to be vying with one another in this race and the latest to join the race in inviting investors and capital from outside is the Punjab Government. The relatively less industrialised States like Orissa and Rajasthan too have not been lagging behind. Even the already fairly well-industrialised States, such as West Bengal and Maharashtra, have not given up wooing entrepreneurs and prevailing upon them to start new industries there. If the less industrialised States want industries to be started anywhere in their jurisdiction, the already industrialised States want new industries to be located in their backward or less industrially advanced regions. The other day, for example, Maharashtra's Minister for Industries, Mr. S. K. Wankhede, whilst inaugurating the Deccan Flour Mills in Aurangabad, assured all help to industrialists and entrepreneurs and urged them to establish more and more industries in Marathwada, admittedly the most underdeveloped region of the State. He further held out the bait that a thermal station would be established in the Marathwada region early in the Fourth Plan period. Pending that, he went on to say, Marathwada need not wait but could go ahead especially with small-scale industries, and promised to make available power, for this purpose, from the Paras-Poorna-Koyna Electrification Schemes. Similarly, Mr. Pratap Singh Kairon, Chief Minister of Punjab, who is also in charge of industries in that State, is believed to be very keen on having more industries located in Punjab. According to the latest reports, as many as eleven textile mills, a wool combing plant, and a newsprint factory, involving a capital outlay of about Rs. 8 crores, are envisaged to be set up in the near future.

While all this enthusiasm is welcomed by business interests, the realists as they are, they do not seem inclined to respond to the same degree in each case. Obviously this cannot be otherwise, because entrepreneurs would naturally like to invest only in those areas where there are ample infrastructure facilities, such as good roads and adequate power and water supply, besides, of course, the availability of raw materials in abundance, reasonably cheap and efficient labour, and nearness to the consuming centres. But even where more or less all these facilities are known to exist, one cannot fail to discern a degree of reluctance, on the part of entrepreneurs, to go and invest.

Recently, I had an opportunity to interview a number of business men with fairly extensive interests in more than one State, to get their reactions to invitations by several State Governments to start new industrial ventures. The replies that I received were revealingly surprising. I was certainly not prepared, for instance, to an emphatic refusal, on the part of a leading industrialist, to have anything to do with the Gujarat Government, for I had been under the impression that State administered by the well-known business community of 'Gujaratis' would leave no stone unturned to attract investors and entrepreneurs. Asked for an explanation for this rather unexpected reaction, I was told, among others, that letters addressed to this Government were not acknowledged even for months, despite several reminders; that the power position in Gujarat, notwithstanding the valiant efforts of the new and energetic Chairman of the Electricity Board, still left much to be desired. This difficulty becomes all the more highlighted by reason of utter dependence of the State for supplies of coal from outside. As in the case of the Southern States, coal has to be handled over very long distances which necessarily makes it inordinately costly to industrial users. Nor is the transport position in Gujarat very satisfactory. And as though this were not enough, the climatic conditions in most parts of the State are anything but inviting. One would have thought, in the context of all these, that the State Government would go all out to placate prospective entrepreneurs and be extra solicitous towards them. This, however, does not appear to be the case, unless things have radically changed over the past few weeks.

At the other end is Maharashtra, according to the industrialists interviewed by me. They say that things move in Maharashtra more quickly and without much fuss. On important matters involving policy decisions, it is said, the Chief Minister himself looks personally into things and tries to be helpful, so that things could be got going. In Madras also, the position would appear to be the same, and, here, again, according to several reports, Mr. Kamraj Nadar himself steps out to tackle any ticklish problem and find a solution to it. I am told that this is also the experience of many businessmen with regard to the West Bengal Government. West Bengal has also a number of other advantages, even as Bombay, such as a network of engineering workshops which can take up or undertake any complicated repair job or even the reproduction of a complicated component of a machinery and a relatively more experienced labour force.

Of course, a very important consideration that weighs with prospective industrialists is the budgetary policy of the State Government concerned. Notwithstanding the fact that the avenues open to State Governments to raise additional resources are severely limited and inelastic, quite a few of these Governments have managed to impose onerous burdens by exploiting such levies as sales-tax. There has also been a tendency lately to call upon industrialists to contribute to all sorts of funds and memorials. All these must naturally get reflected eventually in the price to the consumer, who has even otherwise enough burdens to bear, in all conscience.

In the ultimate analysis, it seems to me that what is even more necessary than the availability of various facilities is the attitude of those in authority towards entrepreneurs. A sympathetic attitude, coupled with prompt and understanding replies to communications seem to command more importance at the hands of businessmen, which is understandable. More often than not, what one is confronted with in some States is the incredibly indifferent attitude of some of those in power, in particular those who have to deal with industrialists and businessmen at almost every turn. If they are really keen on bringing more and more industries into their States, as they profess from the house tops, I am convinced that there must be a thorough reorientation of their approach, attitude and outlook alike.

Business Notes

Inflation

RISE IN WHOLESALE PRICES

THE INDEX number of wholesale prices for the financial year 1961-62 shows a rise of 25.1 per cent over 1952-53. The average annual rate works out to be a little less than 3 per cent per annum. The rise has been, however, extremely un-even over the various categories of commodities covered by the index. The index for food articles which covers a little above half the weightage, showed a rise of only 20.1 per cent indicating that most of the other groups recorded increases far above the average of 25.1 per cent.

Amongst the various groups and sub-groups into which the food articles index has been devided, a higher level of rise was recorded by "other food articles" covering tea, coffee, spices and condiments, bettlenuts and salt. The combined index for all these commodities showed a rise of 71.6 per cent. Pulses indicated a drop of about 8 per cent.

Industrial raw materials in particular scored over all other groups, the index being 42.6 per cent above the 52-53 level. The next place is occupied by manufactures with a rise of 26.6 per cent. Amongst the finished products, metal products with a rise of 51.6 per cent over the period under consideration recorded the highest increase. Amongst individual items, tre highest score was that of oranges from Nagpur whose prices had more than trebled during the period.

The index, however, does not bring out the truly oppressive character of the inflationary spiral. This may be illustrated with reference to the prices of rice, an essential commodity, for the last week of May, 1962. Prices are quoted in the index for the coarse variety of rice in Trivandrum, Raipur, Jagdalpur and Kotma. The price variation in these four centres is very wide. Trivandrum quoted rice at Rs. 61.69 per quintal as against Rs. 48 in Raipur, Rs. 45 in Jagdalpur and Rs. 40 in Kotma. Thus, the coarse rice prices in Trivandrum were higher by 50 per cent than the prices prevailing in Kotma. To such an extent the index levels out the rises as well as the falls which take place for various commodities. Again, even though the index of wholesale prices provides a barometer for prices in general, yet it does not exhibit the true pressure on the consumers who buy in the retail markets at much higher prices.

Electricity

HARNESSING POWER FROM LOW HEADS

IN THE context of the acute power shortage now obtaining in the country, as also the inevitable need to increase economy in all our future power projects by reason of the foreign exchange crisis, any information such as that relating to Micro Power Plants (MPP) which are installed in France and which may help economise our foreign exchange expenditure is bound to evoke considerable interest.

A reference is made to these plants by the Federation of Electricity Undertakings in its latest circular. According to the F.E.U., the M.P.Ps are small hydro-electric schemes suitable for installation mainly in areas of low head. Their interest lies in the feasibility of fitting out inexpensively small local falls with plain and sturdy equipment, which does not involve any high transport, erection or operating costs. Electricite De France (EDF) has applied itself to the development of schemes fulfilling these requirements in the case of heads between 1 million (328 ft.) and 3 million (984 ft.) the "producibility" of which varies between few tens and several hundreds of KW.

It has been found from experience, we are told, that this type of scheme can also be made to apply — under different forms of application — to higher heads. It is pointed out, for instance, that fully automatic operation provides an attractive solution to eliminate operating labour, the operating labour thus eliminated being replaced by personnel for plant supervision and maintenance.

Having this application in mind, the E.D.F. has designed the plants in a way which would reduce the quantity of components and would simplify operation to the greatest possible extent. These components have been so made as to ensure great sturdiness. The new arrangements have added to the quality of the protection and safety equipment, thereby providing the utmost safety of operation.

The E.D.F. has applied these principles to its experimental scheme on the Essone River at Echarcon. The entire experimental unit of Echarcon, with a 120 KW max. capacity for 3 m (10 ft.) head, has been prefabricated and divided into components, each of which does not exceed 1,200 kg (2,645 lb.) as regards the unit proper and 750 kg (1,155 lb.) as regards platework. The largest components are easily loaded on a standard truck. The components, which are easy to handle, can be reassembled on the site and fastened with few anchorages inside a waterway, including two sidewalls and an invert. The electrical instruments being housed inside ventilated outdoor type cabinets, no seperate operating building is required.

Cement

PROBLEMS OF REFRACTORY INDUSTRY

MR. J. DALMIA, Chairman of Orissa Cement Limited, at the annual general meeting of the company, held recently dealt at length with the possible demand for refractories during the coming few years. He was of the opinion that consumption of refractories for steel plants was declining to some extent. In addition to this the actual output of steel by the end of the Third Five-Year Plan was not likely to be at the level of the targetted capacity of 10 million tons. In fact, the 10 million tons mark might not be reached till 1966-67. Naturally, therefore, the expected demand for refractories would be altered. It was estimated that by the end of the Third Five-Year Plan when all the expansion schemes of the basic refractories capacity would be completed, the likely annual capacity might be in the neighbourhood of 1.50 lakh tons against the estimated requirement of nearly one lakh tons. There is, therefore, a clear case for a very careful planning in the creation of future capacity for refractories. It would be just proper if the indigenous capacity in the case of refractories and fire-bricks could be utilised for certain other products.

Mr. Dalmia, touching the problems faced by the industry, cited an instance where certain States had developed the tendency to refuse the mining of minerals required by the refractory industry for use outside their boundaries. It is quite understandable that the States would have before them their self-interest and try to take their respective regions further in the fields of industry as far as possible. But such parochial restrictions on industries of national importance could not be considered justifiable. The Central Government as well as the State Government should pay sufficient regard to such industries of all-India importance and instead should help them to obtain their requirements of essential materials. Such industrial units have to be set up at only one site chosen for various considerations and raw materials have to be obtained from all parts of India. The State Government should, therefore, come forward to help such units.

Another significant point raised by the Chairman was in regard to the study of workloads in the cement industry. The Government of India, while accepting the recommendations of the Central Wage Board for Cement Industry, had promised to undertake the study of workloads, but the Chairman indicated that out of 34 cement factories in the country, so far workload studies had been undertaken at only 3 plants. The study of workloads was likely to provide valuable data for increasing productivity in the industry. It was the considered policy of the Government of India that increase in wages should come mainly from increased productivity. With this end in view, workloads studies would at least provide indications for any future possible wage increases. The Government should accelerate the workload study programme and provide the data for the guidance of the producers, the workrs as well as the consumers.

New Issues

PANYAM CEMENTS AND MINERAL INDUSTRIES

THREE MORE companies have finalised their plans to raise capital from the public.

Panyam Cements and Mineral Industries Limited is entering the market with an offer of 25,000 equity shares, of Rs. 100 each, and 10,385, 9.3 per cent (taxable) cumulative redeemable preference shares, also Rs. 100 each. The lists open on June 25 and shall close on July 2 or earlier at the discretion of the directors, but not before June 27. The issue if fully subscribed (the whole of it is underwritten) will raise the issued capital of the company to Rs. 1 crore, out of an authorised capital of Rs. 2 crores.

The company has been engaged in the manufacture of Portland cement and for this purpose has set up a 200 tons per day capacity factory near Bugganipalli, in Andhra Pradesh. It is now proposed to expand the capacity of this factory to 500 tons per day by installing an additional plant capable of producing 300-330 tons of cement a day. Orders for the supply of complete equipment for the additional plant have already been placed with Messrs. A.C.C. Vickers-Babcock Ltd., Bombay. The new plant is expected to be commissioned into production in the second quarter of 1963.

The expansion project is estimated to cost Rs. 1.2 crores. This expenditure is proposed to be met as follows: (1) loan from the Industrial Credit and Investment Corporation of India — Rs. 40 lakhs; (2) loan from the Bank of Baroda — Rs. 20 lakhs; (3) share capital already issued and subscribed by right shareholders (in two instalments on 28-1-1962 and 12-3-1962) — Rs. 10.975 lakhs; (4) proceeds of the new issue — Rs. 35.385 lakhs; (5) internal resources — Rs. 13.640 lakhs. Any further sums required are proposed to be procured as loans from the company's bankers and other financial institutions.

The working of the company during the past two years has been quite satisfactory. It earned a profit of Rs. 11.78 lakhs in the year ending August 31, 1961, as against a profit of Rs. 8.08 lakhs in the previous year, after raising the provision for depreciation from Rs. 9.32 lakhs to Rs. 10.18 lakhs. Sales in 1960-61 amounted to Rs. 65.07 lakhs, as against Rs. 62.72 lakhs in 1959-60. Arrears of dividend on preference shares upto August 31, 1960, have been cleared. After wiping out a debt balance of Rs. 7.50 lakhs and making the other necessary adjustments, the company brought forward Rs. 9,694 to the current year's account.

NEIVELI CERAMICS AND REFRACTORIES

THE SECOND concern which has finalised its plans for raising capital from the public is the Neiveli Ceramics and Refractories Limited — a new company sponsored by Messrs. Seshasayee Brothers (Private) Ltd., to undertake the manufacture of high quality sanitaryware. It is issuing capital worth Rs. 45 lakhs — Rs. 42 lakhs in equity shares (of Rs. 10 each) and Rs. 3 lakhs in 9 per cent cumulative preference shares (also of Rs. 10 each). The whole of the preference issue has been already subscribed by various insurance companies. Out of the equity capital, the directors and their friends have agreed to take up shares worth Rs. 8.23 lakhs. Equity capital to the tune of Rs. 3.77 lakhs is proposed to be taken up by the foreign collaborators. The Life Insurance Corporation is subscribing to shares worth Rs. 5 lakhs. The balance of Rs. 25 lakhs worth equity capital is to be offered to public for subscription sometime in July.

The company is setting up its factory (capacity 1,800 tons sanitarywares per annum) at Vadalur, in Madras State, where the main raw material, fine quality clay, is available easily from the nearby Neiveli lignite mines. A pilot plant has already been set up and is in production. Commercial-scale production is expected to start sometime in 1963.

Technical collaboration has been arranged with the German group of industries Keramag AG., of Ratingen.

The total capital outlay on the project is estimated at Rs. 75 lakhs. It is proposed to be met as follows: share capital — Rs. 45 lakhs; loan from ICICI — Rs. 20 lakhs; bank borrowings — Rs. 10 lakhs.

The Chairman of the Company's Board of Directors is Mr. S. Narayanaswamy, who heads the Boards of Directors of Aluminium Industries Ltd., Seshasayee Industries Ltd., and Simco Meters Ltd. The South Madras Industrial Development Company (Private) Limited has been appointed as managing agent for a period of 10 years.

AIR CONTROL AND CHEMICAL ENGINEERING

THE THIRD company which proposes to approach the public sometime hence for subscriptions to its share capital is Air Control and Chemical Engineering Company, floated recently to undertake the manufacture of refrigeration equipment and accessories. It has plans to raise Rs. 84.50 lakhs in the form of equity shares. The issue is expected to be offered towards the end of September or in the beginning of October.

The company has entered into technical collaboration arrangements with three Canadian and two U.S. firms — Sheldons Engineering (Canada); Air Coils Manufacturing Company (Canada); Wide Refrigeration Company (Canada); Air and Refrigeration Inc. (U.S.); and Dunhambush (U.S.)

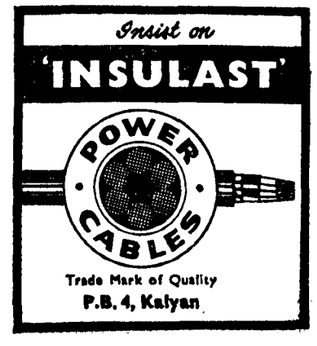
To meet the foreign exchange costs of importing plant and machinery, the company has made an application to the Industrial Finance Corporation of India for a dollar loan equivalent to Rs. 60 lakhs.

Construction of the company's factory is expected to start after the rainy season.

Engineering

WELLMAN INCANDESCENT FORM RUPEE COMPANY

A NEW public limited company under the name of Wellman Incandescent India Limited, has been formed in Calcutta by the Wellman Smith Owen Engineering



Corporation Ltd., and the Incandescent Heat Co. Ltd., of U.K.

The Wellman Smith Owen Engineering Corporation has a world wide reputation as the leading manufacturer of steelwork plants, furnaces and cranes. The Incandescent Heat Group of Companies specialise in industrial furnaces and heat treatment equipment. The Wellman Incandescent Group of Companies with their associates are the largest designers and manufacturers of heat treatment equipment in the world and their experience extends over 60 years. As a member of the ISCON Consortium which built the Durgapur Steelworks, the Wellman Smith Owen Engineering Corporation was responsible for the entire construction of the steel melting plant, comprising of open-hearth furnaces, soaking pits, and also supplied 33 cranes, including several of 280 tons capacity. The Incandescent Heat Company has been supplying for the last 30 years furnaces and heat treatment plants in India. One of its subsidiaries, the Controlled Heat & Air Ltd., has supplied a large number of low temperature drying ovens to the Heavy Electricals (India) Ltd., Bhopal.

The Indian company will have at its disposal the accumulated know-how of its parent company, and will be in a position to offer to the Indian market industrial furnaces fired by any type of fuel and electricity, for all forms of treatment of ferrous and non-ferrous metals and a full range of mechanical handling and other allied equipment largely from indigenous sources. Steps are also being taken for the Indian company to export its products to the neighbouring countries.

Fifty per cent of the capital of the Indian company will be taken up by the parent company, and the balance will be issued between the directors and friends of the Indian company and the public. The percentage to be taken by the directors and friends and to be offered to the public as well as some other consequential details are yet to be finalised. The Commerce and Industry Ministry has agreed in principle to the terms of collaboration agreement between the Indian company and the parent company. Negotiations with the Government are now in the final stage.

Banking

THE BANK OF GOA

THE GOVERNMENT OF INDIA has so far made an earnest effort to maintain the separate "individuality and personality" of Goa, so that the pace of economic growth — accelerated in recent years by spectacular growth of the mining industry — may be continued. In an atmosphere of rising business activity, it was natural for the Goan industrialists and businessmen to chalk out plans for a new bank of their own. In the past, the Goan business community failed to set up a bank because the Portuguese Government would not let them put up a competitor to the Banco Nacional Ultramarino. An application submitted to the Reserve Bank of India recently by the Goan businessmen for setting up the Bank of Goa has also not received an encouraging response. Taking shelter behind the Banking Companies Act, the Reserve Bank has deferred the decision till the said Act is made applicable to Goa. It should be remembered that earlier the Reserve Bank had authorised the State Bank of India and the Bank of India to start operating in Goa so as to fill the vacuum created by the closing of the Banco Nacional Ultramariano. The very fact that the Reserve Bank has authority to allow these two banks to start their operations in Goa shows that the Banking Companies Act had been made applicable to Goa 'de facto' if not 'de jure'. The people of Goa have rightly demanded that they should also be authorised to go ahead with their plan to set up a Goan bank with their own resources.

The authorised capital of the bank is proposed to be around Rs. 2 crores and paid up capital at Rs. 50 lakhs. It is anticipated that 60 per cent of this paid up capital will be subscribed by the directors and their friends, and the remaining 40 per cent will be offered to the public. It is a foregone conclusion that all Goans whether residing in Goa or in India or outside India will happily participate in this venture so as to hasten the industrialization of Goa. The Bank of Goa manned by local people has greater chances of accelerating business activity. At the same time it will assist in mopping up savings of the people consequent upon the recent prosperity generated by unprecedented growth in the mining industry. It is necessary that the Reserve Bank should come to the succour of the people of Goa so as to assist Goa in rehabilitating itself in the new conditions and circumstances and fulfil a long-cherished dream of the people of Goa.

Industrial Research

PLASTIC - CELLULOSE GRAFTING

CANADA'S UNIVERSITY of Toronto, after four years' research, is stated to have developed a plastic-cellulose grafting process that should bear important results for several industries. Using cobalt-60 in a gamma cell, research chemists are said to have induced a reaction which "permanently grafts certain vinyl monomer plastics to cellulosic materials.

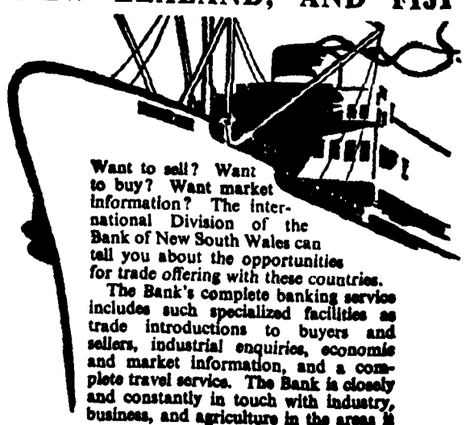
This grafting process, it is claimed, can open up new possibilities for pulp and paper industries and for dyeing certain plastic textiles. It can also provide increased adhesion and further strengthening of automobile tyres.

The new process can also make cotton cloth permanently waterproof, unlike the present coated materials which lose their water repellant qualities if the coating is dissolved away by dry cleaning.

In waterproofing, the new grafting process holds big possibilities in that it can be applied to either fibre or the finished products. Water resistant plastics can be grafted to either wood pulp or finished sheets of paper. Lengths of cotton cloth can also be processed just as easily as cotton fibre.

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Tourism

CLASSIFICATION OF HOTELS

THE GOVERNMENT OF INDIA have appointed a 3-member Hotel Classification Committee to classify hotels catering to foreign tourists on the internationally-accepted "Star" system. The Committee is expected to finish its work by the middle of December this year.

The terms of reference of the Committee are: (i) To invite applications from hotels which are interested in getting Government's recognition and which fulfil the minimum criteria laid down by the Hotel Standards and Rate Structure Committee for being categorised as a "Starred" hotel. (ii) To inspect those hotels among the applicant establishments which in the opinion of the Committee prima facie fulfil the minimum conditions. (iii) To assess the relative standards of the establishments so inspected and to classify them according to the star system recommended by the Hotel Standards and Rate Structure Committee (iv) To formulate criteria for recognising restaurants which are of sufficiently high standard for purposes of catering to tourist traffic and to inspect those that fulfil such criteria and recommend for Government's consideration the recognition of those establishments which actually fulfil the stipulated criteria. Shri G. R. Kadapa, Deputy Director General, Union Department of Tourism, will be the Chairman of the Committee. The other two members are: Shri L. C. Nirula, Honorary Secretary, Federation of Hotel and Restaurant Associations of India, Delhi, and Col. C. V. Raje, Kowdiyar Palace, Trivandrum. A representative of the Regional Hotel Association concerned will be associated with the Committee when it visits the hotels in that particular region. A representative of the State Government concerned will be associated with the Committee when it visits hotels in a particular State. In view of the increasing importance now attached to tourism, especially as an earner of foreign exchange, any such classification would be welcome. This is likely to be helpful to the foreign tourists who will get better service from the classified hotels and increase the volume of tourist traffic in India.

Export Trade

HOLD PRICES TO PUSH UP EXPORTS

ALTHOUGH OUR export performance last year at Rs. 665 crores showed a rise of Rs. 39 crores compared to that in the previous year, it was achieved more through realisation of higher prices for jute and some other commodities rather than through an increase in the volume of our trade as such. In fact, exports of cotton textiles, manganese ore, spices, etc. actually recorded declines. It is this failure to step up exports, as envisaged in the Third Plan, that has prompted the authorities to spare no effort to boost our exports to earn as much foreign exchange as possible. As Mr. Chinoobhai C. Javeri, President of the All-India Exporters Chamber (A.I.E.C.) observed, it is not merely the Government but the exporters too have been fully aware of this, and what is gratifying to note is that they too are willing and ready to play their part in this all-important work of export promotion.

Dwelling at length on the role of exporters, as also the difficulties they are facing today, Mr. Javeri told the annual conference of the Chamber held a few days ago in Bombay, that not only was export trade a specialised job, but it also called for full knowledge of the present demand, a reasonable forecast of future trends, an insight into the fluctuations of prices, a study of consumers' tastes and of the nature and the extent of foreign competition, and, above all, the art of salesmanship. Mr. Javeri also added that export trade involved the risk in buying as well as in storing goods in anticipation of demand and selling them on long-term credit which sometimes involved sizeable losses. He claimed that the resourcefulness and enterprise of the Indian exporters had been evident from the fact that 70 to 80 per cent of the export trade of the country has been canalised through merchant-exporters. All the same, the A.I.E.C. Chief pointed out that this impressive performance should not make the exporters complacent. Instead, he urged, "in keeping with the times, we must change and adapt ourselves to new circumstances by employing new techniques and methods in our sales organisation supported by aggressive salesmanship."

Analysing the causes for the stagnation in our export trade, Mr. Javeri explained that, with all the talent and initiative on the part of exporters, our exports had remained stagnant, because of higher prices when compared with international prices.

While on the question of price and quality, he drew attention to the fact that a considerable range of our products was out of the world markets. Notwithstanding all this price disadvantage, he expressed the view, the marketability of our goods could be fairly enhanced if only the manufactures exhibited more vigilance and improved the quality of the products, as also their presentation and packing techniques. The snag, according to Mr. Javeri, — and one is inclined to agree with him — has been the existence of a vast domestic market that tempts our manufactures invariably to sell at home instead of venturing out. The imperative need at present was to hold the price-line by examining the cost structure of our major items of export and to take remedial measures so as to bring down the prices to competitive levels. "Unless the price spiral is held" Mr. Javeri was rightly concerned, "all our efforts at promoting exports will prove abortive."

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FROM THE CAPITAL'S CORRIDORS

INDIA AND THE EUROPEAN COMMON MARKET

The consequences of Britain's joining the European Economic Community have been dominating the Indian economic scene for the past ten days. The subject during this period was first raised at the Prime Minister's press conference on June 13. Then, the Minister for International Trade, Mr. Manubhai Shah, dwelt on it at some length in the Lok Sabha. Finally, consultations were held on this issue for three days between the Government of India and the British Secretary of State for Commonwealth Affairs, Mr. Duncan Sandys.

Replying to a question on the economic and political implications of an enlarged European Common Market, Mr. Nehru said: "Directly, we are interested in our exports going ahead. Our efforts are to see that our exports will not be hit as a consequence to Britain's joining the ECM. Indirectly, we are interested in other consequences of the Rome Treaty". The Prime Minister expressed the hope that the efforts which India is making to safeguard her trade with the ECM in the likely event of Britain's joining it would succeed.

Referring to the political aspects of the EEC, Mr. Nehru observed that it was not for India to stand in the way of the ECM countries and the United Kingdom coming together politically. The effect on world politics of their coming together depended on the policies which they pursued. If these nations pursued a liberal policy in political terms, it would be a good thing. Otherwise, it might help reactionary elements and forces.

Mr. Nehru expressed the opinion that UK's entry into the Common Market would undoubtedly injure the cause of the Commonwealth.

India's point of view on the safeguards which Britain should seek from the ECM countries for the Commonwealth nations was a matter of detailed discussion between Mr. Sandys on the one side and Mr. Morarji Desai and some other Government of India Ministers and officials on the other. It was stressed that India was opposed to any phased imposition of tariffs by the Common Market countries on India's exports and that she would like nil tariffs to be applied to most of the goods that she exported to these countries. For this purpose, it was emphasised that Britain in her negotiations with the ECM countries should enlarge the list of items for which recently she has suggested nil tariffs.

The talks between Mr. Sandys and Mr. Morarji Desai presumably were conducted on the lines indicated by the Minister of International Trade while making a statement in the Lok Sabha on the present stage of negotiations between the United Kingdom and the European Economic Community, and the memorandum submitted by India to the ECM authorities at Brussels a few days ago. The following extracts from Mr. Manubhai Shah's statement in the Lok Sabha should be read with interest:

"Even before the Common Market was formed, we had many outstanding problems of trade with Western Europe and these have assumed even greater importance since the signing of the Treaty of Rome. We have been negotiating with the European Economic Community to secure suitable changes in their tariffs and commercial policies both under the GATT and bilaterally. As a result of these negotiations, we have obtained some concessions. Germany, for instance, has already agreed in the GATT to abolish the quantitative restrictions on our jute goods by the middle of 1964. There has also been some relaxation in the quota restrictions and reduction of tariffs applicable to us. In relation, however, to our trading problems with the Common Market countries, these concessions are not of meaningful significance. The balance of our trade with the Six Common Market countries has been going steadily adverse. While in 1950 India had a surplus of about Rs. 5 crores in its trade with them, in 1960 she had a deficit amounting to Rs. 135 crores approximately. This deficit is thrice the value of Indian exports to the Community. No other country has a deficit of this order with the Community. We are hoping that substantial concessions would be made available to us by these industrialised countries in pursuance of the Ministerial Declaration unanimously adopted in the GATT for expansion of the trade of the less developed countries.

"UK's joining the Common Market would create a fresh set of problems for us because of the fact that our trade with the UK has been built over a long period of years on the basis of freedom from tariffs as well as quotas and certain guaranteed margins of preferences. It is clear that if our long established rights under the Indo-UK Trade Agreement are replaced by a restricted regime, our trade will suffer great damage. While we have always conceded that it is primarily for the UK to decide whether or not to join the Common Market, we shall be less than fair to ourselves if we did not insist on adequate safeguards for the large volume of trade we have with the UK. The UK Government has taken note of our points in negotiating with the Common Market. In her negotiations, however, UK has to take into account its own interests as well as the interests of other Commonwealth Countries. The extent to which she will succeed in securing safeguards for the trade of the Commonwealth Countries depends, to no small extent, on the attitude of the Members of the European Economic Community. We have, therefore, felt it necessary to present our own case directly to the members of the European Economic Community. The appointment of Shri K. B. Lall as Ambassador to the European Economic Community has given us direct access to it. A Memorandum has been presented to the EEC as well as to its member-countries.

"We trust that the countries of Western Europe which have shown great interest in India's development plans will not fail to devise suitable and adequate safeguards for our export trade. The Members of the Common Market have, over the last few years, increased their trade both amongst themselves and with third countries. Our only disappointment is that India has not benefitted from this increase. I would appeal to the countries of the Community to provide effectively for expansion of our trade with them. I am sure they all agree that the expansion of our trade is the best way of enabling us to repay the long-term credits which we are receiving from the developed countries and that we should have our due share in their increasing imports."

The consultations between the Governments of India and the United Kingdom on the safeguards which Britain should ask for from the ECM countries for her trade with the Commonwealth countries in general and with India in particular are envisaged to be resumed when Mr. Morarji Desai visits London in the first week of July.

The following press communique was issued at the end of the talks between Mr. Sandys and Mr. Morarji Desai.

"Mr. Duncan Sandys, the British Secretary of State for Commonwealth Relations, and Mr. Morarji Desai, the Indian Minister of Finance, have had a series of most useful talks on financial and economic questions of concern to India and Britain.

"The two Ministers reviewed Britain's programme of economic aid to India and Indian's requirements for capital both in the long and the short term.

"Mr. Sandys gave an account of the progress of the Common Market negotiations in Brussels. There was a full exchange of views on the line to be adopted in these negotiations about India's trading interests.

"When he visits London next month, Mr. Morarji Desai will have further discussions with British Ministers on these matters."

PURCHASE OF MIG FIGHTERS FROM USSR

Mr. Sandys during his visit to the Indian capital had also discussions with Prime Ministers Nehru and Defence Minister, Mr. Krishna Menon, on India's proposed deal with the Soviet Union for procurement of MIGs in the first instance and for their manufacture in the country ultimately. While it is not certain whether any proposal was put forth by Mr. Sandys to the Indian Government for supply to or manufacture in India of fighter aircraft of British make, Mr. Sandys disclosed at a press conference after the conclusion of his talks with the Government of India that discussions would take place between the Government of the United Kingdom and India regarding the latter's requirements of fighter aircraft before it takes any final decision on its present proposal to secure MIG supersonic fighters from the Soviet Union. Mr. Sandys added that any specific proposals for supply of fighter aircraft from the United Kingdom to India could be made only after the Government of India had some general discussions with the UK Government.

The main reasons why India wants to have MIG fighters from the Soviet Union, as explained by Mr. Nehru at his last week's press conference, are:

(1) MIGs are simple in design and quite sturdy in performance. It is easy to make them in India, as compared to the similar aircraft of Western countries which are very complicate in design.
(2) There is the advantage of dealing with only one party if MIGs are taken up for manufacture.
(3) MIGs are also cheaper than the Western aircraft and payment for them is to be made in rupees.

FINANCE MINISTER'S VISIT TO THE CONTINENT

The Union Finance Minister, Mr. Morarji Desai, is scheduled to leave for London on July 1, for a three-day stay there. From London he will proceed to Brussels and stay there for a day. Then he will go to Bonn for two days. From Bonn he will proceed to Geneva where he is scheduled to stay for a week for attending the session of the Economic and Social Council of the United Nations. Before returning to India he will also pay short visits, extending over three days each, to Paris and Rome.

The Finance Minister's this tour programme of the Continent apparently suggests that he will be contacting the European members of the Aid-India Club, presumably with a view to persuading them to make available to this country bigger untied loans at the next meeting of the Consortium to be held in Washington in a couple of months' time.

RE-ORGANISATION OF HINDUSTAN STEEL

Broad indications of the lines on which he proposed to re-organise Hindustan Steel Limited were given by Mr. C. Subramaniam, the Union Minister for Steel and Heavy Industries, to the Members of the Informal Consultative Committee of Parliament attached to his Ministry, on Wednesday.

The details of the proposal, Mr. Subramaniam said, were being worked out. July 1, he added, had been fixed as the target date for the implementation of the first phase of this re-organisation programme.

Mr. Subramaniam indicated that as far as practicable, he wanted production to be the exclusive responsibility of plant authorities. It was necessary, therefore, he said, that along with the transfer of this responsibility, the necessary powers should also be transferred to the general managers for an effective discharge of that responsibility.

At present, the general managers of the three steel plants in the public sector look to Hindustan Steel in many spheres of operational functions. The re-organisation programme is aimed at obviating this.

Situated as these plants were away from one another, and at a distance from the headquarters of the Hindustan Steel, a centralised policy of recruitment of personnel involved a great deal of delay, said the Minister. The personnel, he added, also did not look to the general manager alone in matters of transfers and promotions—a practice which was not considered conducive to maintenance of discipline and operational efficiency. It has been found necessary, therefore, that the recruitment of personnel should also be decentralised.

Referring to the financial aspect of the steel plants, the Minister said that at present there were financial advisers and cost accountants attached to each plant, who by training and experience were not appreciative of the requirements of an industrial undertaking. It was proposed, therefore, that there should be an annual budget prepared for each plant, and the general managers given powers to function within the broad outlines of that financial provision without any interference from the financial advisers.

These re-organisation proposals were largely welcomed by the members of the Committee, who were appreciative of the Minister's move. They also suggested that the appointments of the general managers should be made with care, keeping in view the requirements of the steel plants, even if the Government had to pay a little more money to attract experienced personnel. They, however, emphasised that the general manager should be appointed by the Minister, and should hold office only at his discretion.

THIRD PLAN IMPLEMENTATION

A frank appraisal of the implementation of the Third Five-Year Plan in the first fifteen months was made by the Planning Minister, Mr. Gulzarilal Nanda, last week, while addressing the Consultative Committee of Lok Sabha attached to his Ministry. He candidly confessed that there were today much larger gaps in the economy than were anticipated. The achievements recorded on the agriculture, fertilizers, power, transport or coal fronts were not upto the mark.

The additional area which benefited from minor irrigation schemes was 1.67 million acres, as against the Plan target of 12.8 million acres in 1965-66. The area which benefited from soil conservation measures increased only by about a million acres, compared to the Plan target of 11 million acres in 1965-66.

As against the total supply of fertilizers in 1961-62 amounting to 400,000 tons in terms of nitrogen assumed in the Third Plan, the actual availability was about 296,000 tons, made up of 140,000 tons from internal production and 156.000 tons from imports. The supply of fertilizers in 1962-63 is estimated at 404,000 tons, as against the original target of 525,000 tons.

Mr. Nanda disclosed that the Union Government had asked the States not to recommend new industrial licences requiring more than 2,000 kw. power unless "they are in a position to make the necessary power available under their approved Third Plan programme."

T.T.K's PLANS

The Union Minister without Portfolio, Mr. T. T. Krishnamachari is planning to set up an organisation which will get progress reports from the various sectors of the Government, analyse them and bring to the notice of the Cabinet causes which are holding up progress in a certain given sector.

His immediate concern is devising of measures to overcome transport, coal and power shortages. Instead of talking at each other, the Ministries of Railways and Fuel, for example, are being brought together to discuss the coal problem across the table, in order to reach speedy decisions. A watch will be kept on the implementation of these decisions.

COAL PRICES RAISED

The promised marginal increases in coal prices have been announced by the Union Ministry of Mines and Fuel. The increases range from 38 nP. per ton to Rs. 1.50 nP. per ton for superior grades non-coking and coking coals. They came into force from June 13.

According to a notification issued, there will be an increase of Rs. 1.50 per ton in the prices of non-coking coal of Grade Selected A and of coking coal of Grades A, B and C.

The prices of Selected B Grade non-coking coal and D and E Grades coking coal have been raised by Re. 1 per ton. The increase effected in the prices of Grade I non-coking coal and Grades F, G and H coking coal is 75 nP. per ton. The prices of HH, J, K, and I Grades coking coal and Grade II non-coking coal have been raised by 38 nP. per ton.

Simultaneously with these increases in prices, a ceiling has been fixed for the prices of coking coal of HH to L Grades and non-coking coal of Grade II at Rs. 20.50 nP. per ton. Coking coal of Grades HH to L will also be converted into one Grade HH. No. increase in prices has been announced in respect of inferior quality coal.

These marginal increases in coal prices have considerably fallen short of the coal industry's plea for a Rs. 5.43 nP. per ton uniform increase in prices. The industry had also been against fixation of ceiling prices for Grade II coal.

RAIL FREIGHT ON FURNACE OIL

It has been decided that, with effect from July 1, 1962, consignments of furnace oil in wagon-loads booked by rail from Bombay, Okha, Kandla, Marmagoa, Cochin, Madras, Vishakapatnam and Calcutta will be charged only half the freight which is leviable in accordance with the normal tariff rates in force at the time of booking, subject to a net minimum charge of Rs. 5.99 per tonne approximately, which is the charge for the minimum distance of 40 kilometres.

As, however, the quantities of furnace oil available would be limited, preference in the matter of change over from coal to furnace oil will be given to those industries which have a high priority for the allotment of coal.

Industrial units intending to change over from coal to furnace oil will also require burners. The Ministry of Commerce and Industry will shortly invite applications for the import of such burners and the Capital Goods Committee will consider such applications and decide for which of the industries, and for which of the units in each industry, import licences for burners should be given.

SMALL CAR

Addressing a press conference at Madras, the Union Minister for Steel and Heavy Industry, Mr. C. Subramaniam, is reported to have stated that the question of producing small car in the country has gone before the Union Cabinet and a final decision on the project should be reached very shortly. Many States, he added, had pressed their claims for locating this project in their territory, but this question could only arise when a final decision had been taken to go in for the project (which is outside the Third Plan programme as enunciated in the Plan documents).

Mr. Subramaniam, however, ruled out the possibility of licensing manufacture of big cars in the country at least for the present.

MURARJI VAIDYA'S ALUMINIUM PROJECT

Mr. Murarji Vaidya, it is learnt, has been able to finalise the collaboration arrangements with Messrs. Reynolds International, of the U.S.A., for setting up an aluminium manufacturing plant, having a capacity to produce 30,000 tons of aluminium fabrications a year, in the Hubli-Karwar region of Mysore.

According to the agreement he is said to have finalised, a public limited company will be floated, 40 per cent of whose equity capital shall be held by Reynolds. Mr. Murarji Vaidya and his associates will subscribe to 11 per cent of the capital of this company, while the Government of Mysore will be subscribing to 10 per cent of the capital. The Maharashtra Government will also have an interest in this undertaking and shall take up 5 to 10 per cent of its capital. The remaining capital will be offered to the public for subscription.

The company will have 10 directors—four representing Reynolds, one each representing the Vaidya Group and the Government of Mysore and Maharashtra and three representing the public. The Vaidya Group will receive promotors' fee not exceeding Rs. 5,00,000, either in cash or in the form of equity shares.

MANUFACTURE OF PIG IRON

The Government of India has approved four private sector projects for the manufacture of pig iron. Included in these are two schemes, one of Birla Gwalior Private Limited and the other of Kalinga Industries, which envisage collaboration with Messrs. Koppers International, of the U.S.A. The American firm will meet the whole of the foreign exchange requirements (for the import of plant and machinery) of these two projects in consideration for participation in their equity and loan capital.

The other two projects approved are of Kamani Engineering Corporation Limited and of Andhra Cement Limited. The latter scheme has been accepted as yet only in principle.

IRON ORE EXPORTS TO CZECHOSLOVAKIA AND HUNGARY

The following is the schedule agreed upon for export of iron ore to Czechoslovakia and Hungary from here:

Grades	Quantities	Delivery Period
Czechoslovakia		
65/63	5,00,000 long tons, firm	April 1962 to March 1963.
	50,000 long tons (at sellers' option, subject to availability).	
60/57 62/60.01	1,50,000 long tons, firm (Minimum quantity to be supplied in 60/57 grade — 1,00,000 long tons)	April 1962 to March 1963.
Total value of firm quantity is approximately		Rs. 331 lakhs.
Hungary		
65/63	50,000 long tons, firm	July 1962 to December '62
	50,000 long tons (at buyers' option to be exercised by 30-6-62)	
Total value of firm quantity is approximately		Rs. 28 lakhs.

HINDUSTAN CABLES' EXPANSION

The expansion of the Burdwan Factory of Hindustan Cables is expected to be completed in the latter half of the financial year 1963-64.

The following types of tele-communication cables will be manufactured at this factory on completion of the expansion programme:

1. Under-ground Dry Core Telephone Cables.
2. Plastic Insulated Tele-communication Cables.
3. Switchboard Cables and Wires etc.
4. Copper wires to be drawn locally.

The proposed capacity of the factory is as follows:

1. Dry Core Telephone Cables—32 k.m. per year on double shift basis. 2. Plastic insulated Cables — 25 million core metres. 3. Copper Wire Drawing — 1,500 tons per year on double shift basis.

MANUFACTURE OF SULPHA DRUGS AND VITAMINS

A contract has been signed between the Indian Drugs and Pharmaceuticals Ltd., a Government of India undertaking, and Messrs. Technoexport of U.S.S.R. for the supply of plant, equipment and technical know-how by the latter for setting up a synthetic drugs manufacturing plant at Sanatnagar, near Hyderabad.

The plant is expected to go into production towards the end of the Third Plan period. It will produce various drugs belonging to the sulpha group and also vitamin tablets. Its rated capacity will be 850 tons per annum.

MANUFACTURE OF CAMERAS

The National Instruments Limited has signed an agreement, for securing technical collaboration, with a Japanese firm, Nippon Kogaka Company, for the establishment of a factory at Durgapur, West Bengal, to manufacture cameras. It has also signed a contract with Messrs. Mitsubishi Shoji Kaisha Limited for the supply of a part of the equipment required for this project. The cost of this equipment will be about Rs. 9.2 lakhs.

Production at this factory is expected to start in the third quarter of 1963.

SUGARCANE PRICES

The Union Ministry of Food and Agriculture has under consideration the question of linking sugarcane prices with the sucrose content, it was stated by Mr. S. K. Patil, the Union Food and Agriculture Minister, in the Lok Sabha last week.

Meanwhile, the Committee of Indian Sugar Mills' Association, in a memorandum submitted to the Government, has urged that the present minimum price of Rs. 1.62 nP. per maund of cane should be linked with the sugar recovery of 10 per cent. For every 0.1 per cent variation in recovery, it has been suggested, the price should rise or fall by 1.2 nP. The Committee is understood to be opposed to bigger slabs, for this, in its opinion, would not be equitable both for the industry and the cane-grower. The schedule, it has further suggested, should operate between 8.5 per cent and 11 per cent recovery of sugar, subject to the minimum price of Rs. 1.44 per maund (factory gate).

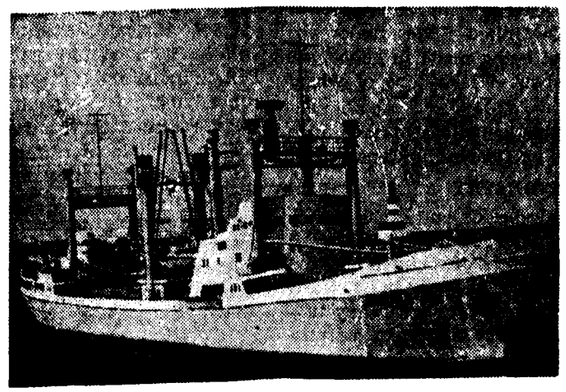
The Committee in its memorandum, it is understood, has also suggested that while linking cane prices with the sucrose content, note must be taken of the duration of the crushing season. The schedule, in its opinion, should be made operative between durations of 90 days and 180 days.

The Committee is also of the opinion that for determining cane prices on the basis of sucrose content, the recovery for the season concerned should be taken into account.

PL 480 PACT REVIEW

Mr. V. Shankar, the Union Food Secretary, left for London on June 21, en route to the United States where he will conduct negotiations with the

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US Government early next month at the time of the second annual review of the working of the PL 480 Agreement under which India is purchasing 16 million tons of wheat and one million tons of rice over a period of four years.

The PL 480 Agreement provides for "sufficient flexibility" in the quantity of foodgrains to be imported by India each year, making it possible for the Government of India to regulate purchases with reference to annual requirements, transportation, storage accommodation available and other relative factors. Purchase authorisation for each year are determined on the basis of these annual reviews which are one of the salient features of this Agreement.

The possibility of India asking for slightly smaller imports of foodgrains during the third year of the operation of this four-year Agreement is not ruled out in view of the successive good crops of wheat which India has had during the past two years and also owing to difficulties that may crop up in the way of storing wheat imported from the United States.

During his visit to the USA, Mr. Shankar has plans to tour a number of wheat producing areas, including Kansas, Seattle, and Portland.

There is also every likelihood of Mr. Shankar having discussions with the US Administration on sugar exports from India to the United States. The present Sugar Act of the USA is due to expire on June 30.

Mr. Shankar will be staying in London for a few days before reaching the United States. Here he will have discussions with the representatives of the Australian Wheat Board on the question of commercial purchases by India of Australian wheat during the six month to December, 1962. Although India's imports of wheat are mainly from the United States under the PL 480 Agreement, payment being made in rupee, we have annually to import about 4 lakh tons of wheat commercially.

While in London, Mr. Shankar will also have talks with Batlic Exchange Shipping Chartering Committee.

DIFFICULTIES OF TEA INDUSTRY

The Tea Association of India, Calcutta, has, in the course of a communication to Mr. Manubhai Shah, the Union Minister for International Trade, pointed out that the industry is faced with several handicaps in its efforts to increase tea exports. The handicaps are heavy taxation on tea by the Centre and the States, high transport charges to bring tea from the producing areas to the port; heavy selling expenses due to increased cost of warehousing and sampling; high cost of production of tea; low productivity of labour, etc. Further, a major portion of exportable Indian teas are sold through the London Market and thereby the Indian teas have to bear heavy handling charges such as brokerage, commission, warehousing etc., whereas teas of other countries are sold direct to the blenders and packers of the consuming countries. The Indian tea industry is not allowed to import freely some of its essential machines, equipment, etc., and as a result, it is not able to produce quality teas which will fetch good prices in foreign countries. In this connection, the Association has stated that textile and other industries are allowed a certain percentage of foreign exchange earned by them for importing essential items like dyestuffs, chemicals, machinery parts, etc.

The Association has further stated that the cost of production of tea in India is very high due to various reasons. The price charged for sulphate of ammonia from the tea industry is Rs. 401.30 nP. per tonne, whereas the Indian farmers get it at Rs. 360. Due to inadequate power supply to tea gardens, the gardens have to run their factories with diesel engines. The running cost of these diesel engines is very high. Due to heavy deforestation, rainfall in the tea areas has considerably decreased. The State Governments have so far not given serious thought to the irrigation problem in tea areas. If proper irrigation facilities are made available, the crop and the quality of tea will improve and thereby the cost of production will come down to a great extent.

The Association has, therefore, requested the Minister to assist the tea industry by removing the aforesaid handicaps so that the industry can increase the exports of tea and thus bring home a larger amount of foreign exchange.

THREE NEW PORT TRUSTS

The Government of India has decided to create three new port trusts, one each for Vishakapatnam, Cochin and Kandla. A bill to give effect to this decision will be introduced in Parliament as soon as possible. The provisions of this bill will follow generally those of the Port Trust Acts applicable to Calcutta, Bombay and Madras.

AID FROM THE NETHERLANDS

India figures amongst the seven countries which will be benefitting to the tune of $2,500 each out of $17,500 donation made by the Netherlands to the World Seed Campaign.

This donation has been made by the Netherlands Government under the Gift Coupon Scheme of the United Nations Education, Scientific and Cultural Organisation. The coupons are granted to appropriate institutions in the recipient countries through the National Seed Campaign Committees. They are made use for securing supplies of high quality seed and tree varieties and also for getting technical and educational equipment.

BRITISH TECHNICAL ASSISTANCE TO INDIA

The Indian Institute of Technology, Kharagpur, will shortly be getting £17,000 worth of equipment from Britain under the Colombo Plan for training students in rubber and glass technology. The Institute has previously received British machine tools for its teaching and research laboratories as well as experienced staff.

The tractor-testing station at Bhopal is also receiving £14,000 worth of Britain-made special equipment under this programme for testing the performances and capabilities of different types of tractors for agricultural work. This equipment has been specially designed to suit Indian conditions.

The Central Salt Research Institute at Bhavnagar, one of a chain of national laboratories set up to develop new industrial processes, has just received £6,000 worth of British equipment for extracting efficiently the mineral contents of the numerous salty lagoons and marine bitterns along the coasts of India.

These allocations have been made by Britain following Dr. W. Railston's visit to this country early this year.

NO COMMENTS

The Government of India Audit Report (Civil), 1962, states the following on letting out of Mathura Road exhibition ground to Bharat Krishak Samaj for holdng the World Agricultural Fair in 1959.

"In July, 1959, the exhibition grounds at Mathura Road, New Delhi, were handed over to the Bharat Krishak Samaj for holding the World Agriculture Fair (1959) while the terms and conditions of allotment were still under consideration of Government.

"In November, 1959, Government asked the Samaj to execute the draft licence deed, but the Samaj raised some objections and did not execute the document. A claim of Rs. 35.58 lakhs, representing licence fees for the land and buildings occupied by the Samaj, was preferred in February, 1960, on the basis of the terms of the draft licence.

"The Samaj has so far paid a sum of Rs. 3.30 lakhs only (March, 1962). The Samaj has not accepted the



basis of assessment adopted by Government. The matter is stated to be receiving urgent attention of Government."

IN BRIEF:....

The Orklas' report on the trial tests which this Norwegian firm had conducted on Amjhore pyrites for production of sulphur, reveals a position of uncertainty regarding the suitability of the Orkla process for treating this ore. Efforts are being made to find out another commercially suitable process for the manufacture of sulphur from Amjhore pyrites.

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As against Rs. 610 crores to be raised by the States through additional taxation for financing the Third Plan, the taxation measures undertaken by the States in 1961-62 yielded about Rs. 17 crores in that year and are expected to bring in an aggregate revenue of about Rs. 100 crores during the whole of the Plan period. An estimate of the revenue resulting from the additional taxation measures proposed by the States for 1962-63 is not yet available.

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As many as 1,75,000 bales of low quality jute have so far been purchased by the Buffer Stock Association. This Association will continue to make purchases of jute during the next season also. The intention is that these buffer stock operations should continue on a long-term basis in the interest of imparting stability to jute prices.

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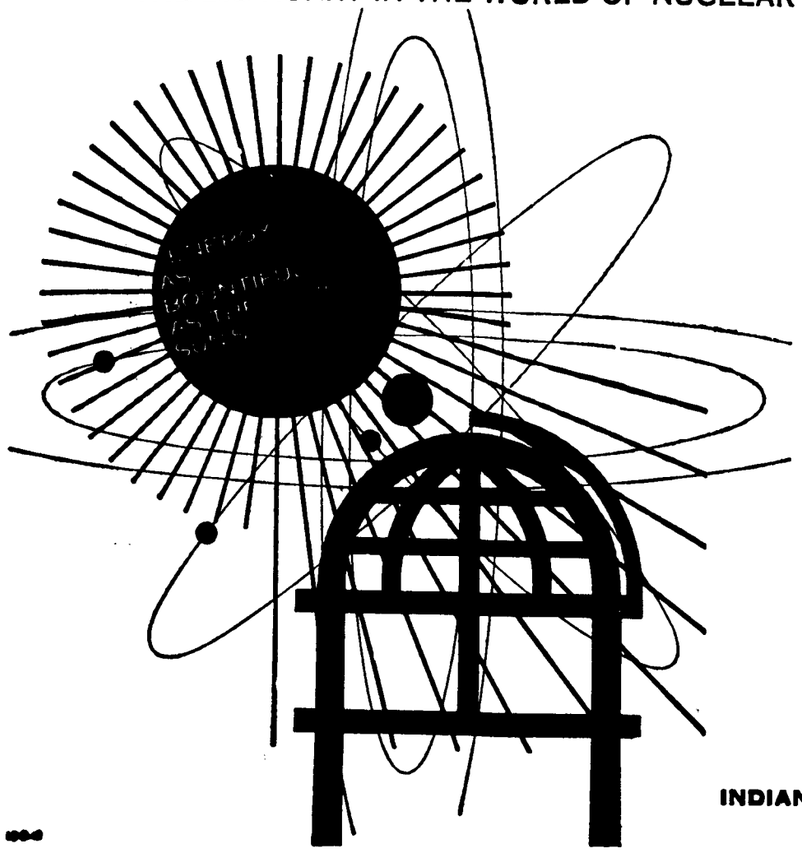
A tea delegation from Iraq is likely to visit India in autumn this year. The total amount of tea exported during the half-year starting on November 20, 1961, the date from which the system of allotment of export quotas for tea estates was suspended, has been 88,950,000 kgs., as against 90,044,000 kgs. and 87,524,000 kgs. exported in the corresponding periods in 1960-61 and 1959-60.

An agreement has been signed between the Oil and National Gas Commission and Burmah-Shell Refineries Ltd., covering all aspects of the supply and pricing of crude oil from Ankleshwar to the Burmah-Shell Trombay refinery. This refinery has been receiving and storing crude from Ankleshwar since September, 1961, and began processing it in February this year. The formal signing of the agreement last week marked the satisfactory conclusion of the discussions on the detailed and complex factors on the supply and pricing arrangements.

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Gannon Dunkerley and Co. Ltd., which has been manufacturing LPG cylinders in technical collaboration with Rubery Owen & Co. Ltd., of the United Kingdom, has entered the international market by securing a substantial order for supply of domestic LPG cylinders to the Far East. The company has been making these cylinders till now for Burmah-Shell under the trade mark "Burshane". The company has also completed its plans for the manufacture of industrial cylinders; production of these cylinders, it is hoped, will start shortly. The company has as well entered into an agreement with Peebles & Co. Ltd., Scotland, for the manufacture of valves for gas cylinders of all types, including oxygen and acetylene.

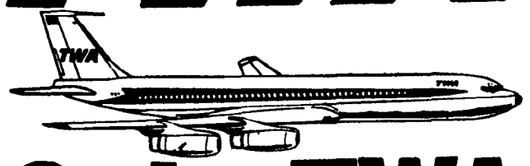
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COMPANY AFFAIRS

JAYSHREE TEA

Tea output of the Jayshree Tea and Industries Limited during the last few years has been increasing gradually and during 1961 the company's output at 2.7 million kilograms was the record output. The Directors have added, however, that prices of tea have continued to decline and they add that during the last few months of 1961 the industry faced a near crisis. As the figures below show, export prices in 1961 were considerably lower as compared to the last two years :

1959 season	.. ..	Rs. 5.05 nP. per Kgm.
1960 season	.. ..	Rs. 5.34 nP. per Kgm.
1961 season	.. ..	Rs. 4.66 nP. per Kgm.

The Directors feel that the present heavy incidence of taxation on tea is having adverse effect on exports from India and is consequently giving impetus to other tea producing countries. There is, therefore, a clear case for reduction in the export duties. The company, however, is concentrating on the output of quality teas and for that the gardens are being maintained properly and re-equipped wherever necessary.

For the expansion of its activities, the company has made an application to the Controller of Capital issues for right equity shares in the ratio of one right share for every three existing equity shares. The Directors add that the company has requested that the right shares may be issued at par but the permission was likely to be given to issue the shares at a premium. The company also has applied for the issue of preference shares worth Rs. 29.61 lakhs carrying dividend not exceeding 9½ per cent per annum.

During the year the company made a net profit of Rs. 19.04 lakhs after making provisions for depreciation, taxation and development rebate reserve. The Directors recommended the transfer of Rs. 8.49 lakhs to general reserve and also proposed the payment of a dividend at the rate of Rs. 1.25 per equity share which will absorb Rs. 10.93 lakhs.

SHREE GOPAL PAPER

During the year to December 31, 1961, the working of the pulp mill which was posing certain problems has considerably improved. The Directors have pointed out that the new BTH Turbo Alternator Set which was commissioned during the last year is now operating satisfactorily. With the improved working of the pulp mill and the full availability of the electric power, it became possible to increase the production in the new mill from an average 650 ton approximately per month during the first six months to over 1100 tons per month during the last six months.

The new Soda Recovery House of the company which was commissioned last year experienced certain difficulties in the working of the evaporator to which the Directors are paying sufficient attention. The production during the year was over 30,000 metric tons as compared to over 20,000 metric tons last year. Once the unit runs efficiently the production is expected to be in the neighbourhood of 100—110 metric tons per day.

Profit during the year at Rs. 1.36 crores was nearly 30 per cent higher as compared to Rs. 1.03 crores recorded during the previous year. After making provisions for depreciation and taxation, and other expenses, there was a balance of Rs. 29.59 lakhs out of which the Directors have recommended the payment of a dividend on ordinary shares at the rate of 17.6/7 per cent per annum which will absorb Rs. 22.41 lakhs. In a way the dividend this year remains the same as during the last year and year before and is highest in the history of the company.

PREMIER FERTILIZERS

The construction work of the Premier Fertilizers progressed considerably during 1961 and the erection of machinery was continued. The expenditure during the year 1961 was nearly Rs. 1 lakh. The Directors of the company are hopeful that the production of superphosphate and fertilizers will commence at Kuddalore factory by the end of this year. The Directors, however, have pointed out that there were some delays being experienced on account of the transport bottleneck. Indigenous items required in the construction were not being received in time. Most of the imported items, however, had been received. The company recorded an income of Rs. 49,735 which the Directors have recommended to be carried forward.

FIRST NATIONAL CITY BANK

The First National City Bank of New York Limited celebrated its 150th birthday on June 16. During these years the bank changed its name to National City Bank of New York in 1865. In 1955 it merged with the First National Bank of the City of New York and it changed its name to First National City Bank of New York which was shortened later as the First National City Bank. In India it had its branches in 1903 at Bombay and Calcutta. Now it has worldwide system of 87 branches together with its thousands of correspondent banks.

NEW ISSUES

The following companies are among those that have been authorised for new issues by the Controller of Capital Issues.

Heavy Engineering Corporation Limited, a Central Government undertaking, having a paid-up capital of Rs. 2,564.49 lakhs, has been accorded consent to issue further capital of Rs. 1,60,000 lakhs in equity shares of Rs. 1,000 each to be subscribed by the Government of India for cash at par.

Lakshmi-Rieter Machine Works Limited, Madras, has been granted consent to issue equity capital of Rs. 250 lakhs of which shares of the value not exceeding Rs. 18 lakhs will be issued to the foreign collaborators M/s. Rieter Machine Works Limited, Switzerland, and the balance (except 10 per cent of the issue to be subscribed by the promoters) will be offered to the public by prospectus. The proceeds of the issue will be utilised for the manufacture of complete textile spinning machinery.

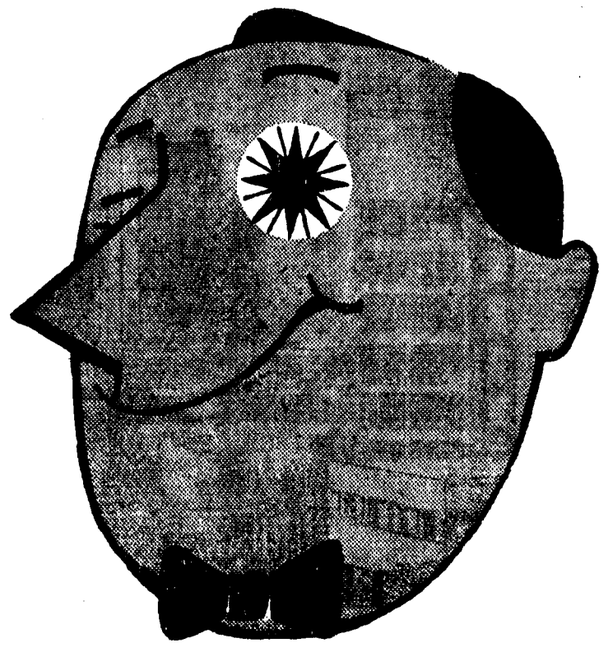
Tata Oil Mills Limited, Bombay, has been granted consent to the issue of Rs. 35,03,750 (nominal) divided into 1,40,150 equity shares of Rs. 25 each, to be issued for cash at a premium of Rs. 15 per share. The shares will be offered to the existing shareholders of the company in the ratio of one new share for every two shares held. The proceeds of the issue will be utilised on the expansion programme of the company.

Phillips Carbon Black Limited, Calcutta, has been granted consent to issue 3,12,500 eyuity shares of Rs. 10 each for cash at a premium of Rs. 3 per share. The company's existing capital is Rs. 125 lakhs. The issue will be made to the existing shareholders. The capital is required for expansion.

Biermans Paper Coating Mills Limited, Delhi, has been granted consent to the issue of share capital of Rs. 30 lakhs in equity shares of Rs. 100 each for cash at par. Out of this, shares not exceeding 49 per cent would be offered to M/s. Leonard and Bierman S.A. of Belgium. The proceeds will be used for the manufacture of coated art paper and board of all kinds.

Kirloskar Brothers Limited, Bombay, has been granted consent to the issue of capital of Rs. 25 lakhs in 40,000 equity shares of Rs. 25 each to be issued for cash at a premium of Rs. 12 per share and 60,000 9 per cent (subject to tax) preference shares of Rs. 25 each for cash at par. The proceeds will be utilised for augmenting the company's liquid resources. The present paid-up capital of Rs. 55,00,710 is in equity shares.

BRIGHT OUTLOOK



A dirty door knob, a grubby paper-weight, a dull name-plate or tarnished brass rails may be taken by prospective clients as signs of dull business.

Keep your office attractive always...give the brass articles and fittings in it a bright look with Brasso.

A regular shine with Brasso is what you need to make your office reflect your efficiency. Brasso, available in large tins, is easy to use and economical too.

polish your brassware with

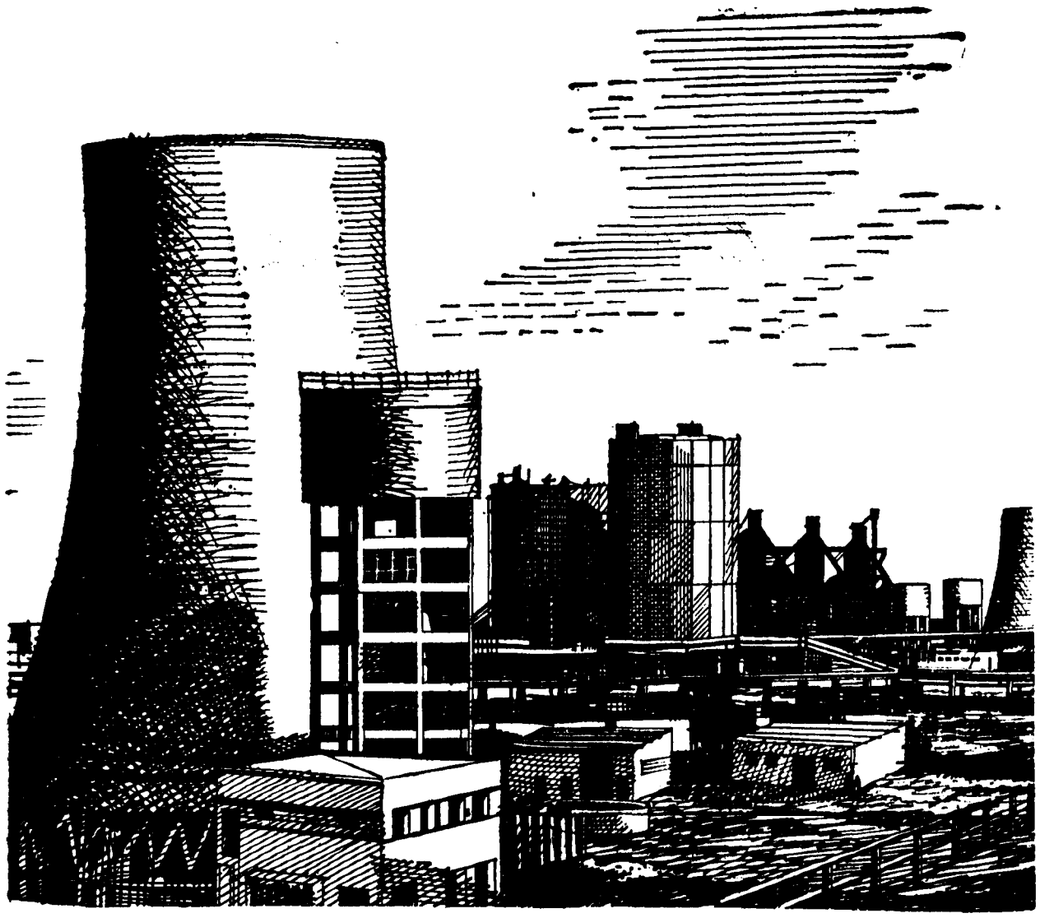
BRASSO

once a week, every week



ATLANTIS (EAST) LIMITED (Incorporated in England)

JWTBR 3647 BR 1



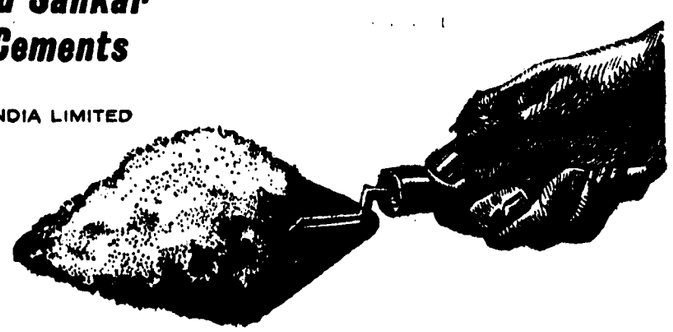
Durgapur Steel Project: Over 1,50,000 tonnes of ACC Cement have been used on this project

FOR INDIA'S INDUSTRIAL PROGRESS... The most significant development in India since Independence has been the rapid industrialisation of the country. Whole communities have moved in and new townships have sprung up around new industrial undertakings. New homes, schools, hospitals, roads, bridges, dams...huge quantities of cement have been used in the surge of construction all over India. And we are only at the beginning of this era of development and growth. In order that more cement may be available for India's industrial expansion and for the private consumer the Third Plan has set the cement industry a target of 15 million tonnes of cement a year by 1966. And the increasing output of ACC and India Cements factories will help to achieve this.

ACC — Symbols of top quality cement

ACC and Sankar Brand Cements

THE CEMENT MARKETING CO. OF INDIA LIMITED
The Associated Cement Companies Ltd.
The India Cements Ltd.



CM/359 (c)

Company Speech

ORISSA CEMENT LIMITED

Summary of the speech of the Chairman, Shri J. Dalmia delivered at the Twelfth Annual General Meeting of the Company held at Rajgangpur (Orissa State) on 18th June, 1962.

Friends,

1. I extend to you all a very cordial welcome to Rajgangpur on the occasion of the 12th Annual General Meeting of your Company. The accounts for the year 1961 and the Report of your Directors have been circulated. Though your Directors have decided to maintain the dividend on equity shares at 15 per cent, the net value of the dividend to the shareholders will be better, compared to the previous year as 81.60 per cent of the dividend is being paid out of tax exempt profit.

2. The current ex-works prices of cement fixed by Government effective November 1, 1961 are subject to adjustments from time to time for variations in cost arising from any governmental action or increase in the charges for power or fuel. The representation made by your Company for grant of increase in its retention price on the basis of the escalator clause, has been pending with the Government, since over four months. If price increases are not given retrospective effect, as Government is generally reluctant to do, the industry is left to suffer during the intervening period. It is, therefore, necessary to make the escalator clause meaningful and of real benefit to the industry, that an efficient method is evolved so that requests for price increase, based on the escalator clause get prompt consideration and expeditious disposal.

3. I would now like to deal with some aspects of the refractory industry. Last year, I had referred to the uncertainty regarding the pattern and quantum of the future demand of refractories due to the uncertainty of the consumption rate of refractories per ton of steel produced. Recently the consumption rate of refractories for steel production is being placed at a much lower level than before. The forecast of the demand for refractories by the end of the Third Five-Year Plan was based on the steel production capacity reaching a target of 10 million tons per annum by that time. This expansion is, however, well behind schedule and it is expected that the 10 million tons capacity may not be achieved until 1966-67. As a result of this, the operational requirements of refractories by the steel industry must be correlated to an annual steel production of only about six million tons until such time as this expansion is effected. As a result of the foregoing two factors, the forecast of the total annual demand of refractories has had to be altered radically. The estimates made by the refractories panel place the annual requirement of all kinds of refractories upto the period 1963-64 at 6.35 lakh tonnes and the anticipated annual production by then, at 10.51 lakh tonnes. In the case both of fireclay and silica refractories the anticipated production far exceeds the estimated consumption by 1963-64.

4. With regard to basic refractories, it would be found that on the basis of 6 million tons annual production of steel the production of basic refractories will work out to approximately 27 lbs. per ton of steel, which is much on the high side. In this connection, mention might be made that due to the rapid changes and improvement in the furnace operating techniques, the consumption of basic refractories is going down at a very fast rate. Reports have been received from the U.S.A. about a consumption figure as low as 3 lbs. per ton of steel. However, this low figure is resulting from a considerable advance in operating conditions and technique of the running of the furnaces, and the same yard-stick cannot be applied immediately to Indian conditions. The approximate figures for Indian conditions, with the modern plants which we are having, would lie between 10 and 17 lbs. per ton of ingot steel. Further, it is to be noted that the demand for basic refractories might not go up proportionate to the expansion schemes for production of steel which we are likely to have in future because of the growing preference for the L.D. process for the manufacture of steel which requires very little quantity of basic refractories. This point has also to be borne in mind while assessing the future requirement of the Fourth Five-Year Plan, due to further expansion of the steel industry. Under the above circumstances, it is felt that by the end of the Third Five-Year Plan, with the completion of all the expansions of the basic refractories capacity which are in hand, the likely annual capacity would be in the neighbourhood of 1,50,000 tons against an estimated requirement of maximum 1,00,000 tons. There should, therefore, be no apprehension about any shortfall in the capacity for the manufacture of basic refractories.

5. The present situation emphasizes the need of very careful planning in the creation of fresh capacity for refractories. As mentioned above, even in 1966-67 when the steel production would reach a level of 10 million tons per annum, the demand for refractories would be met fully by the indigenous capacity — rather, in the case of firebricks as well as basic bricks, there could still be substantial surplus capacity which could be utilized for the constructional requirements of the steel plants in the Fourth Five-Year Plan. Further, due to gradual conversion of all open hearth furnaces into all basic furnaces there is likely to be sufficient surplus capacity in the silica bricks due to which a part of the capacity of silica bricks can very conveniently be switched on to the manufacture of basic bricks, thus increasing further the capacity for production of basic refractories.

6. I wish to refer to the tendency of certain States to refuse the mining of their deposits of minerals required by the refractory industry for use outside their boundaries. While the underlying principle of developing industries in their own territories is doubtless laudable, such parochial restrictions should not be imposed on an industry which is of national importance and which caters to the needs of such an all-India industry, as steel. While a composite refractory plant can be set up at only one site, chosen for various consider-

ations, the raw materials for such a plant have to be obtained from all parts of India. It is hoped that the Government of India and the State Government will take due regard of this and make it easier for this important industry to obtain its requirements of essential raw materials.

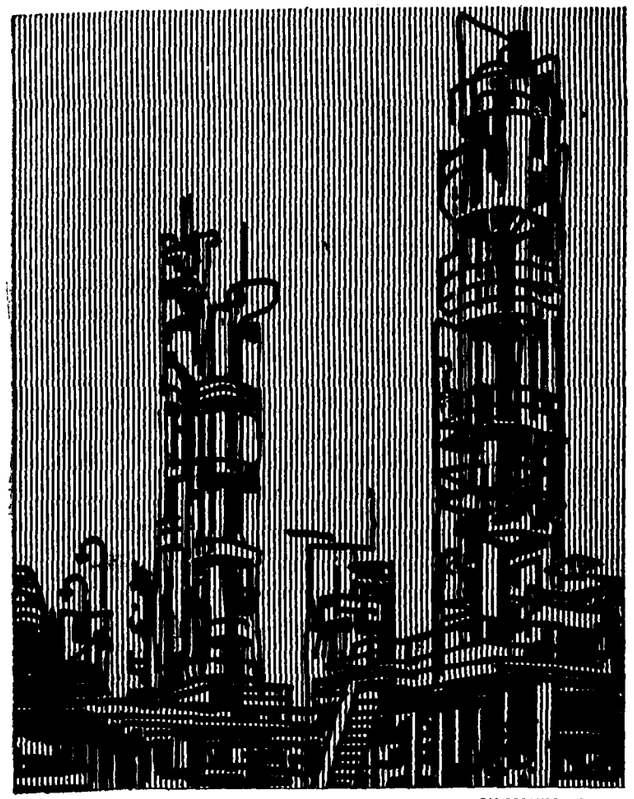
7. I am glad to report that industrial peace continues to be maintained at your Rajgangpur Works and the relations between the management and the workers have been and remain cordial. I am, however, disappointed at the delay in the study of workloads which was decided upon by the Government of India while accepting the recommendations of the Central Wage Board for the Cement Industry. Out of 34 cement factories in the country, so far workload studies have been undertaken at only 3 plants. The study of workloads would provide valuable data for increasing productivity in the industry. Since the Wage increases recommended by the Cement Wage Board were not linked to an increase in labour productivity, the burden of the rise in wage bill had fallen on the consumers by way of higher cement price. This was done despite the policy of the Government of India that increase in wages should flow mainly from increased productivity. The study of workloads will help, at least in future, to consider demands for wage revisions alongside possible increases in productivity. I would, therefore, urge that due importance should be given to the workload study programme and it should be activated and extended to all the plants without further delay.

8. Before I conclude, I wish to express our sincere appreciation of the hard work and co-operation of all the employees of your Company which have contributed in no small measure to the progress which your company has made.

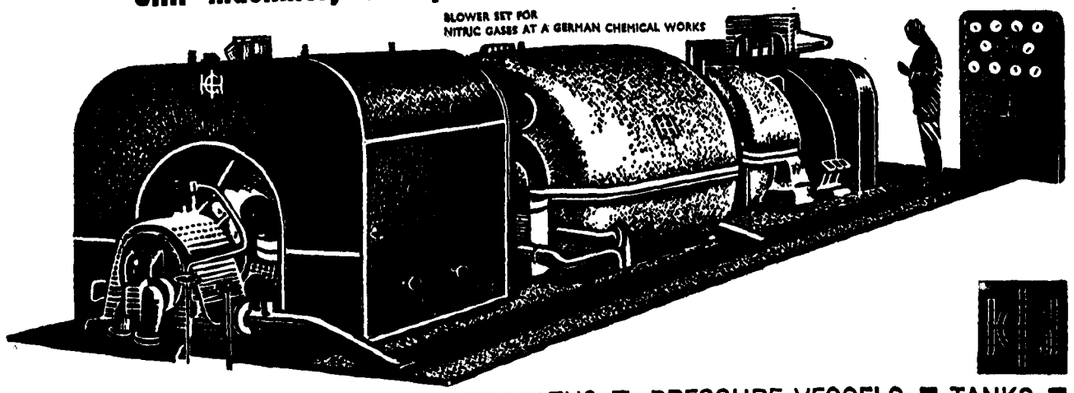
JAI HIND

N.B.: This does not purport to be a report of the proceedings of the General Meeting.




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GHH machinery and process equipment for the chemical industry



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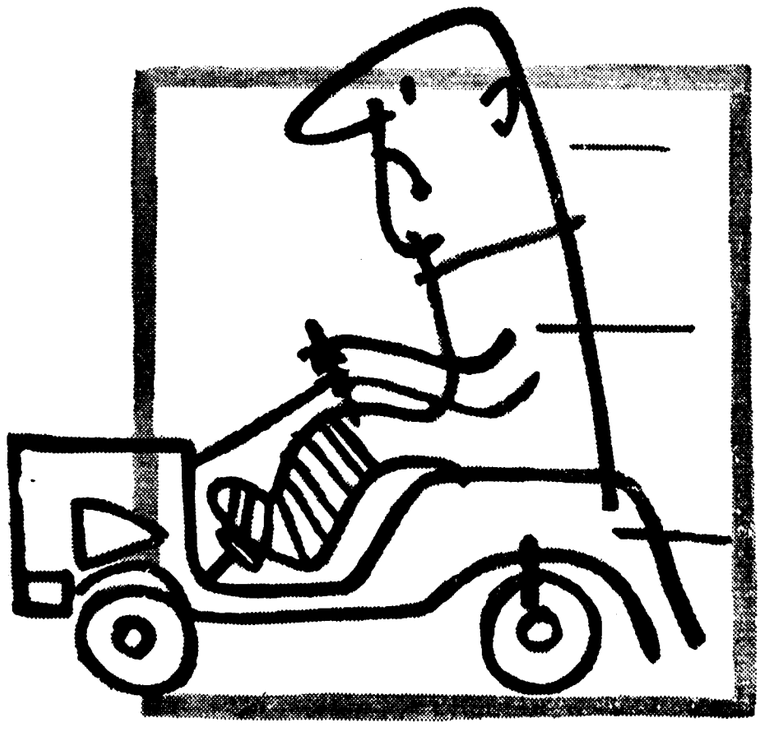
GHH 48



The wise motorist says

BURMAH-SHELL

"Don't use the clutch as a foot-rest"



After changing gear remove your foot completely from the clutch. The lazy driver is a wasteful driver. Constant pressure on the clutch means more strain on the engine, more petrol consumed. It wears out the clutch plate and shoots up motoring costs.



For further details on how to increase your fuel economy, ask your nearest Burmah-Shell dealer for our leaflet "For more kilometres per litre"

WISE MOTORISTS RELY ON BURMAH-SHELL

BMY-2

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.0
1959-60 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61 ..	120.0	109.9	120.0	145.4	130.6	122.8	123.9	124.9
1961-62 ..	120.1	100.3	122.2	142.6	138.8	124.6	126.6	125.1
March 1961 ..	117.5	113.4	121.9	159.1	137.3	128.4	129.7	127.5
April " ..	117.6	112.0	121.5	153.1	136.0	126.1	127.5	126.0
May " ..	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
March 1962 ..	119.2	99.8	123.0	136.3	135.5	124.9	126.4	123.6
April " ..	120.5	98.8	122.4	135.1	136.9*	125.2	126.8	124.2
May " ..	124.2	102.0	122.3	134.8	137.3	125.6	127.3	126.2
May 5, 1962 ..	122.1	101.1	122.4	135.6	136.3	125.3	126.8	125.1
May 12, 1962 ..	123.8	102.4	122.3	134.8	136.0	125.5	126.9	125.9
May 19, 1962 ..	125.0*	102.4	122.3*	134.3	137.4	125.5	127.2	126.5
May 26, 1962 ..	125.4	102.1	122.3	134.7	138.3	126.2	127.9	127.0

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay: Bombay	Bombay: Bombay June 1934=100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U.P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E.P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug.-Dec.) ..	103	—	—	—	—	105	104	—	106	—	—	—
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	166
1960	401	420	296	158	397	476	512	165	467	167	166	171
1961*	412	431	300	167	400	486	495	168	478	173	170	173
1961 August	419	438	302	171	410	491	501	167	481	171	171	177
September	417	436	302	169	410	491	499	169	479	171	171	177
October	415	434	302	168	417	499	501	172	480	176	177	177
November	415	434	302	170	417	508	497	174	481	180	178	177*
December	416	435	302	171	410	499	493	175	481	178	177	177*
1962 January	417	436	296*	170	399	513	495	178	482	177	174	177*
February	419	438	—	170	399	513	492	—	480	177	177*	175*
March	420	439	—	170	—	—	493	—	480	—	—	—

† Base 1944 = 100. * Provisional.

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

	8-6-1962 High	8-6-1962 Low	8-6-1962 Average	1-6-1962 High	1-6-1962 Low	1-6-1962 Average	25-5-1962 High	25-5-1962 Low	25-5-1962 Average	18-5-1962 High	18-5-1962 Low	18-5-1962 Average
Gold (per 10 gram)	126.70	124.50	125.43	127.10	125.30	126.18	127.55	124.25	126.03	124.20	122.50	123.21
Silver (per kilogram)	216.90	214.85	215.78	221.75	216.50	218.47	222.00	220.95	221.55	221.05	219.35	220.23

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
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
1961-62 ..	1,957,42	19,58	1,977,00	117,76	115,93	233,69	11.82	121,65	1,621,65	1,977,00
Average of Fridays										
Feb. 1961 ..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12,58	121,75	1,587,28	1,954,79
March „ ..	1,970,51	14,91	1,985,42	117,76	127,01	244,77	12.33	119,41	1,621,24	1,985,42
April „ ..	2,017,13	18,88	2,036,01	117,76	118,01	235,77	11,58	121,90	1,678,34	2,036,01
Feb. 1962 ..	2,022,55	18,29	2,040,83	117.76	126,11	243,87	11.95	119,51	1,677,45	2,040,83
March „ ..	2,066,22	20,06	2,086,28	117,76	121,86	239,62	11.60	116,49	1,730,17	2,086,28
April „ ..	2,136.62	23,21	2,159,83	117,76	110,61	928,37	10.57	118,65	1,812,81	2,159,83
Week-Ending										
11-5-1962 ..	2,161,30	26,94	2,188,24	117,76	105,00	222,76	10.17	114.61	1,850,87	2,188,24
18-5-1962 ..	2,146,66	16,34	2,163,00	117,76	101,50	219,26	10.14	114,37	1,829,37	2,163,00
25-5-1962 ..	21,21,85	41,64	2,163,48	117,76	96,50	214,26	9.90	114,85	1,834,37	2,163,48
1-6-1962 ..	21,12,61	35,06	2,147,67	117,76	92,68	210,44		114,04	1,823,19	2,147,67

BANKING DEPARTMENT

Period	Deposits: Central Government	Other Governments	Banks	Others	Total	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
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
1961-62 ..	60,71	16,55	81,95	140,73	299,94	119,13	504,08	19,64	34,10	18,11	63,87	137,69	207,74	22,93
Average of Fridays														
Feb. 1961 ..	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,07
Mar. „ ..	61,88	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	134,90	467,38	18,97	55,31	10,60	84,08	135,28	142,78	20,37
Feb. 1962 ..	57,52	16,38	77,10	147,85	298,75	137,30	521,05	18,34	31,16	10,68	61,15	162,63	207,44	29,64
Mar. „ ..	63,22	13,26	77,37	151,76	305,62	141,78	532,39	20,11	44,87	10,88	75,55	179,66	168,20	33,12
April „ ..	65,39	7,96	86,56	153,71	313,62	146,14	544,76	23,28	66,02	8,27	112,72	136,79	162,58	35,11
Week-Ending														
4-5-1962 ..	51,36	16,06	78,98	151,60	298,00	159,35	533,36	14,89	52,10	5,99	113,64	129,57	181,32	35,85
11-5-1962 ..	49,05	18,78	89,04	151,46	308,34	149,51	542,84	26,98	70,60	4,80	109,80	138,98	155,25	36,38
25-5-1962 ..	49,01	15,89	89,12	150,66	304,67	165,23	554,90	41,69	63,48	6,15	104,17	121,74	180,31	37,36
1-6-1962 ..	50,96	13,07	89,38	150,28	303,68	164,70	553,38	35,16	52,45	8,82	103,79	122,19	192,66	38,31

* 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: Demand	Time	Total (2+3)	Cash (Note+Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Government Securities in India
(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	5.58	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										
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
Dec. 1961	847,91	1,156,07	2,003,98	48,00	78,75	6.32	1,073,18	183,83	62.72	604,47
Jan. 1962	860,39	1,163,12	2,023,51	46,98	77,15	6.39	1,114,63	197,12	64.82	590,41
Feb. 1962	860,03	1,178,14	2,038,18	47,01	74,44	5.96	1,150,03	205,77	66.51	588,57
March „	878,56	1,173,63	2,052,19	49,85	74,93	6.08	1,174,78	222,62	68.09	595,49
Week Ending										
4-5-1962 ..	783,61	1,180,25	1,963,86	51,28	80,45	6.71	1,207,70	225,04	72.96	592,77
11-5-1962 ..	776,91	1,188,42	1,965,33	52,59	82,92	6.89	1,212,94	223,23	73.07	574,77
18-5-1962 ..	778,37	1,190,83	1,969,19	53,79	86,17	7.11	1,212,87	219,63	72.75	570,44
25-5-1962 ..	783,25	1,200,00	1,983,24	52,15	85,85	6.96	1,212,05	211,68	71.99	583,31
1-6-1962 ..	780,57	1,207,88	1,982,45	50,15	80,02	6.57	1,220,67	212,65	72.30	586,91

† Including foreign bills purchased and discounted.

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	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
877,53	857,04*	20.49	— 10.17	August 1961 ..	2,798,56	1,921,03
September „ ..	2,772,35	1,900,63	871,71	853,53	18,18	— 26,20
October „ ..	2,807,34	1,921,67	885,67	867,63	18,04	+ 34,99
November „ ..	2,828,49*	1,946,11*	882,37	861,75	20,62	+ 21,15*
December „ ..	2,876,91*	1,983,96*	892,95*	874,04*	18,92	+ 48,42*
January 1962 ..	2,925,51	2,028,19	897,32	877,23	20,10	+ 48,88
February „ ..	2,979,79	2,077,25	902,54	883,52	19,02	+ 54,28
March „ ..	3,078,88	2 120,56	958,32	934,92	23,41	+ 99,09
April „ ..	3,140,90	2,174,32	966,57	942,48	24,09	+ 62,02

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDIAN UNION

PUBLIC SECTOR INDUSTRIAL UNDERTAKINGS COMPLETED AND IN FULL OPERATION

(Rs. in '000)

1. Name of concern	Bharat Electronics Ltd.		Hindustan Aircrafts Ltd.		Himachal Govt. Turpentine Rosin and Factory Ltd.		Chittaranjan Locomotive Works	
2. Registered Office	Jalahalli		Bangalore		Nahan (H.P.)		Chittaranjan	
3. Date of incorporation	21-4-1954		23-12-1940		24-11-1945		March 1948	
4. Accounting year	Ending 31st March		Ending 31st Mar.		Ending 31st Mar.		Ending 31st Mar.	
	1959-60	1960-61	1958-59	1959-60	1959-60	1960-61	1959-60	1960 61
5. Capital subscribed								
(a) By Govt of India	4,96,25	5,21,25	1020,17	14,20,17	—	25,80	22,75,40*	21,72,52*
(b) By others	—	—	60,08	60,08	—	—	—	—
6. Reserved and Surplus	56	9,86	2,09,09	2,51,35	..	3,10	4,92,95	5,67,94
7. Borrowings	..	..	41,73	33,22	..	..	..	..
8. Other liabilities	30,96	71,54	10,28,38	31,59,25		10,08	1,73,16	2,07,36
9. Total — Liabilities (5 to 8) ..	5,27,77	6,02,65	23,59,45	31,24,57	..	38,98	29,41,51	29,47,82
10. Gross fixed assets	2,65,42	3,02,95	9,90,43	13,98,00	..	6,29	..	..
11. Depreciation	38,32	55,70	1,67,00	2,10,67	..	3,56	..	..
12. Net fixed assets (10 —11) ..	2,27,10	2,47,25	8,23,43	11,87,33	..	2,73	20,75,40**	19,72,51**
13. Investments	..	..	..	..	..	..	2,00,00	2,00,00
14. Current assets	2,02,54	2,49,18	10,62,26	11,19,89	..	14,76	58,25	73,84
15. Loans and advances	10,95	37,53	3,65,60	3,61,24	..	24	..	..
16. Cash and bank balances ..	24,53	3,88	7,29	2,41,20	..	9	6,07,86	7,01,47
17. Miscellaneous expenditure and losses	62,65	64,81	1,00,87	2,14,19	..	21,16	..	..
18. Total Assets (12 to 17) ..	5,27,77	6,02,65	23,59,45	31,24,57	..	38,98	29,41,51	29,47,82
19. Wage bill	28,57	34,09	2,47,89	2,70,77	..	..	1,45,69	1,60,80
20. Number of persons employed (Actual No.)	1,594	1,748	12,683	13,983	..	93*	8,523	8,625
21. Profit before taxation	7,04	11,85	39,52	42,78	..	4,10	..	..
22. Value of output (Sales value+ charges in stock+own consumption)	1,00,58	1,71,58	6,97,53	8,84,10	..	30,62	..	..
23. Value of Sales	1,05,72	1,40,40	6,97,53	8,84,10	..	29,53	..	..
24. Remarks .. .								

*Avg. no. of persons employed during the year.

*Total investment as in the Block account statement.

**Expenditure on fixed and floating assets minus receipts.

INDIAN UNION

PUBLIC SECTOR INDUSTRIAL UNDERTAKINGS COMPLETED AND IN FULL OPERATION—(Contd.)

(Rs. in '000)

1. Name of concern	Integral Coach Factory		Hindustan Steels Ltd.		National Coal Dev. Corpn.		Oil & Natural Gas Commission	
2. Registered Office	Perambur (Madras)		Ranchi (Bihar)		Ranchi (Bihar)		Dehra Dun	
3. Date of incorporation	March 1952		24-12-1953		5-9-1956		14-8-1956	
4. Accounting year	Ending 31st March		Ending 31st Mar.		Ending 31st Mar.		End ng 31st Mar.	
	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61
5. Capital subscribed								
(a) by Govt. of India	10,22,55*	8,08,53*	3,00,00,00	3,00,00,00	13,84,87	25,40,14	8,42,76	..
(b) by others	—	—	—	—	—	—	..	..
6. Reserved and Surplus	91,82	1,15,63	..	..	85,91	2,06,85	..	..
7. Borrowings	..	..	2,19,85,61	3,18,12,54	22,88,45	23,83,88	..	..
8. Other liabilities	63,03	87,66	42,96,01	48,22,08	5,49,88	7,01,56	1,05,60	..
9. TOTAL—Liabilities (5 to 8) ..	11,77,40	10,11,82	5,62,81,62	6,66,34,62	43,09,11	58,32,43	9,48,36	..
10. Gross fixed assets			3,43,87,64	5,19,84,24	..	..	3,85,37	..
11. Depreciation			4,37,69	10,04,41	..	..	77,03	..
12. Net fixed assets (10—11) ..	10,22,55**	8,08,53*	3,39,49,95	5,09,79,83	19,04,49	27,45,24	3,08,29	..
13. Investments	..	..	29,84*	33,17*	..	..	..	..
14. Current assets	32,53	44,48	24,11,24	49,99,80	11,63,14	19,05,70	2,96,04	..
15. Loans and advances	..	..	1,91,58,77	97,50,44	6,90,50	4,94,27	3,05	..
16. Cash and bank balances ..	1,22,32	1,58,81	1,52,17	1,37,77	50,37	2,64,03	28,00	..
17. Miscellaneous expenditure and losses	..	..	5,79,65	7,33,61	5,00,61	4,23,19	3,12,98	..
18. TOTAL—Assets (12 to 17) ..	11,77,40	10,11,82	5,62,81,62	6,66,34,62	43,09,11	58,32,43	9,48,36	..
19. Wage bill	1,13,92	1,34,25	..	..	3,73,22	5,36,53	..	90,29
20. Number of persons employed (Actual No.)	7,139	7,821	..	..	44,458	52,121	2,852	4,671
21. Profit before taxation	..	..	(—)1,18,88	(—)74,34	20,98	1,03,66	..	..
22. Value of output .. .. .. (Sales value+charges in stock+ own consumption)	..	..	16,02,85	48,08,75	9,13,25	16,14,23	..	..
23. Value of Sales	..	..	12,15,76	40,97,43	8,70,59	13,10,07	..	..
24. Remarks	*Total investment as in the Block account statement. **Expenditure on fixed & floating assets minus capital receip's.		*Investments received from outside parties as security deposits.					

NDIAN UNION

'UBLIC SECTOR INDUSTRIAL UNDERTAKINGS COMPLETED AND IN FULL OPERATION—(Contd.)

(Rs. in '000)

1. Name of concern	Orissa Mining Corpn.		Hindustan Shipyard		Indian Telephone Industries Ltd.		Hindustan Housing Factory	
2. Registered office	Bhubaneswar		Visakhapatnam		Bangalore		New Delhi	
3. Date of incorporation	16-5-1956		21-1-1952		1-2-1950		1-1-1953	
4. Accounting year	Ending 31st March		Ending 31st Mar.		Ending 31st Mar.		Ending 31st Mar.	
	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61
5. Capital subscribed								
(a) by Govt. of India	5,00	7,50	5,47,82*	5,59,67*	3,58,75	3,58,75	6,00	40,00
(b) by others	5,00	7,50	..	..	41,25	41,25	—	—
6. Reserved and Surplus	19	29	..	..	47,28	56,95	2,11	2,19
7. Borrowings	..	..	5,88,73	7,83,61	96,98	1,37,52	40,00	35,00
8. Other liabilities	1,60	3,97	85,46	79,65	2,38,09*	2,82,40*	22,31	22,76
9. TOTAL—Liabilities (5 to 8) ..	11,79	19,26	12,22,01	14,22,93	7,82,35	8,76,87	70,42	99,95
0. Gross fixed assets	2,82	4,29	4,65,00	4,10,51	3,68,99	4,10,51	..	..
1. Depreciation	83	1,18	1,18,85	1,42,29	1,29,21	1,52,37	..	..
2. Net fixed assets (10—11) ..	1,99	3,11	3,46,15	3,39,32	2,39,78	2,58,14	6,48	35,22
3. Investments	26	26	2,37	2,38	..	..	..	..
4. Current assets	7,52	13,58	7,66,03	10,18,29	4,91,20	5,35,87	58,44	50,55
5. Loans and advances	79	1,15	93,07	51,44	44,31	76,62	79	1,73
6. Cash and bank balances ..	1,18	1,12	2,24	75	6,57	5,73	4,71	12,45
7. Miscellaneous expenditure and losses	5	4	12,15	10,75	49	51	..	..
8. TOTAL—Assets (12 to 17) ..	11,79	19,26	12,22,01	14,22,93	7,82,35	8,76,87	70,42	99,95
9. Wage bill	3,02*	2,83*	92,00	97,00	74,07	91,17	8,91	14,84
0. Number of persons employed (Actual No.)	559*	1,032*	4,801	5,118	6,775	7,752	..	1,177
1. Profit before taxation	16	14	69**	64**	37,14	46,58	1,87	7,08
2. Value of output .. .. .. (Sales value+charges in stock+consumption).	8,15	15,16	2,76,69	4,03,30	..	..	33,21	63,53
3. Value of Sales	7,74	7,87	3,20,22	1,82,03	3,58,43	4,23,63	35,16*	63,74*
4. Remarks	*Includes daily workers also.		*Break up not readily available. **After taking account of Rs. 1,14 lakhs (1959-60), and Rs. 54 lakhs (1960-61) as Estimated Subsidy from Government of India.		*Includes industrial housing subsidy from Government of India Rs. 2,82,500.		*Including partly completed contracts.	

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THE EASTERN ECONOMIST

JUNE 29, 1962

The Resolution on Kashmir

THE resolution on Kashmir placed before the Security Council last week-end and the tenor of the speeches delivered by the delegates of the countries concerned should leave none really happy. No country has felt so unhappy over them as India. The irony was that the fate with which the resolution met was known in advance and still so much harm was allowed to be caused to goodwill, although it was not warranted as inevitable. India has further reason to feel unhappy at the thought that she had to rely on the Russian veto for the rejection of the resolution. But this was a development neither of her making nor of her choice.

Almost all the circumstances attending the resolution make a sorry spectacle. The genesis of the resolution is no longer a secret. When all the countries had their say at the Security Council, a request came for yet another opportunity for discussion and it transpired that the proposal emanated from America. The rest followed quickly. The draft resolution which was intended to be placed before the Council encountered difficulty in attracting a sponsor and eventually Ireland's consent was obtained for sponsorship. The implication of this awkward course was obvious. None of the small five was willing to put up a resolution to which, they knew, India would take serious objection. How Ireland eventually persuaded helself to lend her services may or may not be unfolded in course of time. But the delayed sponsorship conveys its implications which have a bearing on the inherent nature of the resolution.

It called upon India and Pakistan to settle the problem by direct negotiations on the basis of the UNCIP's resolutions of 1948 and 1949. At the last meeting of the Security Council on Kashmir, held as recently as May this year, Mr. Krishna Menon explained at great length how the situation in the intervening fourteen years had changed and he made it quite explicit, in a tone of deep anxiety, that the direct consequence that would necessarily ensue, as a result of a redivision of territory on religious distinctions would be to disrupt the socio-political structure so assiduously built up in both the countries since 1947. So sober and convincing was his exposition of this aspect of the problem that it promptly evoked warm appreciation from Mr. Adlai Stevenson. No events have occurred since then to alter this basic feature.

It was certainly regrettable that in the course of the debate the Kashmir problem was almost forgotten at a crucial stage, when America's distinguished representative took the floor and gave a twist to his speech turning it into a trenchant attack on the Russian use of the veto. This involved an acrimonious exchange. That the veto which Russia was going to exercise on this occasion would be her 100th was a matter of coincidence. The Russian vote on Kashmir, however, had no element of surprise or inconsistency.

India has nourished a grievance that her case is not viewed objectively and, had it been so viewed, the unwelcome relief which came to her through the use of the veto would have been altogether unnecessary. But international politics at the forum of the Security Council being what it is, it is in vain to let passion run high, when a complex of considerations, unrelated to the merits of the subject in a pure sense, are imported into it. Mr. Nehru's strongly worded criticism of the attitude on the resolution taken by America and Britain could have been tempered by some exercise of self-restraint.

The Rajya Sabha debate on foreign affairs came close on the heels of the Kashmir resolution. The Head of Government ought to have purposefully refrained from yielding to the temptation of resorting to forthright outspokenness in giving a powerful vent to his resentment. He spoke of the high value set by India on the goodwill of these two countries, but rushed to nullify the effect of his own appreciation with the sweeping remark that it was washed away by the stroke of a single vote. Why should it? If expediency and political manoeuvring must be accepted as part of the game, a single adverse stroke cannot be allowed to wipe out the entire fund of goodwill. Friendship must not be so brittle; it is well to remember that forbearance has much to commend itself.

The resolution which has become inoperative sought to apply a solution conceived in the situation obtaining more than fourteen years ago and as such it was patently unrealistic. Any future attempt on identical lines will prove unhelpful in solving this problem. This is not the contention of India alone. Five years ago in 1957, Mr. Gunnar Jarring, having studied the political and economic situation in the sub-continent, impressed upon the Security Council that the 1948-49 resolutions had become unsuitable for application.

The UNCIP's resolution of January 5, 1949, provides for a plebiscite subject to the fulfilment of definite preconditions. Important among them is the withdrawal by Pakistan, along with her forces, from the territory in her occupation. After continuous occupation over all these years, she has now entered into a treaty for the settlement of its boundary with Communist China—a startling development which arrested no notice in the course of the debate. It is proof positive, by conduct, that this precondition will not be fulfilled due to complex difficulties raised by the efflux time and a radical change in the situation.

It is in vain to cling to the resolutions whose respective obligations none of the parties can carry out. The only solution lies in direct bilateral talks—the resolution too did not contemplate the presence of a third party. The two governments have now no alternative but to bend their energies to this sole practicable approach with a determination to succeed.

A Self-imposed Obligation

ONE of the essential recommendations of the Import and Export Policy Committee, headed by Mr. Ramaswamy Mudaliar was "not to make exports compulsory by statute." It was suggested that a campaign of public education should be undertaken so as "to awaken the mercantile community to their responsibility of shouldering the burden of export promotion." The first to take up the challenge with a voluntary scheme is the Indian Cotton Mills Federation — a representa-

tive body of the cotton textiles factories throughout the country. According to the scheme propounded by the Federation the textile mills will be obliged to export a certain percentage of its production of cloth and yarn. It is a known fact that cotton textiles exports have been recently indicating a downward trend. In 1961, total exports had dropped to a little less than Rs. 50 crores. In certain markets, such as the United States, the exports had fallen considerably. The decline had occurred primarily due to the fact that a highly remunerative market existed in the country. Now that the foreign exchange crisis has taken a grievous turn and the Aid-India Club had not finalised its commitments for the current year, the rsponsibility has fallen upon the business community to earn more foreign exchange. The Indian Cotton Mills Federation has shown the right way to solve the top priority problem of the country.

The scheme put forward by the Federation is described as "a running scheme", asking every mill having a spinning plant to export 12½ per cent of the turnover in cotton cloth and 3 per cent of the turnover in cotton yarn and staple fibre yarn. The mills can discharge their obligations by exporting either cloth or yarn or both in any proportion so as to achieve their quota of f.o.b. value of exports. In the case of those mills which are not in a position to export their own produtcs, because of lack of foreign buyers for their goods, the obligation may be fulfilled by entering into agreement with the exporting mills. The decision of the Federation provides for penalties for those members who fail to come up to the targets fixed for them. The defaulting mills will have to pay to the Export Promotion Fund of the Federation a contribution equal to one-eighth of the value by which the f.o.b. price of export performance falls short of their export obligations. If necessary, the quotas of cotton are proposed to be withheld to the extent of 6¼ per cent for the mills which fail to abide by the provisions of the scheme.

There is no doubt that India's exports of cotton textiles will show a rise in the current year if the cotton mills measure up to this discipline. The Chairman of the Federation, Mr. Bhagat Ram, ha estimated that India's exports of cotton textiles would be around Rs. 57 crores in 1962 as against Rs. 49.6 crores in 1961. The loss on exports by the mills, according to the Chairman, is likely to be more than made up by the remunerative prices which the cotton textile mills will be able to obtain in the home market. Is it a signal for raising domestic prices? Past experience has indicated that every fresh impost such as an increase in the excise duty is passed on to the consumer. There are strong chances of a rise in domestic prices of cotton textiles as a result of this self-imposed obligation, but it seems that there is no escape from this price inflation. The choice lies between higher prices and the yawning gap in the balance of payments. Obviously the country cannot but opt for the former alterna ive.

There is, however, one danger in imposing this new compulsion. Out of more than 500 mills working in the country, there is a large proportion which has never operated in the foreign markets. For them it will be a herculean task to locate the buyers in international markets. Here the Cotton Textiles Export Promotion Council must come to the succour of these manufacturers, but perhaps the Council can also give assistance of a limited character. The mills will have to fall back upon their own resources and get efficient marketing research agencies as well as sales promotion techniques to assist them in their search for new markets. The cost of these essential aids will be nominal in relation to the targets of increased exports. Instead of letting these obligatory exports to turn into "distress sales" in unwilling markets and letting exports rise in volume without fetching an adequate return, it will be preferable to make on-the-spot market studies for the particular products of the exporting mills. The limited indigenous talent in this field can be supplemented by collaboration with foreign agencies. Indian exporters ought to encounter their competitors with the latter's own sales techniques.

Oil India Marches Ahead

WHILE Oil India's Chairman, Mr. Khandubhai Desai, in his first address to the annual general meeting of the company, has presented a reassuring picture of the working of this partnership concern of the Government of India and the BOC during 1961, which he has rightly characterised as "a momentous year in the history of this young organisation", he has done well in spotlighting two vulnerable spots that threaten to upset all calculations about exploitation of Upper Assam's oil resources. It is a matter of deep concern, not only for Oil India, that the dispute over royalty on the crude extracted from Oil India's concession area continues and a virtual stalemate has occurred in this respect, because of the Mines and Fuel Minister's pre-occupation with the crucial coal problem of the country. While the coal issue requires considerable attention and concentration of efforts by the authorities to resolve it, the solution of the Assam oil royalty dispute is also a matter that does not brook any delay, especially when the country's foreign exchange situation continues to deteriorate at a fast rate.

All the past estimates of the consumption of petroleum products in the developing economy of India appear to be becoming out of date and if attempts are to be made to effect any appreciable saving on import of crude oil ond petroleum products from abroad, it is plain commonsense that the problems faced in the exploitation of the proven crude reserves of the country should be expeditiously resolved. The intransigent attitude adopted by the Assam Government on the royalty dispute and its unwillingness to issue to Oil India a prospecting licence for the new concession ar a are ill-advised. In view of Mr. K. D. Malaviya's offer to the State Government to break this deadlock by reference to a third party, the Assam Government ought to resile from the rigid posture it has adopted. The non-issuance of this prospecting licence has already inordinately delayed Oil India's exploration programme in the new concession area granted to it over a year ago. This programme was to be launched in October last and if the licence is not issued promptly, there is every danger of its being held up beyond the next winter also.

The second factor that Mr. Khandubhai Desai has stressed as hampering Oil India's levelopment programme is the difficulties encountered in the way of acquiring land for drilling purposes.

To expedite exploitation of the already proved crude reserves in its principal concession area, estimated at 45 million tons, the company has been procuring land through private negotiations with the land-owners. But that has been found to be a very expensive proposition. The State Government obviously has a crucial function to perform in this respect. The latest judgment of the Supreme Court in *Shrimati Somawanti and Others versus The State of Punjab and Others* should strengthen the hands of the Assam Government for acquiring private lands for the purposes of a public utility to which category Oil India unquestionably belongs. The acquisition of land for the drilling programme of Oil India is a national obligation enjoined on the Assam Government. Every ounce of crude oil produced and processed in the country counts; it helps in saving foreign exchange so sorely needed not only to maintain the present tempo of industrial activity in India but to raise it in the interests of completing the take-off stage at the earliest.

The Oil India Board of Directors has followed a commendably prudent policy in not declaring any dividend as yet, although there has resulted during the past three years of the operation of the company a net surplus of Rs. 1.15 crores. This has been quite judiciously transferred to the general reserve. The arrears of depreciation carried over from 1960 have also been wiped out. Considering that the company commenced its sales operations only last year, when it sold three lakh tons of crude, and taking into account the fact that only partial development of its oilfield has yet been effected, the financial results achieved during 1961 have obviously been impressive.

A note of caution, however, would not be out of place for the successful working of this enterprise in future. It can apparently improve upon its past performance insofar as completion of the second stage of its pipeline project is concerned. Similarly, considering the heavy odds it has to overcome for developing its Nahorkatiya-Moran oilfield, it has to redouble its drilling efforts if it is to reach the 3 million tons crude output target by 1963 and also is to fulfil the high expectations entertained about its working in the context of the proposed expansion of the Nunmati and Barauni refineries from 2.75 million tons capacity to nearly 4 million tons. If all goes well, it may not be difficult for the company to fulfil its obligations. But managerial efficiency lies in performing an arduous job in the face of all difficulties and mishaps.

A Good Start

THE Indian Investment Centre can turn back to its first year with a legitimate sense of satisfaction and look ahead with a feeling of confidence in the fulfilment of its assignment. The Centre completed its first full year in the formal sense this month, but its effective functioning has been of a shorter duration dating from September last year. Its potential record, therefore, is crowded in the last three quarters only. It can claim on the basis of this record that it is holding steadfast to its basic objective which is "to create in the capital-exporting countries a climate favourable for investment in this country and to generate interest among foreign firms and corporations on the basis of specific investment opportunities."

Mr. G. L. Mehta, Chairman of the Centre, has ample justification, derived from its performance, to be optimistic about stimulating growing interest in private investment from abroad and expanding the area of foreign and Indian industrial collaboration. The foreign investor takes the risk of export of his capital to an unfamiliar region only after the application of certain politico-economic tests. Political stability and governmental policy on foreign private capital belong to the first category. But while they are the *sine qua non* for risking the export of capital, the economic tests are much more important. Among them the dynamism of the domestic market, the progress of the economy in continuously raising the standards of living, the rate of profitability in new industries and the diversification of the structure of the industrial economy to accommodate various types of investments, rank as the principal criteria on which his decision is made. The investment climate in India is standing these tests well as evidenced by the number of enquiries made with the Centre.

The processing of the projects forming the subject-matter of enquiries addressed to the Centre does not by any means follow merely the conventional pattern. The Centre in New Delhi has supplemented this pattern by its own technique and in the task of comprehensive processing the pride of place is given to an assessment of the technical soundness of the project and its financial viability. The experience of international financial agencies stresses the unanimous conclusion that the estimates of indigenous entrepreneurs in developing countries usually err on the lower side in the matter of capital requirements and there is usually a lopsided reliance on bank finance. The Centre has been careful in verifying that these errors do not mar the chances of attracting foreign collaboration.

Within a short period of nine months of effective operation the Centre handled as many as 1,100 enquiries from Indian entrepreneurs and 170 from foreign investors, which is surely a tall order in the relative sense. It is significant that 50 per cent of the enquiries or 550 in absolute number from Indian investors sought guidance for joint ventures and it redounds to the Centre's credit that it has been rigorous in processing the requests, selecting only 100 out of the total of 550 for transmission to foreign countries to sound the investors. The Centre is rightly refusing to budge an inch from its strict criteria for reference abroad.

The flow of enquiries from abroad too reveals an emphasis on joint participation. It is instructive to find that while the number of enquiries emanating from the individual European countries in the first year ranged up to 8, the enquiries from America were of the much higher order of 43. The magnitude of American enquiries is partly a reflection of the reorientation of that country's foreign investment policy under the impact of the Common Market, but essentially it indicates the verdict that India is a sound risk. The Centre's initial performance raises great expectations in the crucial period ahead, when foreign capital and technical know-how will be needed for the diversification of our industrial economy.

THE WEEK'S NOTES

EEC

AGREEMENT WITH INDIA

MR. MORARJI DESAI's statement in the Lok Sabha, striking an optimistic note that the EEC may conclude a separate trade agreement with India, has evoked interest about the probable content of the agreement and the substantive benefit it is likely to confer on this country. The Finance Minister has sound reason to raise optimism in the way he did. Among the Six there is a positive consciousness of the development pressures on India and Pakistan in the context of the external resources they need. This may be summed up in their new appreciation of the advisability of promoting the two-way trade between India (or Pakistan or Ceylon) and the Six with the purpose of improving the lopsided imbalance, resulting in a steadily mounting deficit for the underdeveloped partners. What concrete shape will be given to this appreciation in the body of the agreement. it is defficult to forecast at this stage, in the absence of any available clue. The agreement is likely to entail long negotiations so that it may hardly come into operation before the end of 1966, as now envisaged. Meantime, there is to be an interim arrangement on the nature of which little light has been thrown at the present moment.

But one development connected with the projected trade agreement is significant from India's view-point. Its consequence will be somewhat disconcerting to her. It makes a substantial difference to the equilibrium in the bargaining power of the two sides. Britain will bc required to sign the treaty and join the Market first, an interim arrangement for relief to India (described as the transitional regime) will be provided for and the formal agreement on trade between the enlarged Community and India will be concluded after the negotiations by the end of 1966. Why it should take such a long time is not at all clear. Britain's influence, in obtaining reasonably favourable terms for the developing Commonwealth countries, in the course of the negotiations, will be circumscribed by the fact that, as a member of the enlarged Community, she will need to abide by the discipline of the attitude it will adopt

Canada

INSTABILITY AFTER THE ELECTIONS

PRE-ELECTION FORECASTS in Canada had it that the verdict of the electrorate was unpredictable as it seldom was before. The results have borne out this apprehension. In fact there did not exist very sharp differences, apart from the conventional ones, between the programmes advocated in their election manifestoes by the Progressive Conservative Party and the Liberal Party. But the Liberal Party was in the fortunate position enjoyed by all opposition parties at the hustings. It could drive home the point how the Conservatives missed opportunity after opportunity in consolidating economic prosperity and contentment. An electorate, feeling the burden of inflationary pressures, was easily prone to give credence to this sort of propaganda. Mr. Diefenbaker's task in facing the voters was made more difficult by the aftermath of Britain's application for entry in the EEC. The emotional impact of this factor in Canada, which has always valued the Commonwealth tie, but now saw it likely to be impaired, could not be underestimated. The electorate was in a confused state of mind no less than the two major parties.

Mr. Diefenbaker's Progressive Conservative Party has emerged as the largest single party in the Commons. But its majority is not decisive, it is only relative. Mr. Pearson's Liberal Party could make capital out of the discontent with the worsening of the economic situation and capture more seats than in the previous elections; but even so, it came out as the second biggest. The Social Credit Party, which made its appearance for the first time in Parliament, got 30 seats, while the New Democratic Party had to remain content with only 19. Obviously, the Social Credit Party holds the balance of power.

Would Mr. Diefenbaker invite Mr. Thompson, leader of the Social Credit Party, to form a coalition? This possibility has been ruled out by the Conservatives, who have made a decision that they would run the administration as a minority government, but not by a coalition at the cost of sizable concessions and, then again, continuing on sufferance. The Social Credit Party on its part has decided not to join a coalition, but to continue to support Mr. Diefenbaker so long as his government agrees to their basic demands of tax incentives, freer trade and an immediate programme of expansion of municipal projects. Depending upon these trends in policy, they have no desire to precipitate a fresh election, apparently because they do not envisage a prospect of improving their strength. But the Liberals seem intent on hastening the defeat of Mr. Diefenbaker's minority government exactly for the opposite reason that they hope to emerge with added strength in an early election. It is an unstable government which will hold office, but the instability and the uncertainty which accompanies it are unlikely to survive the current calendar year.

Mysore

IMPLICATIONS OF CHANGE

IT IS not usual for a reshuffle to be carried out in a Ministry in the course of which the entire Cabinet is left intact save the Chief Minister. This has happened in Mysore, although without the least element of surprise. Another significant fact is that the change has taken place, while the Chief Minister who made way for his "chief", enjoyed the confidence of the Party in office. Ever since the defeat of Mr. Nijalingappa in the general elections and the selection of Mr. Kanthi as the Party leader in supersession of Mr. Jatti, it was known that Mr. Kanthi would function as an interim Chief Minister, until Mr. Nijalingappa would obtain entry through a by-election. Like Mr. Kanthi another Congress M.L.A. stepped aside — by vacating his seat. The vacancy thus created facilitated Mr. Nijalingappa's election to the Legislative Assembly. No stigma as such attaches to this modus vivendi of securing at a by-election the success of a candidate defeated at the general election if only because the Party feels that his services are essential. In case a precedent were required to carry conviction in this respect, Bombay State before re-organisatoin offers a telling one. In Madhya Pradesh a parallel technique of by-election was adopted and the former Chief Minister found his way inside the legislature. But the parallelism ends here. The fact that Dr. Katju could not be reinstalled as Chief Minister, but Mr. Nijalingappa could be, makes the most vital difference. Having rejected the claim of Mr. Jatti to the leadership of the Congress Legislature Party, it made no secret of its feeling of helplessness without Mr. Nijalingappa to pilot it.

Mr. Nijalingappa's election as Party leader (leading to his appointment as Chief Minister) is described as "unanimous". What was needed to make the unanimity complete was the concurrence of the Jatti Group. Only until a few days before Mr. Nijalingappa's election to leadership, the two groups, which divided the solidarity of the Party, made no secret of their mutual hostility. How the transformation came about in the attitude of the Jatti group is intriguing. If the transformation is genuine — and not a product of expediency — Mysore State will have acquired a new and dynamic force for vitality in its political life. But in such matters forecasts either way are premature. The true nature of this unanimity ought to be tested by time. Already there are whispers going round that Mr. Nijalingappa is thinking in terms of expanding his Cabinet, whose present size is quite adequate for the needs of the administration of the State. It is said that the number of Deputy Ministers is going to be multiplied on a surprising scale, while the additions to the posts of Ministers will also be surprising in the context of needs. Tne veracity of this report cannot be vouchsafed by anybody. But if Cabinet expansion comes about as whispered, Mr. Nijalingappa will have paid a high and questionable price to maintain unity (or rather the facade of unity) within the Party ranks.

Since the manoeuvring, which culminated in the exist of Mr. K. C. Reddy, began in Mysore, groupism has eaten into the vitals of the Party and the process has been kept alive with successive changes in Chief Ministers. One dangerous feature of groupism in the Mysore Congress Party is casteism. The real test of Mr. Nijalingappa's genuine success and service to the State will lie in wiping out the virus of groupism.

Deputy Leader

ISSUE SHELVED, NOT SOLVED

THE ELECTION of two Deputy Leaders for the Congress Parliamentary Party seems to have settled the issue at long last — but only to outward appearances. It took the Party over sixteen months after the passing away of Pandit Govind Ballabh Pant to arrive at this improvised arrangement. The Congress Party leaders, and particularly the senior among them, are painfully aware that the "unanimous" election as Deputy Leaders of Mr. Harekrushna Mahatab in the Lok Sabha and of Mr. Surendra Mohan Gupta in the Rajya Sabha is a pure make-believe which will deceive none. Even to strike upon it, the Party's constitution had to be amended in a manner which fully exposed the purpose of the two amendments. The first amendment provides for two Deputy Leaders — one in each House — in place of one. The second amendment deletes the clause defining the functions of the Deputy Leader for the very obvious reason that the new ones are no longer to fulfil any effective role in the absence of the Leader, but they are merely to be adorned with the trappings of this position. They will have the honour and distinction to occupy the chair at the meetings and no more. As if to remove any vestige of doubt about the correct position after the deletion of the clause on functions, Mr. Nehru has explained in blunt words that the Deputy Leaders will not lead the Party in his absence.

It was for the Party to choose the Deputy Leader with the implication that his choice means the choice of a successor.Mr. Nehru has taken the position that it is not for him to nominate his successor. Whatever the reason for this attitude, the responsibility to make the choice rests squarely on the Party's shoulders and it can discharge it without disrupting its unity and harmony by making a unanimous choice. But the Congress Party appears still to partake more of the complexion of a platform than a party, in the sense that the shades of opinion, held on the concept of the socialist pattern, are too wide and the gulf between the balanced moderates and the passionate leftists is too large. It is this gulf which has made the Party at the present time incapable of putting its unanimous support behind Mr. Morarji Desai. The leftists' behind-the-scene activities have thwarted unanimity, but they have been unable to produce an acceptable alternative. This is but a major symptom, among many, of the lack of cohesion and unity. For sixteen months a solution could not be found. The escapist device of electing two Deputy Leaders has helped to shelve the problem, not to solve it. The uncertainty that hangs over cannot but be a source of disharmony and dissipation of strength.

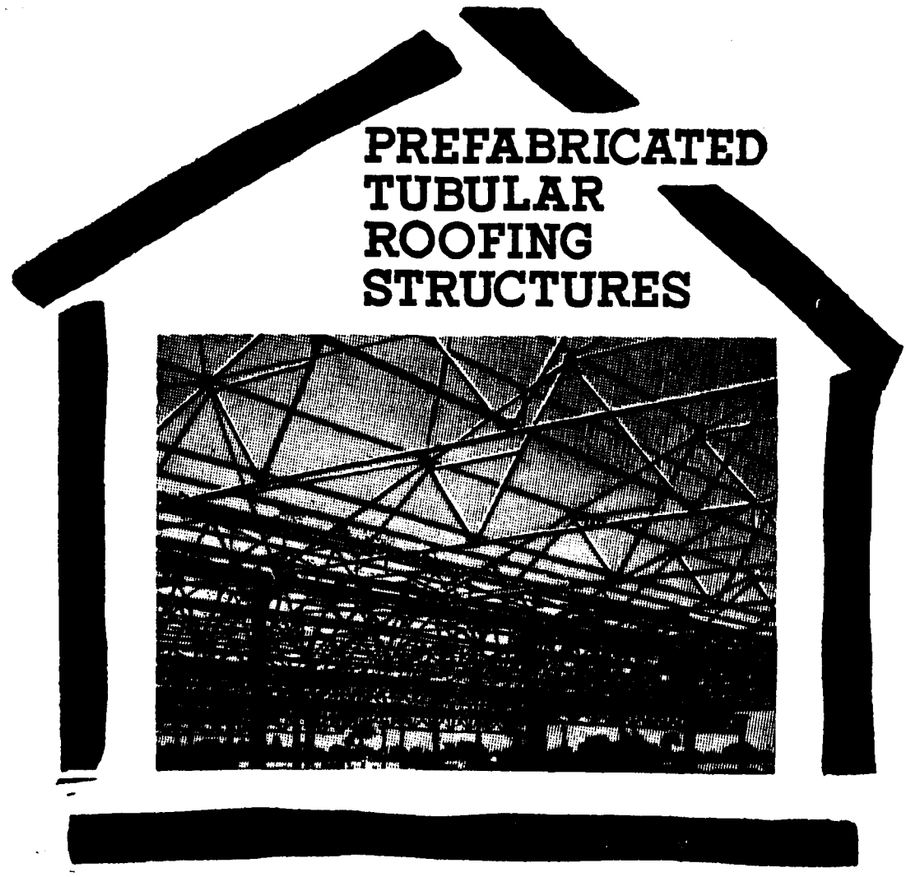
Student Community

PARTICIPATION IN POLITICS

MR. A. B. VAJPAYEE'S resolution in the Rajya Sabha, calling upon the Government to convene a conference of all the political parties in the country to agree upon a code of conduct to keep students out of politics, was talked out last Friday. The trend of the discussion on the resolution left no doubt that, if the resolution had not been talked out, but put to vote, it would have been thrown out. A code of conduct is not something that can be imposed; it rests on voluntary acceptance and self-discipline is its sanction. It is astonishing why the Government should be dragged in such matters. If the party in office subscribes to the code, it is enough. Does this reliance on the Government for guidance not betray a lack of self-confidence?

The discussion turned eventually on the advisability or otherwise of students participating in active politics and this was right. The alternatives debated were active politics and intellectual interest in politics. Mr. Vajpayee, however, thought that the alternative to active politics was study of political science. In arguing, therefore, that he was not opposed to students forming study groups to discuss political science, he perhaps overlooked the fact that science is something which is to be learnt systematically at a theoretical level in educational institutions and not by group discussions. There was, of course, some recrimination in which the spokesmen indulged. Mr. Bhupesh Gupta wanted the exclusion from the conference of communalistic parties. Assuming the code of conduct is evolved, would its purpose be served by obtaining the compliance of such parties with it or by excluding them and leaving them free to misuse the energies of the student community? To Mr. Gupta's advocacy of encouraging student participation in active politics (on the plea that they represent a powerful force for moulding the nation's political life), quick came the retort that the Communist Party was vitally interested in exploiting the emotionalism, immaturity and easy impressionability of young students.

The tenor of the sober part of the discussion showed that a broad distinction should be drawn between active politics and intellectual interest in problems of current politics. By and large, the student community's energy should be channelled towards the intellectual aspect as a preparation for those who would choose a political career or retain a deep interest (short of a regular career) in politics. But the fact of the situation is that politics has become such a strong part of our life (and we are still so near the independence struggle) that total abstinence from active politics will be hard for students to practise. If students are too eager to plunge into agitational politics, it is a part of the larger and disturbing problem of indiscipline. How they can be weaned away from active politics in a general way is a part of the problem of removing indiscipline and inculcating healthy attitudes in the student generation.





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The World Abroad

MEET NYANTARA SAHGAL

By ODYSSEUS

THOSE WHO have been good enough to follow the musings of this column since it first started, sixteen years ago, know that it has always been our view that we neglect matters of the mind, the heart, and the spirit at our peril. Let us therefore take a week off from the economic problems, with which we have been pre-occupied here for far too many months now, to consider "From Fear Set Free", a newly published book by Mrs. Nayantara Sahgal, who is the thirty-five year old daughter of Mrs. Vijaya Lakshmi Pandit and the niece of Jawaharlal Nehru.

MRS. PANDIT SCOLDS HER BROTHER

Mrs. Sahgal has exceptional gifts as a writer. She is interested both in people and in ideas. To people, she brings insight, warm, sympathetic, yet humorous, into character. Her pages are a portrait gallery of scores of people met in the United States, the USSR, England, and India. We hear the Prime Minister's views on marriage. We see Mrs. Pandit scolding her brother for not looking after himself. In Europe, the "busiest man takes a week off, or at least a Sunday in the country to collect his thoughts and relax. You listen to the news on the radio even while you eat. Your digestion hasn't a chance to do its work. Would the earth stop turning if you relaxed one day in the week?"

"Anything else, darling?" asked Mamu.

"Bhai, I do wish you'd be serious."

"You're getting old, that's your trouble',, smiled Mamu.

"I certainly am," Mummie retorted, "and I wish other people would realise they aren't getting any younger and live more sensibly."

"What is 'more sensibly'?" asked Mamu.

"Like a human being, not a driven animal."

Mamu, about to leave the room hesitated a minute.

"It would be pleasant," he admitted wistfully, "to be able to do all the reading one wants, and I haven't been inside a restaurant or a shop for years.."

"Then do it, bhai." Mummie sounded urgent, pleading.

"There isn't time," he said quietly. "We are here to work until we're thrown on the rubbish heap."

Such intimate sketches, of politicians, business men, American mothers, British ambassadresses, Indian shop keepers, doctors, nurses, cooks, bearers, and children, are innumerable in Mrs. Sahgal's pages.

Mrs. Sahgal tells a pleasing anecdote of her visit to the USA to stay with her mother (then Indian ambassadress) while expecting her first child. Mrs. Sahgal represented Mrs. Pandit, who had been elected Mother of the Year for India, at an international luncheon at the Waldorf Astoria Hotel. Nayantara, "plumply pregnant" and ill at ease, was relieved to find that the "Mother of the Year for Pakistan, seated beside me, turned out to be a man with a luxuriant moustache and a friendly smile," who had rashly agreed to represent his wife at the function.

Mrs. Sahgal is sensitive to the atmosphere of the countries that she visits and she is skilful in getting it on to paper. Of the USA she says: "It was a joy to be where plenty was framed in every shop window, where the people were strong and beautiful with good health, alert with self-confidence. It was dazzling and disturbing. These men and women were insulated against the trials that beset ordinary people the world over. They [illegible] flourishing in a superbly organised laboratory of a nation" (Is this intended as the latest description of capitalism and free enterprise?!). "For all their talk of the common man they were highly uncommon people. For all their individualism they rejoiced in a crushing conformity. Some of this was what we wanted for ourselves, a share of this material comfort, this technical advance and all the goods of the earth. The Indian ideal of self-immolation belonged to a past of repeated conquest, a resignation complete and utter, a longing for the spirit's release from the body's toil." (Does this, I wonder, properly describe the state of mind of a Chand Bibi, Shivaji, or a Rani of Jhansi?). "Forgetfulness then had been the only remedy. We wanted to be over all that. The self, now charged with a new meaning, clamoured to be asserted, not forgotten. But what was the right level of prosperity, the level that banished need but did not satiate, the level that did not threaten the artist in the individual? And how did one stop when arrived at it?"

Of the many observers who have described how cut off foreigners in Moscow are from the Soviet people, few have done it so imaginatively as Mrs. Sahgal: "Opportunity in Moscow in 1948 consisted largely of dinners and lunches at other embassies, the Sunday night cinema with punch and cakes to follow at the American embassy, and entertainment at our own. No foreigner was allowed to go more than forty-five kilometers beyond Moscow without a permit. Travel in the Soviet Union was borbidden except by special permission to specified places, and we had little contact with Soviet citizens. The diplomatic corps revolved almost entirely about its own axis. It was like being on shipboard on a voyage lasting, for me, six months, with a regular round of amusements and entertainments planned for the passengers, while around us the mysterious heaved. Occasionally a tingling salty spray touched one's cheek and one turned longingly to the ocean for more, but the bold, frothy finger of the sea vanished into the endless stretch. Lekha and I longed to climb out of the ship into a lifeboat at least, get closer to the sea, feel the enormous heaving expanse of it, but we were not permitted."

In ideas, Mrs. Sahgal reveals herself a convinced follower of Gandhian non-violence, to which she clings as the ultimate solvent of all problems. Writing of the time of partition in 1947, when Delhi was filled with refugees, she refers to the "apparent speed with which thirty years of training in non-violence has dissolved like silver in a corroding chemical. Much more than damage to life and property had to be restored. A fundamental faith had been shaken. Recovery would begin when it was steadied."

IS INDIA NON-VIOLENT?

Of Gandhiji, Mrs. Sahgal says that no single fact did more than Gandhiji's loin cloth to re-orient the thinking of an entire nation. It shifted the political spot light from urban intellectuals to the masses. The people had waged non-violent war against the British not, in Mrs. Sahgal's view, because they were physically weak, for a people aroused can find a way, but because the only resource that mattered to Gandhi had been that of the spirit. He transformed India's traditional concept of resignation into the priceless weapon of satyagraha. "Satya-

graha?" bitterly commented Mrs. Sahgal's husband, Gautam, when they discussed it in 1947. "Non-violence? Look what has just happened in the Punjab."

Destruction and hatred, Mrs. Sahghal admits, had made a mockery of Gandhi's life and teaching. Yet his own faith in non-violence never wavered. By preaching it, he restored pace in riot-torn Noakali. "Non-violence, it is true, did not come naturally to the human animal, but which aspect of civilised living came naturally to him?"

"Certainly not non-violence," replied Gautam with emphasis. "That may be all right for the saints, not for ordinary people.. And it's a myth that we in India are less violently inclined than any other nationality."

Mrs. Sahgal, however, insists that it was not non-violence which had proved ineffectual. "It was we who had not proved strong enough to employ it. We had gone backwards into barbarianism during the terrible bloodshed before and after partition... It has, after all, taken millenniums for the human being to learn to walk upright... Why did people imagine that non-violence, the approach of love and peace, the final stage of the refining process, could be arrived at suddenly? The first articulate sounds had not produced language."

Elsewhere Mrs. Sahgal says: "In 1955, on my own first trip to England, I found a blessedly familiar country whose heritage, from nursery rhymes to literature was part of me. The 'damned British', those shadowy figures of my childhood, faded away. An England of real people replaced them, one that would always belong, a little, to me... England gave me the sensation of inviolable safety from that grimmest of dangers, unreason. Whatever was unjust, too complacent or meaningless here would, no doubt, in time be changed, but reason would prevail in changing it. I understood at last why my parents, soon to be arrested and imprisoned by the British Government, had reacted as though to a personal injury when the House of Commons had been bombed. "...British warmth and generosity, so abundant, seemed directed not extravagantly at the world at large, but selectively, flatteringly at oneself. This was the climate of conversation with an individual flavour and an individual significance. It contrasted sharply with their views on security—the problem of the preservation of a way of life—which had little any more to do with the individual. In India, the issue was still the preservation of life itself against hunger and disease, and the distinction between our countries may have accounted for our separate attitudes towards security. For them, security was a system that must engirdle the globe to keep it from exploding with the ambitions of any part of it. For me, security resided in the human being. If he were hungry he would be fed, if naked and destitute eventually clothed and housed, but did the system exist that could banish fear and assure his future? What exactly was a system of security, I wondered? Was it the means to destroy one city, or four or five? At what stage did one feel really secure and what were all the bombs worth if they brought no peace of mind even to their possessors?"

On learning of China's aggression in the Himalayas, Mrs. Sahgal felt that if India had to defend her freedom, she would not be satisfied with a military strength. She would be satisfied with nothing less than pitting her whole self, the determined mind in the determined body, against the enemy. "Wanton destruction would not serve my purpose, only unyielding defence would. I know I should want to bar the way with my body, that I should perhaps die, but that four hundred million others, similarly pledged, would not all die. What else had Gandhi meant, except that he had sublimated the physical to a moral force and believed it to be the greatest force on earth? It had suffered setbacks but never for long. Great good was sometimes eclipsed, but a thin stream of it continued to flow. And the frail stream had been persistent and enduring, evidence of the creative principle that survived all disaster."

For my part, I believe that Gautam Sahgal errs in dismissing the concept of non-violence as chimerical in all cases and that Mrs. Sahgal's faith in it is too simple. I will try to explain why next week.

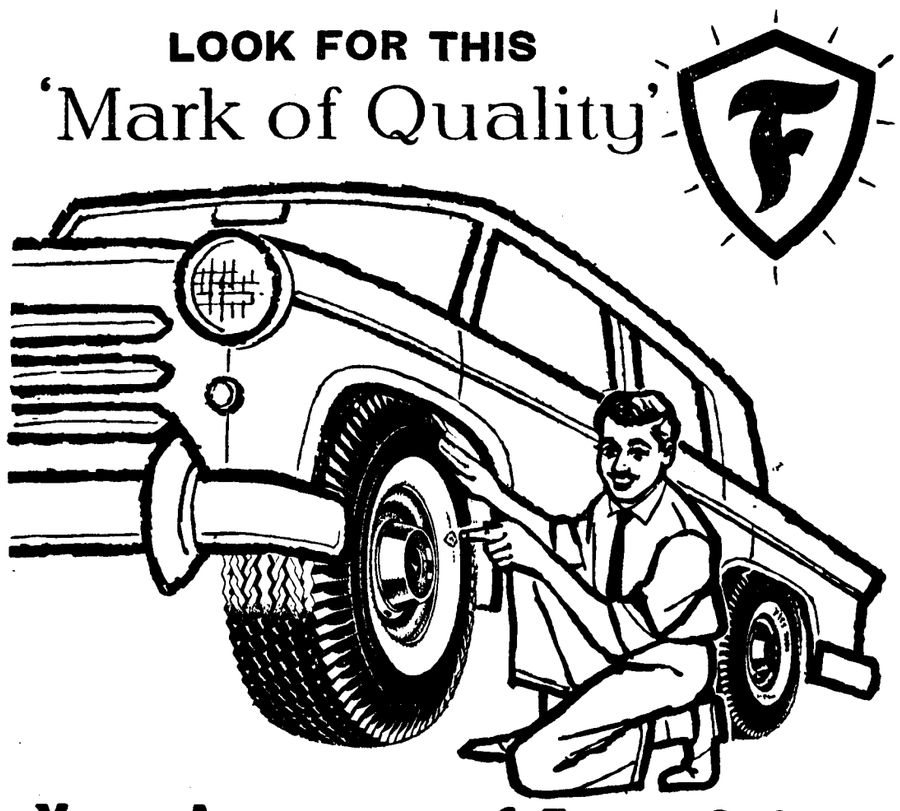


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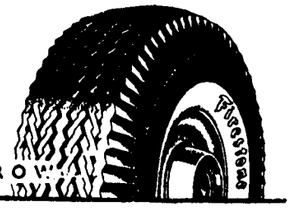
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The European Scene

THE DECLINE OF IMPERIAL TRADE

From Our Special West European Correspondent

PARIS, June 27.

A PAMPHLET called "Appeal to the Commonwealth" was published in London last week by two anti-Common Market, tories, Messrs. Walker and Walker-Smith. According to Press summaries, it develops the argument that trade with the Commonwealth is more valuable to Britain than trade with the Common Market, adducing as evidence the facts that, firstly, British exports to the former in 1960 were worth £1,000 million more than to the latter, and, secondly, that in the decade 1950-60 British exports to the Commonwealth grew by £451 million whereas exports to the Common Market grew by only £285 million. Without vouchsafing the accuracy of these figures (which cables may have got wrong, anyhow), one sees plainly the drift of the argument. It happens to be the contrary of that set out here last September in a series called "The Decline of Imperial Trade." It was shown here, relying on the experience of both Britain and France, that as colonies achieve their independence their imports from the imperial power decline, either absolutely or (more commonly) as a percentage of their total imports. If that is correct, the tory MP's are wrong. The issue has its importance, for if imperial trade is declining, Britain would be justified in seeking closer association with the Common Market; but if trade with the Commonwealth were growing faster than trade with Europe, it would be a mistake to jeopardise it by accepting the condition of the Rome Treaty.

In reality, there can be no denying the decline in imperial trade, and the comparison offered by the pamphlet between British exports to the Commonwealth and the Common Market is quite fallacious. Throughout by far most of the decade 1950-1960, the Common Market did not exist, and at no time was Britain a member of it; only towards the end of that decade did two of its largest members begin their economic expansion (France and Italy), and only at the very end did they, and to a lesser extent their partners, vastly liberalise their trade with the outside world. On the other hand, throughout almost all of that decade many members of the Commonwealth were still subject colonies: Ghana's independence dates from 1957 and the rest of the 77 million English-speaking Africans have just lately become independent or are still awaiting liberation. The decline in imperial trade may begin even before independence, but it gathers pace a few years after it, as the young nation deliberately seeks to diversify sources of supply, receives aid from more quarters, reduces vested trading interests established under colonialism and increases the range of its wants by undertaking industrialisation. Leaving aside such important details as the fact that in 1950-60 may Commonwealth countries were running down sterling balances which (as India has discovered) do not last forever, one sees that it would be more instructive to compare: on the one hand, Britain's exports to a Commonwealth country that has been independent for some years, and, on the other hand, her exports to the Continent as they would be if she benefitted from membership of the six-nation customs union. For the latter hypothetical calculation, the spectacular increase in internal trade between the Six offers a clue.

The place of British exports, expressed as a percentage of total imports, in the trade of various Commonwealth countries is shown in the following table:

	1955	1957	1959	1960
East Africa ..	44	38	37	34
South Africa ..	35	33	31	28
Ghana ..	47	42	40	37
Nigeria ..	47	43	46	43
Rhodesias-Nyasaland	43	38	37	33
Australia ..	44	41	36	33
New Zealand ..	55	51	47	43

The trend no doubt continued last year, for the Common Market increased its sales in 1961 in most Commonwealth countries, at the expense of Britain. West Germany and Holland were the biggest gainers in West Africa, Japan in East Africa, with France and Italy making minor advances, while the USA progressed relatively little. It should be understood that none of this is any reflection on British industry or commerce; it does not prove for example, that British prices were uncompetitive. The affair is not so simple. It is a political adjustment as much as economic, and it reduces the abnormally predominant position that Britain occupied in the trade of these countries after many years of imperialism. One cannot assume that this position will go on being reduced indefinitely; on the contrary, it seems likely that after a long period of decline, Britain will remain biggest single supplier of most of her former colonies. Given the community of language and technical education, and various other historical links that long survive colonialism, that would be normal; the predominance of British goods in the imports of colonies was, on the other hand, abnormal. To base arguments about the future on the trade results of 1950-60 is therefore illicit.

One can see that it is not simply a question of price competition by noting that it frequently happens that Britain loses part of a colonial market to France, while simultaneously claiming a larger share, at France's expense, of the market in a former French protectorate. This happened last year, for example, in Ghana and Tunisia, France gaining in the former and Britain in the latter. It is natural that freshly independent States cast their net more widely, if only to test the reality of their economic independence. More important, once they replace, in their import list, the traditional staples of "colonial trade" (cheap consumer goods) by the capital equipment they require for industrial development, then they must diversify their sources of supply: no one Western country can provide all the machinery they need, and long-term credit facilities are a powerful incentive to change to fresh suppliers.

It is useful to compare British experience with French over the past decade, because in that time France has achieved a massive increase in her total exports. Yet her trade with the franc zone has declined, and her European neighbours have become by far her best customers. The total figures do not tell the full story because they include trade with Algeria, and this increased spectacularly once the war began there; naturally, with one million white settlers still in the country, and an army of half a million, plus the inflation produced by war expenditure, the demand for French goods was great. Since the fighting ceased, the army began to come home and the settlers to quit; this trade has fallen catastrophically; as from last year West Germany replaced Algeria as France's first client;

n contrast, trade with the overseas territories and de-
›artments (i.e. minor possessions for which there is no
›rospect of political liberation and whose budget is
till financed from Paris) has been maintained at 1952
evels.

In between these two extremes are all the colonies
n Africa and the Far East whose independence is com-
›lete, and in all these cases one sees the inevitable dec-
ine of imperial trade. It is most advanced for the
States of Indo-China, not only because they have been
ndependent longest but because the USA and the Com-
nunist bloc deliberately sought to evince French trade.
t is next most noticeable in Morocco and Tunisia. It
s just beginning in Negro Africa, whose independence
s very recent; but its course there is certain, if only
›ecause the statute of association with the Common
Market requires these States to abolish the preferences
hey give to French imports, in favour of other Conti-
ıental exporters. Our tory pamphleteers might reply
hat France gave in too easily to the trend, and that
Britain could fight it; that is no doubt why they talk
f reviving the spirit of Ottawa, i.e. increasing Com-
nonwealth trade preferences. Quite the contrary; in
nost of the former colonies where French trade has
leclined, she retained important economic advantages:
arge numbers of white settlers often remained in the
ountry, a customs union was maintained, France con-
inued to buy most of their primary produce at prices
igher than world rates, most of them remained in the
ranc zone and had big franc balances to spend. Des-
ite all that, the part of French goods in their imports
eclined.

It would of course be absurd for the imperial
›ower to "write off" former colonies. She can well
›ope to remain their largest single supplier, notably
f capital equipment. It would be even more absurd to imagine that the end of imperialism, coinciding with European integration, implied a diversion of trade from the developing countries to industrialised neighbours. The developing nations as a whole constitute, on the contrary, one of the most promising of markets — but on condition that the industries of Britain and France can compete with all Western industries, can offer the goods needed for industrial development rather than traditional colonial exports, and seek their overseas markets, not in a protected neo-colonial reserves, but in all the developing region. The best way of ensuring that they can do those things is to face the challenge in Europe itself, by participating in European economic integration. Those who invite Britain to cling to Commonwealth trade at the expense of exclusion from European integration are asking her to choose the worst of both worlds. Liberated colonies will cut down their imports of consumer goods quite ruthlessly, either because they begin to make them themselves or because they resolve to go without. For their imports of capital equipment, they will expect the former imperial power to compete on a footing of equality with other industrialised nations. The constantly narrowing margin of Commonwealth preference will not serve to keep British goods competitive if a more vigorous European industry is outstripping Britain in technological concentration, scale of operation and capital resources. British exports to the Commonwealth are much larger than to the Common Market, and probably always will be, since the population of the former is so much larger than that of the latter. But that is no argument against joining the Common Market, which does not entail giving up the bigger outlet for the smaller. It is, rather, that the bigger outlet is not only bound to contract but is changing in nature and the only guarantee of continuing to serve it adequately is to be able to meet European competition in Europe.

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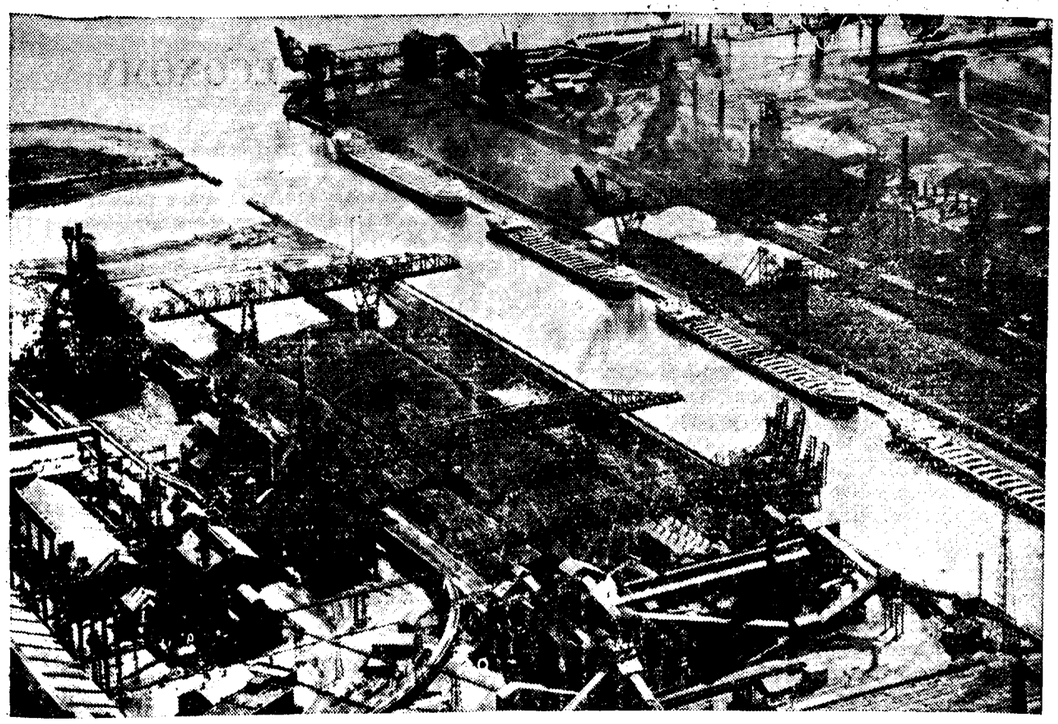
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Economic Report from the U.S.

SEARCHING EXAMINATION OF THE ECONOMY

By GUY SIMS FITCH

WASHINGTON, June 19.

IN this era of complex economic relations, it is important to analyze internal economic policies in the light of their international implications. So it is that the international payments and currency positions of the United States are being subjected to a careful and searching examination as the U.S. Government contemplates and pursues policies to help maintain the economy's upward momentum and accelerate its long-term growth rate. It would be most distressing, and entirely out of keeping with the real situation, if expansionary fiscal or monetary policies aimed at further improving the basically buoyant U.S. economy could not be adopted except at the risk of provoking a loss of confidence in the U.S. ability to meet its international obligations. The fact is there is no need for such a choice as the great majority of experts here and abroad will agree.

Probably the firmest source of confidence in the international position of the United States is the basic strength of its domestic economy — a strength that is central to the effective functioning of world trades and capital markets. Logic thus dictates that measures to reinforce this strength should — and in the final analysis undoubtedly will — reaffirm rather than diminsh that confidence. It would take peculiarly reckless and imprudent moves to violate this logic. It is unthinkable that Government officials and private bankers in the United States or other nations would indulge in such disruptive and unenlightened tactics. Certainly, all recent developments negate such a course, as witness the sound and basically non-inflationary economic expansion in the United States, the vigorous growth in Western Europe and elsewhere, and the exciting moves toward international economic and financial co-operation.

Realism also requires continued recognition of the fact that the United States has provided the reserves, both in gold and dollars, on which the post-war monetary systems of free world economies rely. What is involved, then, is not merely a U.S. problem; it is a world problem. The well publicized deficits in the U.S. balance of international payments, with their consequent gold outflows, are traceable largely to these deliberate and large-scale U.S. effort to support the economic advancement and the national security of other lands throughout the post-war period. In Government economic aid, in military outlays, in private capital investment and in many other ways, the United States has paid out some $24,000 million more than it has carned in this time, despite a consistently large surplus in its trade account — its excess of exports over imports. This transfer of U.S. reserves to other lands, notably in Western Europe, has been the principal basis for the free world's strengthened financial equilibrium.

With this much accomplished, the United States has been turning its attention to the correction of its lingering balance of payments deficits. Its actions in this regard have been fully in keeping with its international responsibilities, and have been conducted against the backdrop of heightened financial co-operation among the free nations. The U.S. Government has emphasized such steps as continued export expansion, the sharing of the international economic aid burdens by other industrial nations, and co-operative efforts by central banks to stabilize currency flow. At home, the U S. Government has conscientiously pursued a wage-price policy that has effectively restrained any potential inflationary pressures, and a debt-management policy which has helped keep short-term interest rates up and long-term interest rates down. It has thereby fostered business expansion while discouraging the outflow of funds and protecting the nation's gold stock. These interest-rate approaches always could be modified appropriately to continue safeguarding the dollar if tax cuts or other expansionary moves promised to over-stimulate the economy. The efficacy of moves such as these may be reflected in the fact that the balance of payments deficit has been declining steadily and substantially in the past two years. Officials are firm in their determination to eliminate it entirely by the end of next year.

With all this in mind, there is no reason to question the ability or the readiness of the United States to pursue policies in keeping with its national and international requirements. Its leverage in this regard is enhanced by its pre-eminent position as the world's leading trader and largest holder of gold reserves, with an economy unmatched in size, power or potential. This is not a matter of boasting or vain glory, but merely a measure of the U.S. capacity to take whatever steps may be necessary to protect its currency and its international position as its economic growth accelerates.

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Special Article

CONCENTRATION OF INDIA'S FOREIGN TRADE—A COMPARATIVE STUDY

By

K. K. BHATIA

&

K. M. BHAKE

MICHAEL MICHAELY of the Hebrew University, Jerusalem made an interesting study* of commodity and geographic concentrations of exports and imports of a number of countries. The examination of commodity concentration indicates the degree to which the economic fortune of a country is dependent upon one or a few goods. Measurement of geographic concentration of exports and imports, on the other hand, indicates the concentration of each country's trade according to its distribution amongst countries, rather than among commodities.

In measuring the degree of commodity concentration of exports and imports, use of common classification consistently for both exports and imports as also between countries is essential. The standard International Trade Classification (SITC) has provided the desired common basis for Michaely's study which covers as many as 44 countries for which trade figures based on (SITC) were available in the 1955 volume of the U.N. Year Book of International Trade.

In India the S.I.T.C. began to be used only from 1957 and, therefore, concentration co-efficients about India are not available in Michaely's study. It was considered useful for comparative purposes to calculate similar co-efficients in case of India based on data according to the S.I.T.C. for the first available year and extend the examination for studying chages, if any, in this important characteristic of India's trade during recent years.

The three digit code of the S.I.T.C. wherein the value of trade is classified into 150 groups has been used for calculating the co-efficient of concentration. The degree of concentration is measured by Gini's co-efficient of concentration (C):-

$$C = \sqrt{\sum_{i=1}^{n} \left(\frac{x_i}{X}\right)^2 \times 100}$$

where X is the total value of exports during the year and xi's are the valucs of export of each of the items and n = the number of items = 150. Co-efficient for imports is similarly divided. The highest possible co-efficient by this method is 100 where only a single item is exported or imported and the lowest possible co-efficient is 100/sq. root of n or 100/sq. root of 150 = 8.2 when the country's exports and imports are equally spread over all the groups.

The co-efficients of concentration of exports and imports and the ratio between them calculated for India are given in the table alongside along with those of other countries available in Michaely's paper, in descending order of export co-efficients:-

TABLE I

COMMODITY CONCENTRATION CO-EFFICIENTS OF EXPORTS AND IMPORTS

No.	Country	Exports*	Imports	Export/ Import
1	2	3	4	5
1.	Mauritius	(77.6) 98.8	28.6	3.46
2.	Netherlands Antilles	(33.6) 93.7	83.0	1.13
3.	Egypt	(26.0) 84.2	18.6	4.54
4.	Colombia	(79.8) 84.0	23.9	3.51
5.	Gold Coast	(47.9) 83.5	21.4	3.89
6.	Iceland	(29.1) 80.3	19.1	4.21
7.	Burma	(47.6) 74.4	24.2	3.08
8.	Trinidad and Tobago	(50.0) 72.7	30.5	2.39
9.	Thailand	(43.5) 68.3	21.4	3.19
10.	Honduras	(78.0) 65.0	19.7	3.30
11.	Panama	(95.5) 62.8	16.8	3.74
12.	Brazil	(41.5) 61.2	23.2	2.64
13.	Costa Rica	(62.4) 60.5	18.8	3.21
14.	Australia	(41.2) 50.8	27.9	1.88
15.	Malaya and Singapore	(26.0) 49.8	25.4	1.96
16.	Nigeria	(74.0) 49.3	24.3	2.03
17.	Kenya-Uganda	(. .) 49.0	22.9	2.14
18.	Greece	(34.1) 46.2	19.3	2.40
19.	Tanganayika	(39.5) 44.6	22.8	1.95
20.	Indonesia	(38.3) 41.7	24.5	1.70
21.	Turkey	(29.3) 39.7	23.5	1.69
22.	Ireland	(89.7) 38.3	16.5	2.31
23.	Finland	(34.0) 38.1	19.2	1.98
24.	Mexico	(73.7) 35.0	26.8	1.30
25.	Libya	(. .) 34.1	18.9	1.80
26.	Spain	(29.5) 33.9	24.5	1.39
27.	Rhodesia & Nyasaland	(58.4) 32.5	20.2	1.61
28.	Argentina	(32.1) 30.6	21.5	1.42
29.	Sweden	(28.4) 28.1	18.5	1.52
30.	**India**	**(33.5) 28.0**	**23.3**	**1.20**
31.	Austria	(31.8) 27.7	19.7	1.41
32.	Denmark	(41.8) 27.1	18.5	1.46
33.	Belgium—Luxembourg	(29.4) 25.5	15.5	1.65
34.	Norway	(28.0) 25.5	23.4	1.09
35.	Canada	(63.9) 24.9	18.0	1.38
36.	Japan	(24.0) 24.8	26.4	0.94
37.	Portugal	(27.4) 24.7	19.1	1.30
38.	Germany (Federal Republic)	(21.0) 22.3	15.6	1.43
39.	Yugoslavia	(31.3) 21.4	26.1	0.82
40.	Hong Kong	(27.6) 20.6	16.0	1.28
41.	Italy	(21.1) 20.5	20.7	0.99
42.	United Kingdom	(18.7) 19.2	16.1	1.19
43.	United States	(27.5) 18.8	20.5	0.92
44.	France	(21.8) 18.0	20.4	0.88
45.	Netherlands	(27.0) 16.9	16.0	1.06

* Figures in brackets relate to geographic concentration of exports.

* **"Concentration of Exports and Imports: An International Comparison"** by Michael Michaely. The Eliezer School of Economics and Social Services, The Hebrew University, Jerusalem, published in **"The Economic Journal"** of the Royal Economic Society Vol. LXVIII, NO. 272 (December 1958) pp 722 — 736.

An observation made by Michaely from the study of commodity concentration was that in a large majority of countries, exports are more concentrated than imports. It will be seen from Table I, that this is also true for India which further supports the above observation. It may be pertinent to observe here that in case of 5 countries namely, Japan, Yugoslavia, Italy, U.S.A. and France, where imports are more concentrated than exports, the concentration of export itself is very low, indeed amongst the lowest. A few other countries whose imports are of the same order of concentration as exports, as in the case of Norway, U.K. and the Netherlands, also possess a characteristic feature of greatly diversified exports.

Comparing the similarities found among countries whose exports are more (or less) concentrated, Michaely observed that by and large, the more developed the economy (in terms of higher per capita income), the more diversified are its exports and concluded that as a country becomes more industrialised it means as a rule that commodity diversification of its exports becomes higher. This could be expected since a higher degree of economic development is usually associated with a more varied production. It would be very interesting to note that India holds 16th position in matter of diversified exports out of 45 countries whose export concentration co-efficients are given in Table I.

Michaely has mentioned that the more concentrated the exports, the more diversified will the imports be. The logic of this statement is that since exports of a country depend on high degree of specialisation in production, the countries with higher concentration of export specialise in production of but a few commodities and in turn would depend on larger variety of goods being imported. It could, however, be seen from Table I that as a rule the opposite is true: that a positive correlation exists between the concentrations of exports and imports so that if the export concentration is high, the import concentration is also high.

Yet the expectation mentioned in the foregoing paragraph is not entirely refuted. It has been observed earlier that countries with import concentration greater than or about the same as export concentration are invariably those whose export diversification is amongst the highest which in turn has also been mentioned to have close relationship with the degree of economic development. On the other hand, it can also be seen from Table I that countries with highly concentrated exports have comparatively greater diversification in their imports, yielding higher ratios of export to import concentration co-efficient. Thus a suggestion emerges that lower ratios between the export/import co-efficient are found in case of more industrialised or developed countries. It, therefore, appears that while more diversified exports are an indicator towards more developed economy, a further refinement may be possible by considering the concentration of imports which if far less concentrated than exports, provide a 'contra-indication'. In other words, the ratio between the concentration co-efficient of export/import is an important factor in identifying the industrial advancement of a country, lower ratio being found in case of more industrially advanced countries. It would be further interesting to note that by applying the second criterion, India gains as many as seven positions to occupy the 9th place amongst countries listed in Table I.

Michaely also examined the thesis that economic activity would be more diversified in larger countries emphasised earlier by Kuznets* and his findings supported the main contention of this thesis. Defining a "developed country" as one with 'per capita' annual income exceeding U.S. $300 and a "large country" following Kuznet as one whose population exceeds 10 million persons, he calculated the average co-efficient of concentration of exports of countries, classified separately as developed and underdeveloped, each class being divided further into large and small countries. The co-efficients obtained by Michaely are presented in Table II below:-

TABLE II

CO-EFFICIENTS OF COMMODITY CONCENTRATION OF EXPORTS BY SIZE AND DEGREE OF DEVELOPMENT

	Developed Countries	Underdeveloped Countries	TOTAL
Large countries	21.4	57.8	40.7
Small countries	39.1	46.2	41.5
TOTAL	**31.2**	**53.7**	**41.1**

Following the definitions used by Michaely, India is a large but underdeveloped country. However, if India's co-efficient of export concentration is compared (28.0) with averages in Table II, it is found that India's exports are far more diversified than that of the underdeveloped countries. In fact our position is more comparable with the co-efficient of large developed countries. The point is further proved if the ratio of export/import concentrations are similarly classified which is an important factor in identifying the economic development. Table III presents the average of ratios between concentration co-efficients of exports and imports.

TABLE III

RATIOS BETWEEN COMMODITY CONCENTRATION CO-EFFICIENTS OF EXPORTS AND IMPORTS

	Developed Countries	Underdeveloped Countries	TOTAL
Large countries	1.16	2.45	1.84
Small countries	1.95	2.41	2.12
TOTAL	**1.60**	**2.44**	**1.98**

Comparing India's ratio of export/import concentration (1.20) with the averages in Table III above, it is found again that our position is nearest to the average ratios of large developed countries.

Finally, if the co-efficient of export concentration and the ratio of the same with import concentration are important indicators of economic development, it may also be interesting to watch their movement in India over time. In this connection, co-efficients of concentration worked out for four years beginning 1957 are presented in Table IV below. It has been mentioned earlier that trade data began to be compiled according to the Standard International Trade Classification (SITC) for the first time in India for the year 1957 and the year 1960 is the latest for which complete statistics of trade are available. The concentration co-efficients could, therefore, be calculated for four years only.

TABLE IV

CO-EFFICIENTS OF COMMODITY CONCENTRATION OF EXPORTS AND IMPORTS (INDIA)

Year	Export	Import	Ratio Export/Import
1957	28.0	23.3	1.20
1958	30.3	23.4	1.29
1959	28.2	23.8	1.18
1960	27.6	23.2	1.19

The above figures show a slight downward tendency particularly if the co-efficients for 1957 are ignored in which year the S.I.T.C. was first introduced and therefore the trade statistics for the same are known to be somewhat incomplete. Thus our exports have become a little more diversified which may be taken as an effect of the export promotion measures and activities of the export promotion councils in recent years, although a fuller impact has yet to be felt.

* Simon Kuznets "Economic Growth of Nations", Hebrew University, Jerusalem 1958.

As against the commodity concentration, the investigation of geographic concentration of trade is concerned with the extent of dispersion of imports and exports of a particular country with other countries. The co-efficient of concentration is derived by Gini's method described earlier, the only difference being that total value of exports/imports to or from a particular country is substituted in place of the value of exports/imports of each item. The highest possible co-efficient by this method is 100 where exports are directed towards a single country or imports are received from only one country. The lowest possible co-efficient would obviously depend upon the ultimate number of countries amongst whom a country's exports/imports are equally spreadover. For example, if India's trade was equally spreadover the 188 countries taken in the present study, the lowest possible co-efficient would be 100/sq. root of 188 = 7.3.

Direction of trade data for the year 1959 has been utilised for calculating co-efficients of geographic concentration for India. Of the 188 countries taken for this study, India exported her produce to as many as 147 countries and received supplies from 113 countries. The results are as follows:-

CO-EFFICIENTS OF INDIA'S GEOGRAPHIC CONCENTRATION OF TRADE

Exports	Imports	Ratio: Export/Imports
33.5	34.2	0.98

If the above results are placed along with those of 42 countries worked out by Michaely it is seen that India's exports are more concentrated than 20 countries. Of these, 13 countries are the same as listed below India in Table I in descending order of commodity concentration of exports, while seven other countries with greater commodity concentration of export than India have lower geographic concentration of exports (see figures in brackets in Table I). The latter are indeed some examples of the expectation which has also been pointed out by Michaely and earlier by Hirschman that a country which exports but a few commodities would be forced to distribute her exports amongst many customers.

Hirschman's first hypothesis that exports tend to be more geographically concentrated than imports was barely reaffirmed by Michaely's study. He found the opposite to be generally true in as many as 18 countries out of 42 and concluded that although exports tend to be somewhat more geographically concentrated than imports, the difference is so slight that it is perhaps not meaningful. Results for India quoted above go further to emphasise that the tendency could not be generalised one way or the other.

Hirschman's second hypothesis that the higher the commodity concentration of export, the stronger is their geographic concentration was borne out by Michaely's study also. There is, however, another side of the story. Out of the 43 common countries for which both commodity and geographic concentration co-efficients are available, it is found that in case of as many as 23 countries geographic concentration of exports is greater than the commodity concentration while the opposite is true in case of the remaining 20 countries. India belongs to the former category according to the calculations made by us. Could some more meaningful hypothesis be suggested on these differences than just to conclude that exports tend to be somewhat more geographically concentrated in relation to their commodity concentration?

It has been seen that commodity diversification of exports becomes higher as a country becomes more industrialised or developed. In the countries listed in Table I, draw a line at sl. no. 21 below which the commodity concentration co-efficients of exports are lower than 39.1, a figure suggested in Table II to be the average co-efficient of commodity concentration of export associated with developed countries, large or small. For convenience, figures of geographic concentration of exports are given in brackets alongside commodity concentration of exports in Table I. It is now seen that out of 22 countries below the line indicated as developed, geographic concentration is greater than commodity concentration in case of 18 countries. Amongst the 21 countries in the upper half with indications of underdevelopment, as many as 17 have geographic concentration co-efficients lower than the commodity concentration co-efficient. (For one country each in the upper and lower half, geographic concentration co-efficients are not available for want of information on direction of trade). Therefore, there seems to be a fair indication to conclude that geographic concentration of export tends to be stronger than commodity concentration of export in case of economically developed countries (where as a rule the commodity diversification of export becomes higher) and that exports of economically underdeveloped countries characterised by high commodity concentration are comparatively less geograhphically concentrated. It may also be pertinent to mention here that Indian exports have greater geographic concentration than their commodity concentration and, therefore, the country can well be placed among the developed countries by this additional test.

Finally, Michaely also enquired into the effect of size and stage of development on geographic concentration of exports and arrived at the following average co-efficients:-

TABLE V

CO-EFFICIENTS OF GEOGRAPHIC CONCENTRATION OF EXPORTS, BY SIZE AND DEGREE OF DEVELOPMENT

	Developed* Countries	Underdeveloped Countries	TOTAL
Large countries*	29.1	45.7	37.4
Small countries	37.9	58.7	44.9
TOTAL	**34.0**	**50.7**	**41.0**

* For definition of "Large" and "Developed" see Table II and related paragraphs.

If India's geographic concentration of exports (35.5) is compared with averages in Table V, it is found that our exports are far more diversified than that of the underdeveloped countries and in fact more comparable with the average co-efficient of large developed countries.

It is thus seen that the degree of diversification of India's foreign trade both by commodities and by direction is a pointer towards the state of economic development in the country which compares favourably with other developed countries of the world on an average and the fact is further substantiated by analysis of the implications of (i) its low ratio of export to import concentration of commodities and (ii) stronger geographic concentration of exports than the commodity concentration of exports.

THE BUSINESS WORLD

Where are the Leaders?

By WILLIAM REES-MOGG

TEN days after Wall Street had its panic Monday I went over to New York to have a look around. I did something I had always sworn I would not do. I worked in my office on Tuesday, flew over Tuesday night, worked Wednesday and Thursday in New York, flew back on Thursday night, and worked a normal Friday and Saturday in London.

I flew across and back in a Britannia, a most comfortable airliner for long distance travel.

What impressed me most about Wall Street was the low quality, at present, of its people and its thinking. I can remember in London that one used to wonder how it was that the City managed to get its work done. That was some years ago and there has been a great shake-up since. This is now the impression that Wall Street gives.

Of course, it is not by any means true of everyone that one meets. I can think in particular of a couple of men I always call on when I am in New York; they are as quick to take a point as one could wish. But as a whole Wall Street suffers from having been too little competitive for too long. People of no real ability have inherited or been promoted to positions in which they can hardly fail to make $50,000 to $100,000 a year without exercising any real initiative or displaying any real intelligence.

London, as a financial centre, was manifestly saved from stagnation by the refugees from Hitler's persecution. Apart from one recruit from the Welsh Guards, London has been revivified by the banking dynasties of Europe. Somehow on Wall Street the same process does not seem to have had the same effect.

The sheer silliness which results can be exemplified by Wall Street's attitude to President Kennedy. When I went over in March 1961 President Kennedy had been in office for a couple of months. He had said that he intended to get the economy going again, but he had not said how he intended to do it. The previous November almost everyone on Wall Street had cast his votes for Mr. Nixon, a man they neither trusted nor liked—indeed it is even quite arguable that they underrated him—in order to keep Kennedy out. By March they were so convinced that he was the saviour of the United States that they were running up the most unlikely stocks to the most unlikely prices in order to share in the Kennedy boom. Even in Boston I was advised to buy Polaroid on the ground that it was some day producing a colour film; it already stood at 50 times earnings.

This May, Kennedy the hero having tangled with the steel industry had become Kennedy the villain. When he made a really serious mistake, such as the invasion of Cuba, Wall Street went along with him. When he objected to having US Steel decide the level of all steel prices Wall Street immediately became hysterically convinced that Kennedy, the richest President since Roosevelt, was, like Roosevelt, a dangerous socialist opponent of the free enterprise system.

The shake-out which followed showed up a number of weaknesses in the system. Perhaps more than anything else it showed up the lack of any leadership on Wall Street. In the old days one could at least name the great men of Wall Street, Vanderbilt, Rockefeller, Morgan, even that cracker-barrel philosopher Bernard Baruch. But who are the great men of Wall Street now? Surely not Funston whose job as head of the New York Stock Exchange is very like that of a president of a university who has to keep the alumni happy.

When Wall Street wanted to reassure itself who could be found to say he was buying? Who played the role J. P. Morgan would have played 50 years ago? Paul Getty let it be known he was buying shares. But Paul Getty—whether or not he is the richest man in the world—is an oil tycoon who has been resident in Europe for years. The fact is that there is no one who can in any meaningful sense speak for Wall Street, and Wall Street knows it.

The business of stockbroking has also become so large that it is no longer a matter of judgment. Heaven knows, not all London stockbrokers are as wise as Solomon, but at least they still operate on a professional basis. Merrill Lynch, the biggest New York stockbrokers, are first cousin to a chain store. They have over half a million customers. There is, I suppose, no London stockbroker who would not regard it as a matter of course that any client who wanted to meet the senior partner could do so. However skilful the operation—I admire Merrill Lynch efficiency—one cannot make personal professional judgments for half a million people.

Any human organisation depends on the skill and character of the people running it. I doubt whether in recent years Wall Street has really appealed to the imagination and interest of the ablest young men in the United States. It has, of course, always been a symbol of banker domination and Yankee capitalism in the Mid-West and the South. It is, however, possible that the shock which Wall Street has certainly had, combined with the Securities Exchange Commission investigation which is taking place, will lead to a period of self-reform. What it needs is not a new President, nor more money, but better men, more imagination, more self-confidence and fresh ideas.

Business Notes

Budgetary Procedure

DEFECTIVE DISCLOSURES

THERE IS no gainsaying the fact that both the size and the magnitude of the Plan outlays have been assuming massive proportions. These, in their turn, call for a large measure of sacrifice and forbearance on the part of the people. The budgetary policies and the budget proposals which give us an idea of these outlays, therefore, carry a deep significance. They are "the very instrument of the creation and growth of savings and mobilisation of resources, as also the employment of these resources in appropriate productive channels", as Mr. Pravinchandra V. Gandhi, President of the Indian Merchants' Chamber (I.M.C.), observed in his speech at the first quarterly meeting of the Chamber. He was accordingly justified in pointing out that, though the latest budget reflected the true state of affairs in the economy and provided the community with a clear picture of the effect of the budgetary changes on the economy, the Plan expenditure, as was shown in the budget, consisted of conflicting data. This should have been properly reconciled, showing clearly the interrelation of the various correlated magnitudes, he declared, and demanded a seperate statement giving a review of the Plan expenditure and estimates, both for developmental and non-developmental purposes, classified under revenue and capital, along with the budget. Further, Mr. Gandhi felt, the manner in which the budgetary accounts were submitted had still remained unsatisfactory, in that the public are not able to appreciate the extent to which the Plan targets are being fulfilled in physical as well as in financial terms.

In regard to the general scheme of budgeting also, the I.M.C. President gave expression to the widely prevalent view that the Government has been following more or less a consistent policy of under-estimating the revenue receipts and always preparing for sharing additional burdens through taxation. He recalled that even the Public Accounts Committee was of the same view in the Report submitted by it to the Lok Sabha. This report has indicated the urgent need for scrutinising the items of non-development expenditure and for ensuring that the revenues from additional taxation are not diverted to non-developmental expenditure. Mr. Gandhi also stressed that, "in the measures for taxation imposed for purposes of financing planned development, there should be no diversion of these resources for purposes outside the Plan". He was critical too of the practice of debiting expenditure of a capital nature to the revenue account and thus increasing the quantum of revenue deficit.

Referring to the additional taxes levied in the latest budget, the I.M.C. Chief said that the ever-increasing burden of taxation in the corporate sector and in the rates of personal taxation had placed the private sector in a precarious position. It had become extremely difficult for it to provide the resources necessary to function in an effective manner. He felt it ironical that, while the incentives to save and invest were being greatly increased, the sources of finance for the private sector had been getting dried up. This unhappy situation, he went on to say, called for greater reduction in the personal rate of taxation vis-a-vis the tax rate on corporations.

In the sphere of indirect taxation, again, Mr. Gandhi pointed out, the budget proposals for 1962-63 envisaged as many as nine items under Excise Duty which, despite all the professions of the Finance Minister, could not but affect the general cost structure of the public, as also the private sector industry, not to speak of consumer prices. Against this background, it is only natural that he should have found the announcements of relief by the Finance Minister, totalling only Rs. 1.9 crores in the current year, as "wholly disappointing"; they are, according to him, only marginal and not such as to make any significant impression on the progress of the industries affected by the imposts.

Industrial Progress

IMPERATIVES HIGHLIGHTED

THE ACUTE dearth of basic facilities, such as power, fuel, transport and communications and the non-availability of essential raw materials have so unnerved some businessmen that they have gone to the length of even advocating stoppage of creation of all further capacities in the existing industries. It was courageous, therefore, of Mr. G. V. Puranik, the outgoing Chairman of the All-India Manufacturers' Organisation (A.I.M.O.), to take a contrary view, namely to exhort business men to push on with the acceleration of industrial production in the country, whatever the odds. Addressing the 22nd annual meeting of the Organisation held recently in Bombay, he emphasised the urgent need for the Government to tackle some pressing problems, the elimination of which would expedite the achievement of the targets of the Third Plan. According to him, these problems include: (1) the gap between installed capacity and actual production of steel; (2) making available to all industries, and particularly engineering industries, the required grades of pig iron, coal, coke, M.S. sheets and wires, alloy steel, tools, etc., (3) raising Plan targets of basic industries, like steel and cement; (4) encouraging entrepreneurs in the private sector of the coal industry to expand further, and (5) making available all necessary facilities to them for the purpose.

Referring to the problem of increasing productivity in industry, Mr. Puranik opined that a great deal could be done by those in the industry itself; as it is, he said, there is lack of cost consciousness in product design, in the application of research, and in the efficient conduct of our enterprises in the country. This is the unplatable truth. There is vast scope, practically in every industry, for better utilisation of plant capacity, avoidance of waste and greater financial control over capital expenditure, as he noted. As in the western countries, India too must have a continuous and integrated cost reduction plan in every one of the units, and this could be implemented, he suggested, through the setting up of cost reduction committees with personnel selected from the main producing departments. Besides, the A.I.M.O. retiring President felt the imperative need to pay greater attention to the quality of our products, so that we could, at least over a time, match our products favourably with those of our western counterparts. It is interesting to note that the A.I.M.O. has been particularly active in the direction of bringing in greater awareness of this problem, through the holding of a number of seminars, study groups and training courses during the past year. The Government too has not been altogether oblivious of this. Even so, it is just as well that the A.I.M.O. Chief called for equal awareness on the part of the Government too in promoting industrial progress and productivity. In order to achieve it, the elimination of administrative bottlenecks and the judicious use of administrative powers for licensing, price fixation, etc. are felt to be "musts" by Mr. Puranik. His suggestion in this con-

nection that the simultaneous issue of licences, consents for capital goods imports, collaboration agreements, capital issues, etc., along with the industrial licence itself, would minimise delay and maximise efficiency in starting industries is certainly worth a trial.

Antibiotics

PIMPRI'S ACHIEVEMENTS

THE RESEARCH DEPARTMENT of Hindustan Antibiotics Limited, Pimpri, has indeed done a commendable job. Its researches in the production of new antibiotics viz. Hamycin, Dermostatin and Octacillin have brought laurels to it and a due recognition of this is to be found in its Chief, Dr. M. J. Thirumalachar, being invited to attend the International Congress on Microbiology, to be held at Montreal in August, as alternate Chairman. The efficacy of Hamycin against Oral Thrush and Vaginal Monoliasis and other skin diseases and that of Dermostatin as cure of Dermatitis and Dandruff have been established beyond doubt by the trials carried out with these new antibiotics both in the army and civil hospitals in this country and abroad. Similarly, Octacillin has been found to have decided advantages over the injectible penicillin. It is, indeed, encouraging that Hindustan Antibiotics is contemplating early manufacture of these drugs even at the expense of a slight setback to its output of penicillin. Ultimately these drugs are proposed to be manufactured under new projects which have been sanctioned for the purpose, but in the meantime make-shift arrangements are being made within the present installed capacity of the Pimpri factory to undertake their production. This step, besides providing great encouragement to the research workers whose endeavours have resulted in the establishment of these new antibiotics, will help to some extent in earning for the country valuable foreign exchange, which obviously can be expected to be more than the cost of the import of penicillin that may be necessitated by the switchover of some of the capacity of Hindustan Antibiotics from manufacture of penicillin to the new antibiotics.

The slight setback to penicillin production as a signal to the make-shift arrangements being made to manufacture the new antibiotics, especially Hamycin, may, however, to a great extent, be counterbalanced in the course of a few months by going in for the production of new strain of Penicillium Chrysogenum, which has also been developed by the Research Department of the Pimpri factory. This new strain is stated to have been tried out on the plant-scale during the last two months with great success. As a result of this development, the company is said to be planning to expand its vialling of penicillin from the present level of 22/25 lakhs per month to approximately 35 lakhs.

Indigenously manufactured streptomycin is also envisaged to be put on the market by Hindustan Antibiotics by September-end. The company has already produced from its streptomycin plant nearly two tons of intermediate product called Calcium Chloride Complex of Streptomycin, but conversion of this into finished Streptomycin Sulphate or Dihydrostreptomycin will be possible only when the plant required for this job, now under erection, is set up. The company, however, is stated to be considering a proposal to have this intermediate product processed by its collaborators Messrs. Merck & Co., at their works in the United States. If this programme fructifies, Pimpri's streptomycin may be available in the market even slightly earlier than September.

New Issues

ARLABS LIMITED

THREE MORE companies have drawn up plans to approach the public for subscriptions to their share capital during the second half of the current year.

Arlabs, a private limited company now converted into a public limited one, is entering the capital market during the latter half of next month to issue 20,000 ordinary shares of Rs. 100 each at a premium of Rs. 50 per share. Half of this issue is proposed to be offered to the existing shareholders of the company and the remaining half to the public. The company has at present a paid-up capital of Rs. 16.43 lakhs — Rs. 14 lakhs in equity shares and Rs. 2.43 lakhs in preference shares.

The company has been engaged in the manufacture of a wide range of dyestuffs and has on hand an expansion plan the first phase of which has already been completed. The second phase of this scheme is now under implementation. This would require a sum of Rs. 40 lakhs, which is proposed to be made available by the proposed increase in the share capital of the company to the extent of Rs. 30 lakhs and through bank borrowings to the tune of Rs. 10 lakhs. When the second phase of the expansion programme is completed, the company's output of vat dyes will go up from the present level of 1,400 kgs. a month to 6,000 kgs. a month. The company claims to be the pioneer in the manufacture of dyestuffs in the country and has its factory at Bhatgar, nearly 30 miles from Poona.

The company made a gross profit of Rs. 20.38 lakhs during the year ending June 30, 1961, from its sales at Rs. 92.86 lakhs. It paid a dividend of Rs. 80 per share for this year on a capital of Rs. 6 lakhs. In view of its satisfactory working, it may start paying handsome divided on the increased capital from 1962-63 itself.

BARODA BALL AND ROLLER BEARINGS PROJECT

PUBLIC PARTICIPATION in the share capital of the ball and roller bearings project of Messrs. Kamalashankar P. Joshi and Company and Messrs. East Asiatic (Private) Limited, of Bombay, to be undertaken at Baroda in collaboration with the U.S. firm of Messrs. Norma-Hoffman Bearing Corporation, is expected to be invited sometime in September or October. The authorised capital of the company proposed to be floated to undertake this manufacturing programme will be Rs. 2 crores, all in equity shares of Rs. 100 each. Of this, capital worth Rs. 1.05 crores will be issued in the first instance. Shares worth Rs. 77 lakhs are proposed to be reserved for allocation to the promoters and directors of the company and the foreign collaborators. The balance Rs. 28 lakhs worth capital is envisaged to be offered to the public for subscription.

The total cost of the project is estimated to be around Rs. 2.27 crores, including the working capital. The foreign exchange component is estimated at Rs. 83 lakhs.

The company's factory will have a capacity to produce 24 lakh pieces of ball and roller bearings per annum. In course of time, it is proposed to undertake the manufacture of steel balls also.

In addition to participation in the equity capital, the foreign collaborators will be given a small royalty for making available technical know-how and their research results.

USHA FORGINGS AND STAMPINGS

USHA FORGINGS AND STAMPINGS LIMITED, a new company incorporated in Delhi to undertake the manufacture of such tools as double-end nut spanners, rose nails, pliers universal three types, machine dies, pipe and screw wrenches and spanners from chrome vanadium steel and production of various small precision forged components required by the railways, automobiles and other engineering industries, is expected to enter the capital market some time towards the end of the current year with an offer of 56,325 equity shares of Rs. 10 each. The authorised capital of the company is Rs. 1 crore. The issued capital is Rs. 17.50 lakhs, made up of Rs. 11.50 lakhs in equity shares and Rs. 6 lakhs in cumulative redeemable preference shares. The preference shares bear fixed dividend of 9.3 per cent and have a face value of Rs. 100.

The company's factory is to be set up at Baddarpur, near Delhi. It will have a capacity to produce 500 tons of various tools per annum on double shift basis. The project is estimated to cost Rs. 55 lakhs. A loan of Rs. 17.5 lakhs has been arranged from the Punjab Financial Corporation.

Technical collaboration arrangements have been finalised with Messrs. Technoexport of Czechoslovakia who will be supplying, on rupee payment basis, the entire equipment to be imported from abroad as also all the technical know-how.

Paper

BIG EXPANSION PLANS

A BIG expansion programme for the development of paper industry is in the offing. An indication to this effect was given by the Minister for International Trade, Mr. Manubhai Shah, at the annual meeting of the Federation of Paper Traders' Association. Mr. Shah revealed that there is a programme to set up shortly 52 factories for which the necessary foreign exchange had been released. The new factories will increase the production of paper by 405,760 tons a year. In addition 35 schemes for additional 398,830 tons of paper a year had been licensed. At present there are 28 factories in the country manufacturing paper and 23 factories converting paper and paper boards into various other consumable articles. The total installed capacity of paper and paper board factories is 410,000 tons a year.

So far as promoting the exports of paper is concerned, it was revealed by Mr. Shah that the Government was proposed to form a paper and paper conversion products export promotion council. Such a representative body should enable the industry, the distributors, the trade and the Government to periodically review the problems of international trade in the industry. It was also suggested that trade fairs and exhibitions of Indian paper, paper products and paper conversions should be organised in some of the foreign countries. While all this looks impressive, it needs to be emphasized that the Paper Traders' Association should also take steps to organise export of paper. The Paper Traders' Association has a vital role to play and it depends a good deal on it to see that the products for the industry are well-distributed and the consumers are well satisfied. While the President of the Paper Traders' Association might be having his own grievances against the Government, in the interest of industry it is essential that the Government and the Association should extend a helping hand towards each other because it is only through the joint efforts of both that the industry can make a rapid progress.

PAPER PRICES: MARGINAL INCREASE ALLOWED

The Government of India has decided to permit with effect from June 21, 1962, an ad hoc increase of 6 nP. per kilogram for all varieties of paper manufactured in the country.

The step, it is stated, has been taken after considering the representations received by the Government from paper manufacturers to the effect that the fair ex-works ceiling prices of different varieties of paper and paper board in force since January, 1960, should now be increased on account of various factors leading to higher cost of production.

It has also been decided that the rebate of 4 nP. per kilogram on reels hitherto allowed by the paper industry be discontinued.

As a result of the increase allowed, the price of different varieties of paper and paper board will now be as follows:

(nP. per kilogram)

Paper Variety	Fair Ex-works Price	Civil Selling Price*
1. White Printing	132	155
2. Unbleached Printing	125	147
3. Offset|Cartride	132	155
4. Antique-Laid | Wove	132	155
5. Cream-Laid | Wove	137	161
6. Imitation Art	132	155
7. Art Paper	201	230
8. Chrome Paper	176	203
9. Ledger Paper		
Account Book	132	155
Azure	139	162
10. Banks and Bonds	150	174
11. Typewriting	157	183
12. Manifold | Airmail	195	223
13. Duplicating	132	155
14. Poster Paper	132	155
15. Kraft	120	142
16. Wrappers	117	139
17. Cover Paper	132	155
18. Match Paper	126	149
19. Blotting Paper	145	169
20. Pulp Board	132	155
21. Duplex Board	132	155
22. Ticket Board and Triplex Board	130	153
23. Art Board	189	217
24. Chromo Board	164	189

* Exclusive of excise duty, State Government or Local levies.

The other terms and conditions previously notified remain unaltered.

Engineering

METAL BOX INCREASES EXPORTS

AT A time when the country was facing a very serious challenge of foreign exchange shortage, the Metal Box Company of India Ltd. was trying hard to push up their exports. This encouraging aspect of the company was revealed by Mr. K. C. Mahindra, the Chairman of the company, at the annual general meeting held recently in Calcutta. The company had made successful efforts to step up their direct exports of packages, machinery, hardware and publicity materials. Entering the markets of South-East Asia, the company faced sufficient competition from Japan, the country known

for producing similar products at competitive rates. In spite of this tough competition, the company was able to increase the exports to the extent of 36 per cent more than last year (1960-61). The Chairman claimed that their company was one of the first five exporters of engineering goods.

The company made an important contribution to exports indirectly too. It supplied packaging materials of international standards for goods packaged and exported by Indian manufacturers. The packaging materials, it must be remembered, helped in the creation of market and on that score the company's contribution was unique. It is estimated that packaged exports of goods worth over Rs. 4 crores was sent to various countries abroad. The company could supply packages for prawn, cashewnuts, vanaspati, vegetable oils, fruits, toiletries, confectionery and biscuits. To further their exports, the company had set up their Research Division which would produce high quality ancilliary materials of indigenous manufacture. The company therefore, was likely to do well in exports in the coming years.

The Chairman was quite hopeful that their stocks of tinplate, the most important raw material, was satisfactory at the moment, but he indicated that the outlook for the current year was slightly clouded because production at Rourkela was very uncertain. He pointed out that from the first consignment of Rourkela tinplate they found the quality quite satisfactory. But he was not very hopeful as far as their regular supply was concerned. It seems that the company which was playing such an important role in India's exports should not be allowed to suffer on account of raw material shortages. In times of short supplies of raw materials they should be allowed to obtain tin-plate from alternative sources.

A NEW SWITCHGEAR PROJECT

MESSRS. BURN AND COMPANY LIMITED propose to float a new concern by the name Reyrolle Burn Limited, in collaboration with the Reyrolle Company of the United Kingdom, to undertake the manufacture of Reyrolle switchgears and other electrical products which have been hitherto imported into this country.

The new concern will have an initial issued capital of Rs. 30 lakhs which will be contributed by Burns and Reyrolles in equal proportions. The collaboration arrangements entered into between the two companies are said to have been generally approved by the Government which has issued to Burns the necessary industrial licence to venture on the project.

Burns will be responsible for the construction of the factory of the new company at Howrah. Reyrolles will contribute the necessary foreign exchange by supplying the machine tools, testing and other equipment that is to be imported from abroad. They will also provide all such technical and expert assistance, advice and aid as the new concern may reasonably require.

Reyrolle Burn Limited will have execlusive rights to manufacture and sell in this country such of the Reyrolles' products as are agreed to be produced here.

Cement

REVISION OF PRODUCTION TARGET?

MR. V. H. DALMIA, Chairman of Dalmia Cement (Bharat) Ltd., at the annual general meeting of the company held at Dalmiapuram (Madras State) made a pointed reference to the Third Five-Year Plan target of cement. He indicated that the revised estimates now placed the demand for cement by the end of the Third Five-Year Plan at 15 million tons and the Government was, therefore, considering revision of cement capacity target from 15.2 million tons to 18 million tons. This 20 per cent increase in the installed capacity, he said, could be avoided by a better utilisation of the existing installed capacity which would lead to increased cement production without basic investment in installed capacity. In 1961, against an installed capacity of 9.4 million tons the actual output was only 8.4 million tons. It was quite clear that considerably higher output could be made effective through better utilisation of the existing capacity. This, he said, could be achieved at relatively much less expenditure of valuable foreign exchange. What was really necessary was that the units be allowed to import the required spare parts and equipment and they should be given proper facilities in terms of regular supplies of coal and the provision of wagons for the movement of cement.

The Chairman pointed out that the supplies of coal were not making pace with the industry's growing demand. One reason, he believed, was insufficient railway capacity. The Government had tried to resolve this shortage by resorting to sea-cum rail route. This measure did bring about certain relief. But recently it was realised that even the coal output was quite inadequate. There was, therefore, an urgent need to provide these units with sufficient quantities of coal so that they could utilise their capacity to the full and consequently new installed capacity was not necessitated as far as possible.

Referring to the two factories belonging to its subsidiary in Pakistan, he pointed out that the implementation of their programme of rehabilitation and modernisation at these factories was held up on account of the difficulty of getting import licences for the required spare parts and equipment. In Pakistan too the company was facing a similar problem of foreign exchange. The management of the two units was, however, making maximum efforts to revitalise their working. The moment the two units get sufficient plant and equipment for their rehabilitation, they are bound to show better results.

Air Transport

LOW COST AIR FREIGHTS

A NEW scheme is being evolved by Lockheed to introduce cheaper freight rates by utilising big new air freighters. This break-through in air cargo on account of economic rates is expected to increase total freight moved by air twenty times and the Corporation expects even a larger turnover in the following years. In the first instance the Lockheed are likely to bring down freight costs to less than 3 cents a ton-mile. This is to be achieved by the introduction of the new Lockheed C141 Starlifter, the first long-range turbine-powered cargo plane. Along with this the Corporation is likely to introduce various measures for simplified cargo handling which will make the air-lift more economical. This may involve utilisation of devices as Pallets, Pallet Containers and Cargo Containers. New schemes are also likely to be introduced in the economic handling of cargo before the air-lift. This new scheme of economic freight rates is likely to cause a major change in the world market because several commodities which normally are required to be transported urgently are debarred on account of higher freight rates. This systematic approach is also likely to provoke various other companies to come forward with economic freight rates.

FROM THE CAPITAL'S CORRIDORS

STEPPING UP TEXTILE EXPORTS

Mr. Bharat Ram, Chairman of the Indian Cotton Mills' Federation, has urged the cotton textile industry to take effective steps to meet its export commitments under the Obligatory Textiles Exports Scheme, finalised by the ICMF a few days ago and circulated to all the mills on June 18, 1962. He also called upon the industry to produce and export quality goods which would maintain and enhance India's prestige in the foreign markets.

The Obligatory Exports Scheme envisages every cotton mill to export 12½ per cent (by value) of its cotton cloth output and 3 per cent of its turnover in cotton yarn and staple fibre yarn. It comes into force from July 1, 1962, and for the half year to December 31, 1962, the export obligation is to be half of this, calculated with reference to the turnover as shown in the balance-sheet of a company for the year 1961, that is, the balance-sheet for the year ended on any date between June 30, 1961 and June 29, 1962.

The obligation can be fulfilled by a mill by exporting its own products in full or in part, and/or by arranging with other mills to export the balance. The defaulting mills would be required, in the last resort, to contribute to the export promotion fund of the Federation 12½ per cent of the value by which the F.O.B. price of export performance falls short of their export obligation. Besides this sanction, the ICMF Chief, at a press conference held here on June 25, envisaged that defaulting mills might have to forego a part of their cotton quotas. But this measure, he added, would have to have the sanction of the Union Government. The ICMF on its part would not be averse to such a move.

The obligations under this scheme are to be discharged by the mills by actual shipments in terms of F.O.B. value of exports, regardless of whether it is cloth or yarn that is exported.

All those mills which are already exporting greater quantities of cloth than their quotas under the scheme, are required not only to maintain their past record but to improve upon it so as to increase their potential to help the non-exporting mills to fulfil their quotas.

Mr. Bharat Ram did not envisage any increase in the domestic price of cloth as a sequel to larger exports; he said they were not unremunerative and adequate incentives would be given for exports. Dwelling on the latter issue, he said that the Textile Export Promotion Council could increase the incentives upto 25 per cent, if the situation warranted, with the consent of the Textile Commissioner.

There is considerable scope for stepping up exports of cotton textiles from India to a number of countries, not excluding the United States, opined the ICMF Chairman. India, he said, had exported as many as 30 million yards of cloth to the United States in 1959, but these exports declined to a bare 6 million yards in 1960. The major factor that had hampered textile exports from India in the recent past, Mr. Bharat Ram stated, had been the attractive prices realised in the domestic market.

If the export obligations under the scheme drawn up by ICMF are fulfilled by the mills, India, according to Mr. Bharat Ram, can achieve the Third Plan export target of 800 million yards of cloth per year without much difficulty. This would bring in for the country's economic development nearly Rs. 70 crores of foreign exchange per annum.

INDO-U.S. AGREEMENT ON TARIFF CONCESSIONS: LOWER DUTY ON 28 INDIAN EXPORT PRODUCTS

India has signed an agreement with the United States for import duty concessions under the General Agreement on Tariffs and Trade (G.A.T.T.) by virtue of which 28 main Indian export products, such as cashewnuts, sandalwood oil, opium, jute webbing, jute bagging, jute carpets, coir matting, buffalo hides and leather and bells of brass, will pay substantially lower rates of duty in the U.S.A.

The Agreement also provides for concessions on the part of India in regard to import duty on some 25 American products. While agreeing to these concessions, the revenue and developmental needs of the country, it is stated, have been kept in mind. In the case of 17 out of these 25 items, the concessions are in the form of a guarantee not to raise duties above the present levels. Most of these are products which are required in the country such as metal-working machinery, specialised textile machinery, earth shifting machinery, component parts of machinery, chemical raw materials, milo and sorghums and dried skimmed powder. In addition, in the case of refined stockholm tar, polyethylene moulding powder, wood rosin, diatomaceous earth, artificial wood, rubber hoses, electric typewriters and slate pencils small reductions in the present standard rates of duty have been given. All these materials are required by Indian industries and the duty reduction in these cases should assist production.

The United States Administration is expected to take action to effect the cuts in the U.S. tariffs from July 1, 1962, but the details of the tariff concessions exchanged between the U.S.A. and India are published in advance. The practice in India, however, is to announce changes in tariffs simultaneously with their publication and steps have been taken to give effect to the changes in the Indian customs tariff resulting from the Agreement immediately.

The Agreement was negotiateed at the Tariff Conference which began in Geneva in September, 1960. Thirty-nine countries took part in the negotiations at the Conference.

BOARD OF TRADE'S SECOND MEETING

The second meeting of the Board of Trade, set up recently in the Ministry of Commerce and Industry, will be held at Calcutta on July 6. The Minister of International Trade, Mr. Manubhai Shah, will preside.

The meeting will consider an eight-point agenda. The export possibilities of jute, cotton textiles and tea will be specifically examined at the meeting. It will also consider the question of expanding credit facilities for the exporters.

There will be preliminary discussions on the preparation of cost reduction programmes, with special reference to the principal export industries and commodities.

Among the other questions the Board will discuss are the setting up of Free Trade Zones, public recognition for outstanding export performances, widening of the scope of commercial education in the country and review of the working of the commercial sections of Indian embassies abroad.

EXPORT OF SCRAP

The Government of India at present is not favourably inclined to make any changes in the scrap export policy under which a ceiling of 3,60,000 tons is fixed for export of scrap against steel imports which can be

ffected to the tune of 66.6 per cent of the foreign xchange earned through scrap exports. Recently, he Government had received some requests for removng this ceiling. But it does not consider it advisable o do so having regard to the estimated availability of crap in the country and also owing to the considerain that it is better to export this scrap to earn some ree foreign exchange rather than to utilize these export arnings solely for steel imports.

The scrap export policy, however, may be reviewd after some time in the light of the report of Scrap nvestigation Committee which is now under the consideration of the Government.

MPORT OF FRESH FRUITS FROM PAKISTAN

Licences for the import of fresh fruits, fresh vegeables and certain types of fruit plants from Pakistan will be granted on an 'ad hoc' basis for the period April 1962 — March 1963, according to an Import Trade Control Public Notice issued here.

Licences will be issued by the Deputy Chief Conroller of Imports, Central Licensing Area, subject to he condition that payments for the goods imported will e made in non-convertible Indian rupees as provided or in Protocol No. I to the Trade Agreement between he Governments of India and Pakistan signed on March 1, 1960.

The basis of licensing in respect of these items has been indicated in the Public Notice. The last date for applying for import licences will be August 15, 1962.

U.S. ASSISTANCE

Four agreements have been signed between the Government of India and the U.S. Administration providing for American assistance to the tune of $285.2 million (Rs. 135.8 crores) for meeting part of the foreign exchange requirements of the Third Plan. These loans had been earlier announced and negotiated and were only formally signed last week.

The largest of these loans is of $200 million, made available for financing the imports of many raw materials, components and machinery, including the following: non-ferrous metals, steel, fertilizers, synthetic tyre cord yarn, sulphur, carbon black, wood pulp, lubricants, synthetic rubber, other chemical materials, automobile components and spare parts, machine tools, rollers for steel plants, newsprint, rayon-grade caustic soda and other general purpose components.

The second loan is of $43 million, which is to be utilised to purchase 158 diesel locomotives for Indian Railways to be used to move freight in both broad and metre guage sections where the carrying capacity of steam locomotives has reached near-saturation point. Some of these locomotives will facilitate movement of iron ore for overseas shipment. Some others will be used in tandem to move coal trains of 3,000 tons to the steel plants from the coalfields in Bengal, Bihar and Madhya Pradesh. A small number of these locomotives will also be utilised to carry coal and other freight on the Northern Railway. The metre guage locomotives will be used in the Lumbding-Badarpur section and on a new line to be laid between the Himalayas and the Brahmaputra river. Both these areas are in Assam State where severe gradients hamper fast freight traffic and impede exploitation of the large industrial potential of the region.

This loan also makes provision for the supply of spare parts and the training of Indian technicians in American factories where the locomotives will be manufactured.

The third loan of $38 million will meet the entire anticipated foreign exchange costs of 3,00,000 Kw. Bandel Thermal Power Station, located about 35 miles north of Calcutta, work on which was started in April last. When completed in 1964, this power project will be the largest power facility in Eastern India and the largest thermal power plant in the country. The rupee costs of this project are also being provided by the United States out of the P.L. 480 counterpart funds.

This power station is expected to play an important role in alleviating the power shortage which has developed in the region around Calcutta. Power from this project is also envisaged to be made available for railway track electrification and for pumping operations connected with irrigation in the area.

The fourth loan of $4.2 million will go to meet the foreign exchange costs of the coal washery plant to be set up by Hindustan Steel Limited at Patherdih. This washery will be able to process 1.8 million tons of raw coal per annum and yield about 1.3 million tons of washed coal.

The four loans have been channeled through the U.S. Agency for International Development and are repayable in dollars. In order to avoid excessive foreign exchange debt servicing burden, terms of the loans are set at a long repayment period of forty years, with no repayments of the principal falling due in the first ten years. They carry no interest except a nominal charge of ¾ per cent per annum.

WEST GERMAN CREDIT

The Federal Republic of Germany has offered an advance credit of DM 100 million (approximately Rs. 13 crores) to India to help her in tiding over her present balance of payments crisis. The credit is being advanced out of the Rs. 60 crores assistance promised by the West German Government for implementing Indo-German projects contemplated to be undertaken during the second year of the Third Plan.

The credit can be immediately utilised for maintenance imports and later on, when the allocations for the projects proposed to be financed by it have been made and India's foreign exchange position improves, due adjustments would be made for making available all this aid for the specific projects.

BOKARO STEEL PLANT

The U.S. team to undertake a techno-economic survey of the fourth steel plant in the public sector proposed to be set up at Bokaro, arrived here last week. It has already had preliminary discussions with the Secretary of the Union Ministry of Steel.

The Team would examine the processes which have been recommended for production of steel at Bokaro, the availability of raw materials and transport and the general economics of the project. The Team's report is now expected to be completed in less than seven months. It would take nearly 3½ years to complete this project after the submission of this report. If U.S. assistance is available for this project, some pig iron may be available from here even earlier.

The Bokaro plant, it may be recalled, will have an initial capacity of one million tons of ingot steel and 0.35 million tons of pig iron. An Indian firm of consulting engineers has already been entrusted with the task of preparing a detailed project report. This report is expected to be available by the end of the next year.

STEEL PLANT FOR SOUTH

While addressing last week the Informal Consultative Committee of Parliament attached to his Ministry, Mr. C. Subramaniam, the Union Minister for Steel, expressed the hope that it would be possible to set up a steel plant based on Salem iron ore and the Neyveli lignite in the southern region of India. The Government, he said, had appointed a Technical Committee to examine the proposal. Recently, he added, a team of observers had been sent to East Germany, West Germany and Norway in accordance with the recommendations of this Committee to observe tests being conducted there on Neyveli lignite. While in West Germany, this team will study the working of low shaft furnaces in that country. In the meantime, as recommended by the Technical Committee, the Madras Government is undertaking a preliminary site survey for the plant and its units.

The recommendation of the Technical Committee for appointing a firm of consultants for the preparation of a project report for this plant is under consideration, disclosed Mr. Subramaniam.

Referring to the Rourkela Steel Plant, Mr. Subramaniam said that necessary steps were being taken to implement the recommendations made by the Solveen Delegation. It is hoped that production at this steel plant would improve soon. All the major repair works at this plant, it is understood, have already been carried out. It is now proposed to build adequate stocks of spare parts to meet any emergencies resulting from break downs in future.

The total production of finished steel during the current financial year is expected to increase to four million metric tons and of saleable pig iron to about one million metric tons.

SODA ASH PRICES

The Government has revised the ex-port-town prices of soda ash, allowing for an increase in the freight charge for supply of this chemical in different port-towns. This has been done following representations from manufacturers of soda ash asking for increased prices on account of higher transport charges and other reasons.

Under the revised prices, which came into force from June 18, 1962, the ex-works price of soda ash will be the same as before, viz., Rs. 380 per tonne. The freight charge for west-coast ports (Bombay and Cochin) will be Rs. 35 per tonne, as against Rs. 15 before. For east-coast ports (Madras, Vishakhapatnam and Calcutta) freight charge now will be Rs. 45 per tonne, as against Rs. 25 before. The revised prices will remain in force till December 31, 1962.

Simultaneously, the Government has warned the manufacturers of soda ash against any unauthorised charges on account of dispatch, loading and other incidental expenses, in addition to the ex-works or ex-port-town ceiling prices fixed by the Government. It has been clearly stated that the prices have been fixed by the Government after taking into account all such miscellaneous items of expenditure.

GLASS PRODUCTIVITY TEAM FOR AMERICA

A National Productivity Council team on glass and optical glass industry left New Delhi this week on a seven-week tour of the United States and the United Kingdom. The team, sponsored by the U.S. Agency for International Development Mission to India (U.S.A.I.D.), will spend five weeks in the US and two weeks in the UK.

The team will study problems relating to the glass industry. These will include administrtaive problems, labour relations, incentive schemes, materials handling, packing and transportation methods, fuel efficiency and workshop practices. The team will also observe research and education facilities and the latest production techniques. On returning to India it will submit a report on its findings.

The eight-member team is led by Mr. B. B. Sarkar, Managing Director, Krishna Silicate and Glass Works Ltd., Calcutta. The other members of the team are: Mr. K. D. Sharma, Deputy Director, Central Glass and Ceramic Research Institute, Jadavpur, West Bengal; Mr. K. H. Parikh, General Manager, Vibhuti Glass Factory, Varanasi; Mr. S. R. Khanna, Development Officer (Glass), Ministry of Commerce and Industry, Government of India; Mr. D. S. Natik, Joint Secretary, Ogale Kamgar Union, Ogalevadi, Maharashtra; Mr. J. S. Rahi, Production Engineer, Shree Durga Glass Works Ltd., P.O. Barang, Orissa; Mr. K. P. Thampy, Assistant Works Superintendent, Travancore Ogale Glass Manufacturing Co. Ltd., Udyogmandal P.O., Kerala; Mr. P. C. Varshnei, Technical Director and General Manager, Seraikella Glass Works (Pvt.) Ltd., Kandra, Dist. Singhbhum, Bihar.

"Our visit is very appropriately timed," said Mr. Sarkar before leaving. "The industry is in a transitional stage. We are shifting emphasis to automatization of plants."

Pointing out that the glass industry in India has great potential, Mr. Sarkar observed: "The production (in India) of glass and optical glass last year was in the neighbourhood of 230,000 tons. By the end of the Third Five-Year Plan this will increase to 440,000 tons. The target for 1971-72 is 700,000 tons annually and within the next decade 20 additional plants are expected to be set up at a cost of Rs. 40 lakhs each. We expect our report will be helpful to the industry in modernizing it and will also help in conserving our foreign exchange reserves."

MANUFACTURE OF BALL AND ROLLER BEARINGS

The Soviet Union has been requested to prepare a techno-economic survey for the ball and roller bearing project of the Government of India.

The scheme of East Asiatic Company to manufacture ball and roller bearings in India in collaboration with a U.S. firm is now at an advanced stage, it is learnt.

LIGNITE DEPOSITS IN KUTCH AREA

Investigations carried out by the Geological Survey of India during the last several years have revealed the possibility of lignite deposits in Kutch area, it is learnt here.

The estimates of lignite in the upper seam of the Umarsar areas are of the order of 1.22 million metric tons. The lower seam is estimated to contain 9.65 million metric tons, with additional probable reserves of 4 to 4.3 million metric tons.

The Government of Gujarat is understood to be considering the question of exploiting these deposits.

PLANTATION INDUSTRIES

The main emphasis in the three principal plantation industries of India — tea, rubber and coffee — is to increase exports as much as possible even with restraints, if necessary, on internal consumption. This was stated by Mr. K. C. Reddy, the Union Minister for Commerce and Industry, last week at a meeting of the Informal Consultative Committee of Parliament attached to his Ministry.

Mr. Reddy told the Committee that production of tea was going up in the country. In 1961, it reached a record level of 771 million lbs. Twenty per cent of India's export earnings are from tea. Tea exports in 1961 amounted to 452.5 million lbs., valued at Rs. 124.63 crores. Exports in 1961 showed an increase of about 22 million lbs. over those of the previous year.

Mr. Reddy also outlined, for the benefit of the Members of the Committee, various measures that have

been taken by the Government to encourage production and export of tea. Under a scheme known as the Tea Plantation Finance Scheme, the Government, he stated, had decided to place Rs. 5 crores as loan at the disposal of the Tea Board to be used as a revolving fund. This money, he added, would be utilised for replantation, extension or replacement of the old tea areas. Any tea garden having not less than 20 acres of planted area is entitled to receive assistance under this scheme.

With a view to step up exports, Mr. Reddy pointed out, the export duty on tea had been reduced from 44 nP. per kg. to 25 nP. per kg. and a drawback of excise at a flat rate of 15 nP. per kg. at the point of export was allowed. Mr. Reddy further said that exports of tea could now be undertaken without any quantitative restrictions and in all trade agreements with the foreign countries tea was an item stipulated for export. Mr. Reddy expressed the hope that as a result of these and various other measures being adopted by the Government, tea exports would go up in the ensuing years.

Talking about coffee, the Commerce and Industry Minister stated that area under this crop had been going up by about 4,000 acres per annum, with consequent increase in output to the tune of about 3,000 tonnes. In 1960-61, coffee output amounted to 67,925 tonnes. By the end of the current Plan period, it is expected to go up to 80,000 tonnes.

Referring to the rubber industry, Mr. Reddy stated that the gap between consumption and production of rubber in India was becoming wider owing to development and expansion of rubber goods manufacturing industries. In 1961, imports of rubber were in the neighbourhood of 21,693 tons. Steps, the Minister added, were being taken to increase production so that the gap between consumption and production should not go on widening at a strident pace. One such step, he said, was a 10-year scheme that is being implemented since 1957 for replanting 70,000 acres of old low-yielding rubber lands with high-yielding rubber strains. Some loan schemes have also been drawn up and put into execution to help the small growers.

Along with these measures to increase production of natural rubber in the country, Mr. Reddy added, steps had been taken to manufacture synthetic rubber. Two licences have already been issued for this purpose. One of these plants, having a capacity of 30,000 tons per annum, is being set up at Bareilly. It is expected to go into production by the end of the current year. The second plant is envisaged to manufacture CIS-I.4 polybutadiene (a new type of rubber which has lower heat build-up and requires less quantity of natural rubber for compounding) is to be set up in Assam. It may be commissioned into production sometime in 1963. It is also proposed to process in the country about 15,000 tons of reclaimed rubber by the end of the Third Plan period.

PURCHASE OF MOGUL LINE SHARES

The Western Shipping Corporation has purchased the 100-rupee face value shares of the Mogul Line at Rs. 367.62 per share and paid a total sum of Rs. 29,475,697.17 nP. for 80,180 shares. The following are the details of this deal.

Cost of purchase of 80,180 shares by the WSC from the P & O @ Rs. 360 per share	.. Rs.	2,88,64,800.00
Exchange due to Sterling payment ..	„	50,200.22
Stamp duty, transfer fee and Soliciter's fee	„	2,17,390.00
Interest on Loan from State Bank of India	„	11,62,651.95
Safe custody charges	„	20,045.00
Fees for transfer to the name of Shipping Corporation of India Ltd. ..	„	2,500.00
TOTAL	.. Rs.	3,03,17,587.17
Less		
Dividends earned out of profits for 1959-60		(—) 8,41,890.00
Net amount paid	.. Rs.	2,94,75,697.17

TELEPHONE CALLS FROM UK ON CREDIT

"Credit Card" facility will be introduced, for the first time, on telephone calls between India and the United Kingdom from July 1, 1962. Under this system, a telephone subscriber in India who has been issued an International Telephone Credit Card by the Indian Posts and Telegraphs Department, can, by quoting the Credit Card authority number, make calls from any telephone (private or public) in the UK to any telephone in India without payment in the UK and have the charges debited against a pre-specified telephone number in India.

IN BRIEF ....

The Government of India is considering the question of setting up of a second foundry/forge plant in the public sector. A detailed scheme in this regard is, however, yet to be prepared.

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The Government has approved the terms of collaboration of Messrs. Hitachi Transformers and Electricals (Kerala) Limited, Travancore, with Messrs. Hitachi of Japan. The Kerala company has been permitted to produce transformers upto 50,000 KVA range.

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The more important new commodities for which steps have been taken to introduce them in the world market in an increasing measure are sugar, ferro-manganese, cement, metals (iron and steel), engineering goods, chemicals and allied products, footwear, plastic goods, woollen manufactures, confectionary and biscuits, animal casings, vanaspati, sports goods and power alcohol.

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Mr. R. K. Birla and Mr. G. K. Singhania have been elected Chairman and Vice-Chairman, respectively, of the Federation of Woollen Manufacturers of India.

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Some Belgian steel interests are in India at present for exploring the possibilities of entering into collaboration arrangements for setting up pig iron plants in this country. Five private sector concerns have already been licensed for this purpose. The Belgians are interested in collaborating with them. Italians also have shown interest in these projects.

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Vickers have offered to sell to India some second-hand Viscounts owned by Trans-Canada and B.E.A. Their representatives were here last week to explain to the Government of India how this offer would be

(Continued on next page)

COMPANY AFFAIRS

BENGAL PAPER MILLS

In terms of physical output, Bengal Paper Mills recorded production of 19,627 metric tons against last year's output of 18,395 metric tons. This was in spite of the fact that the company continued to face certain difficulties in securing adequate supply of raw materials and chemicals. The situation in regard to the wagons too was not quite satisfactory. The Directors add that there has been an increase in the cost of production because of increase in the prices of raw materials and chemicals due to enhancement of railway freight and levy of excise duty on various chemicals. The company, however, is going ahead with its expansion and modernisation schemes. Orders have been placed for purchase of equipment from USA and UK, and the company expects shipments in the near future.

During the year to December 31, 1961, the company made a profit of Rs. 55.05 lakhs which was nearly 10 per cent more than last year's profit of Rs. 50.81 lakhs. After making provisions for depreciation, taxation and development rebate reserve, the Directors proposed the payment of dividend on ordinary shares at the rate of Rs. 2.25 per share which will absorb Rs. 14.85 lakhs.

STRAW PRODUCTS

During the year to December 31, 1961, the Bhopal factory of the Straw Products Limited made satisfactory progress. It manufactured various varieties of boards and introduced some new qualities. The gross sales of the company reached a new peak of Rs. 1.1 crores against Rs. 96.9 lakhs last year. The gross profit too was higher at 18.45 lakhs against last year's Rs. 13.40 lakhs.

The Directors have indicated in their annual report that the paper mill project in Orissa has also been making steady progress. Major portion of the plant and machinery have been erected and by now the total fixed assets of the company are to the tune of over Rs. 5 crores. The factory in Orissa has acquired power from Machkund Hydro-Electric Scheme. The company has been able to secure a loan of Rs. 25 lakhs from the State Bank of India and Rs. 50 lakhs from the Government of Orissa for meeting the financial requirements of the paper mill.

ENFIELD INDIA

The working results of the Enfield India Limited for the year to December 31, 1961, show an increase in production, sales and profits. The most important feature of the working during the year, the Directors point out, was the completion of many-phased programme for the substitution of imported motor cycle components by those made in the country. Thus the process of continued development and expansion in the motor cycle production was completed. Towards the financing of the scheme for the production of scooters, the company raised fresh capital to a tune of Rs. 23.33 lakhs. The company also applied to the Industrial Finance Corporation for the additional loan of Rs. 14 lakhs. As a consequence, the company will soon be able to market its scooters.

The profit for the year at Rs. 4.30 lakhs was higher as compared to last year's Rs 3.31 lakhs. The Directors proposed the payment of dividend at the rate of 4 per cent on equity shares. It may be added that dividend has been recommended on increased equity capital including the equity shares issued during the year. As a result of this issue, the company's equity capital had almost been doubled.

THE SIMPLEX MILLS

The Simplex Mills Company Limited during the year to March 31, 1962, recorded a profit of Rs. 52.82 lakhs, considerably more than last year's 34.42 lakhs. After making provision for depreciation of Rs. 16.14 lakhs, for development rebate reserve Rs. 13.90 lakhs and for taxation Rs. 11.50 lakhs, there was a net profit of Rs. 13.58 lakhs. A dividend of Rs. 11 per fully paid-up share (22 per cent) subject to deduction of tax on the increased capital has been recommended by the Directors. The Directors have pointed out that the sales at Rs. 3.23 crores were slightly lower as against last year's sales of Rs. 3.32 crores, but the gross profit had risen sharply from 10.4 per cent to 17.2 per cent. During the year additions to the plant and machinery were aggregated to Rs. 13.38 lakhs and there were outstanding orders for machinery at the end of the year which were to the extent of Rs. 61.73 lakhs.

(Continued from previous page)

beneficial for this country vis-a-vis purchase of jet planes. The second-hand Viscounts, it is stated, would be costing much less and their cost of operation would also be comperatively lower.

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Mr. Bowes-Lyon of Lazarus Brothers, the well-known London financiers, was here last week on a mission to study the prospects of institutional British investors collaborating with Indian entrepreneurs. It has been suggested to him that invesment and technical know-how from Britain would be welcome in structural, casting, forging and mechine tool industries.

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Almost all the automobile manufacturers have made representations to the Union Ministry of Heavy Industries against the cut in their foreign exchange allocations for import of components. This, they have pointed out, would accentuate the existing shortage of commercial vehicles in the country. The Government, it is learnt, is giving consideration to their representations.

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Dr. Heeny, of the French Institute of Petroleum, is expected to arrive in New Delhi shortly to advise the Union Ministry of Mines and Fuel on problems connected with the petro-chemical industry. His views on the Kane Committee's report on petro-chemical industry will be particularly solicited.

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The Refractory Manufacturers' Association has lodged a protest with the Government of India against plans to set up a refractory plant at Bhilai with Russian collaboration. The Association has pointed out that already adequate capacity has been installed or licensed for meeting the demand for refractories during the Third Plan period. The Government, however, does not share this view.

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The State Trading Corporation has concluded arrangements for link trade with various trading houses in Switzerland, France, West Germany, Austria, Belgium, Sweden, Finland, Tunisia and Jordan. The total value of such trade envisaged under these agreements is Rs. 20 crores either way. Uptil now the actual value of exports that have taken place under these deals is of the order of Rs. 7 crores only.

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ORDER SECTION
8 - JUL 1962

Company Meetings

DALMIA CEMENT (BHARAT) LIMITED

Summary of the speech of the Chairman, Shri V. H. Dalmia, delivered at the Tenth Annual General Meeting of the Company held at Dalmiapuram (Madras State) on 29th June, 1962.

Gentlemen,

1. I have great pleasure in welcoming you to the Tenth Annual General Meeting of your Company. As usual, I take this opportunity to give a brief review of the working of your Company during the year under report.

2. In 1961, the production in all the manufacturing departments has been better compared to the previous year except for a slight decline in the Refractory Section. Despite improved production, there is no mentionable increase in the profit earned by your Company on account of all-round increase in costs and growing competition in the products of the Ceramics Division, and also due to the adjustment of Bonus to employees for the year 1960 in respect of which no provision was made in that year. The impact of the increase granted to your Company in the ex-works retention price of cement will be felt from the current year onwards.

3. I am glad to inform you that 57.75 per cent of the dividend recommended by your Directors will be paid out of tax exempt profit. In the computation of the tax exempt profit available for distribution as dividend, besides the undistributed balances of the earlier years, the Company's share of tax exempt profit of M/s. Dalmia Magnesite Corporation has also been included.

4. I would now refer to the decision of the Government of India on the question of cement prices. Taking the view that the system of differential prices recommended by the Tariff Commission based on individual costs is not conducive to efficiency and greater production and that there should be a uniform price for the industry, so that there is a measure of reward for those units which are able to achieve economies, the Government fixed the uniform ex-works price of naked cement at Rs. 69.50 per tonne for the industry, with provision for extra price in the case of certain high cost units. The retention price payable to your Company stands increased from Rs. 55.54 to Rs. 69.50 per tonne effective 1st November, 1961. I regret, however, that the revised price was not brought into effect from 1st July, 1961, as recommended by the Tariff Commission, considering that the previous price period expired on 30th June, 1961.

5. The persistent shortage of cement has induced a review of the expansion plans for the industry. The revised estimates now place the demand for cement by the end of the Third Plan at 15 million tonnes and the Government is, therefore, considering revision of the capacity target for the cement industry from 15.2 million tonnes to 18 million tonnes, an increase of twenty per cent. In this context, I would like to say that the fullest utilisation of the existing installed capacity should be accorded paramount importance by the Government as providing a ready means of increasing speedily the production of cement at a time when the country is faced with an increasing shortage of this commodity. In 1961, against an installed capacity of 9.4 million tonnes, the actual production was only 8.2 million tonnes. It should be possible to obtain appreciably higher production through better utilisation of the existing capacity itself at relatively much less expenditure of valuable foreign exchange, if the required spare parts and equipment are allowed to be imported and the other difficulties such as inadequate or irregular supply of coal, wagons for inward and outward movement to and from cement factories, are resolved. Besides, a scheme of incentives should also be introduced to encourage the maximisation of production. I understand that some such scheme is already under consideration of the Government of India.

6. During the past few years, there has been a growing realisation that the supplies of coal were not keeping pace with the growing demand of the country's expanding economy. The shortfall was attributed mainly to insufficient rail movement capacity and last year it was sought to augment this by moving coal by the sea-cum-rail route. While this has brought a measure of relief, it has not proved sufficient. More recently, however, it has been admitted that the production of coal itself is inadequate and recourse to alternative fuels, is, therefore, considered doubly necessary. The Government of India have, therefore, suggested the conversion to complete or partial oil firing of certain industrial units, including the cement factories, which are situated at long distances from the Bengal/Bihar coalfields and have agreed to grant ad hoc increases in the retention prices to cement producers to offset the incidence of the higher cost of oil. The movement of Bengal/Bihar coal by the all-rail route to certain consumers, including several cement factories, was stopped and was replaced by shipments of coal from Calcutta Port following announcement of the scheme to subsidise the movement of coal by sea. In view of this element of compulsion, the Government of India have been requested to modify the subsidy formula in such a manner as would ensure that the cost to the consumer of seaborne coal is exactly the same as the cost by the all-rail route. It is hoped that they will agree to this. There is urgent need for a settlement of the subsidy claims without delay as also for a simplification of the procedure which would eliminate such delays in future. As matters stand at present, the payment of subsidy has not been made till now even against claims submitted more than five months back.

7. Last year, I had referred to the tremendous expansions in the Steel Industry which were being planned on a global basis. Since then, however, there have been indications of a partial recession in Japan, which has led to some hesitancy on the part of the Japanese Steel Industry to increase their commitments abroad in purchasing iron ores. It is hoped that this is only a temporary phase. With the development of new sintering and pelletizing processes, low grade ores of various origins are being used more and more extensively by the Steel Industry in many countries. As a result of this, the importance, hitherto attached to very high-grade ores such as is supplied from your Company's mines, is lessening. The need, therefore, of long-term agreements with various countries for the supplies of such ores from India is greater, particularly when we find that fresh sources of such ore are being exploited in other countries to a larger extent. In view of the urgent need of boosting the country's export trade, particularly where through such exports free foreign exchange can be earned, the State Trading Corporation of India Ltd. will, doubtless, endeavour to conclude such long-term agreements with various countries as rapidly as possible.

8. The Government of India and the Government of Madras have had before them for some time a project for developing the capacity of Cuddalore Port to cope with

the increased exports of iron ore and to handle the larger quantities of fertilisers and coal which are being unloaded at that port. I understand that the plans for this development project have been finally passed and it is to be hoped that the actual work will be taken in hand very soon with the ultimate target, perhaps, of making Cuddalore Port capable of exporting upto one million tons of iron ore per year. To take advantage of the increasing port capacity at Cuddalore and other major and minor ports which are being developed further, however, it is important that the railway capacity for movement of ores should be increased more rapidly. In this connection, it is heartening to note from a recent statement made by Shri Manubhai Shah, the Minister for International Trade, that the Railway Ministry would be persuaded not only to give top priority to the haulage of ores and other goods for export but also to reserve a number of wagons specifically for export purposes. While your Company's ore business has shown a decline, since I spoke to you last, it is hoped that, as a result of possible long-term arrangements for high grade ore exports from India and as a result of the growing port and railway capacities, your Company may also look forward to increased exports of their iron ore.

9. The results achieved for their last financial year by M/s. Dalmia Magnesite Corporation, in which your Company is a partner, continue to show satisfactory progress. The demand for deadburnt magnesite from the Steel Industry and the Refractory Industry in the country continues to show an increase. There are indications that this demand may rise steeply by the beginning of the Fourth Five-Year Plan by which time the Steel Industry may reach its target of 10 million tons of steel production per annum. There are also indications of a possible export market, as I had mentioned last year, and recently some small export of deadburnt magnesite has been made by M/s. Dalmia Magnesite Corporation. In the circumstances, the outlook for the Industry is bright even after the contemplated expansions, including the doubling of the capacity at Salem Works, having been completed.

10. The two cement factories in Pakistan, belonging to your subsidiary, continue to face a variety of problems. Implementation of our programme for rehabilitation and modernisation of these factories is held up on account of the difficulty in getting import facilities for the required spares and equipment. Demand for cement in West Pakistan has been slack and as a result, competition has developed. Every effort is being made to revitalise the sales organisation and improve the despatches. I am glad to add that relations between management and workers at both the factories of your subsidiary in Pakistan have taken a welcome turn. A long-term agreement has been reached at Shantinagar (Karachi) Works covering wages and other demands. A similar agreement is likely to be concluded with the workers at Dandot Works also. Both the factories are working well except for the problems created by the lack of rehabilitation of the plant and equipment for reasons which I have just mentioned.

11. I wish to refer now to the long-term agreement signed at Dalmiapuram in November, 1961 in regard to the payment of bonus to the employees. As a result of the formula by which the quantum of bonus has been linked to the clinker production attained in the relevant year at your Dalmiapuram Works, I am confident that industrial peace would prevail at Dalmiapuram and workers would lend their full co-operation in augmenting production. I wish to express my satisfaction at the growth of sound and cordial relations between your Company and the workers' unions evidenced by increasing willingness to resort to mutual discussions and negotiations for the settlement of outstanding issues. The agreement in regard to bonus is an outstanding example of this growing co-operation.

12. Finally, I would like to express on your behalf and on my own, our appreciation of the services rendered to the Company by all executives, staff and workers.

N.B. : This does not purport to be a report of the proceedings of the General Meeting.

THE TRAVANCORE CEMENTS LIMITED, KOTTAYAM

Speech delivered by the Chairman, Shri C. S. Loganathan, at the Fifteenth Annual General Meeting held at the Registered Office of the Company Nattakom, Kottayam on Friday the 22nd June, 1962.

Gentlemen,

I have great pleasure in welcoming you all to the fifteenth Annual General Meeting of the Company.

The audited Balance Sheet as at 31st December, 1961 and the Profit and Loss Account for the year ended that date and your Directors' Report have been in your hands for some time and with your permission I shall take them as read.

The year's working has resulted in a net profit of Rs. 4,99,058 as against Rs. 5,21,843 for the previous year. In the later part of 1961 we were on White Cement production and the bulk of it is being sold in 1962. This has resulted to some extent in lesser turnover and profit compared to previous year. The revised price for cement came into effect only from 1-11-1961 even though the term of the previous price fixed in 1958 was to expire by July, 1961. The increase in price allowed to us from 1-11-1961, no doubt, gives us some relief in meeting the increased cost of production but there has been again some increase in working cost due to increase in Railway freight, Coal cost etc. The raw-material cost has also gone up as we have now shifted our dredging operations to "Vaikom" area which is nearly 10 miles further away from the place where we were collecting our shells in previous years.

The Cement Manufacturers' Association is taking up the matter with the Ministry of Steel and Heavy Industries to revise the retention price of cement wherever necessary due to increase in Coal price, Railway freight, Electricity Charges, Royalty on raw-materials etc., since the revision of price in November, 1961 and we can reasonably hope that the Government of India will give sympathetic consideration in this matter.

DIVIDEND AND TAXATION

The Directors of your Company have recommended payment of 6 per cent dividend subject to tax for 1961 after providing for taxation. As you are aware the present Company taxation stands at 50 per cent of Net Profit as against 45 per cent in previous year and the divisible profit after taxation is reduced accordingly.

LABOUR

Relation with Staff and Labour have been cordial. The period of the long-term truce agreement entered into with the Labour Unions in 1958 expired on 31-5-1962 and it is hoped that another long-term agreement would be arrived at shortly to maintain Industrial peace.

I wish to bring to your notice with deep regret the death of Shri Parayath E. Raman Menon on 15-2-62 who was a Director of the Company from the inception. I have no doubt that you will join me to place on

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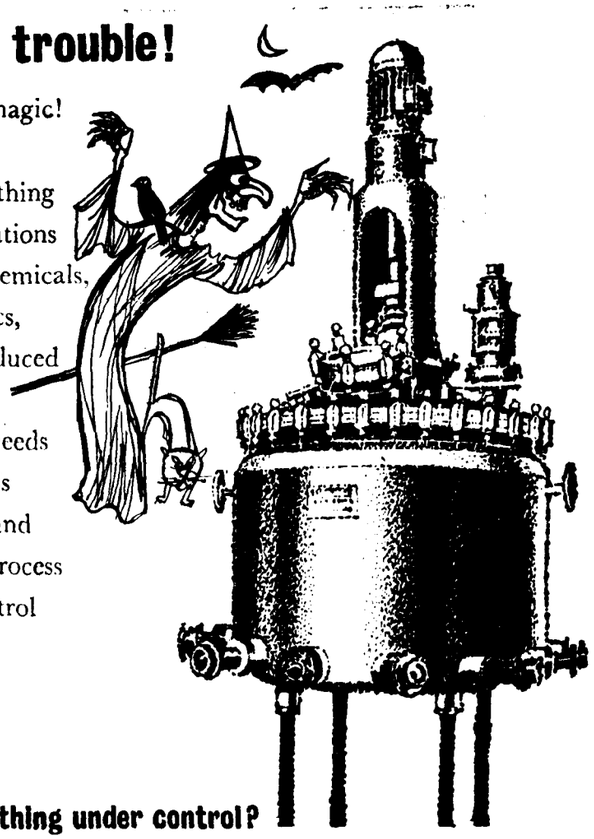
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double, double toil and trouble!

The toil is out of it now—so also the magic! Chemistry is no longer a "black art" In some measure, it today enters everything we see and touch—and eat! Its applications are limitless—in the manufacture of chemicals, pharmaceuticals, fertilisers, dyes, plastics, fibres. Millions of tons of these are produced annually—and the demand is growing every day. Which means the industry needs more plant and equipment—and that is what Larsen & Toubro manufactures and supplies: complete chemical plants, process equipment, cooling towers, process control instrumentation and Audco valves.



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Frankly, we don't even believe in the legend that a swan can separate milk and water! But we know of equipment that can do it—L & T manufactures them! Distillation columns that separate one liquid from another. L & T also specialises in the manufacture of heat exchangers, condensers, reaction vessels, driers and storage tanks, from stainless steel, monel, nickel, copper and aluminium.



everything under control?

It has to be. Control is a vital matter in the chemical industry. Temperature and pressure and flow have to be precisely checked and controlled... When dangerous chemicals are involved, the situation can be really explosive! L & T designs and supplies up-to-date on-line and off-line control systems incorporating electronic computers for industrial and chemical processes.



L & T contributes also to the development of these vital industries:

- dairy
- oil
- steel
- food & agriculture
- paper
- minerals
- electricity
- transport
- construction

it takes more than a pair of hands!

In fact, it's more than a question of manpower—erecting a plant, we mean. There's a lot of thinking and planning—*constructive* thinking that leaves little to chance, saves time, money *and* trouble. And that's the difference between a job done—and a job done well!



not enough water?

It can be a problem—when the demand is, say, for a million gallons an hour! That is why cooling towers are particularly important to the chemical industry. They make it possible to use the same water over and over again—exactly like a car radiator, only on a much larger scale! L & T designs and constructs cooling towers to meet specific industrial needs.



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record our appreciation of the valuable services rendered by the late Shri Parayath E. Raman Menon to the affairs of the Company.

I wish to express my gratitude to my fellow Directors for their valuable guidance and service and the Works Manager and all employees of the factory for their work during the year.

Gentlemen, I thank you all for your presence at this meeting.

I now request that the Directors' Report and the audited amounts for the year 1961 be taken for consideration and adoption.

NOTE: This does not purport to be the report of the proceedings of the annual general meeting.

THE METAL BOX COMPANY OF INDIA LTD.

Review by the Chairman, Mr. K. C. Mahindra

The Twenty-ninth Annual General Meeting of the Metal Box Company of India Limited will be held on Wednesday, the 18th July, 1962 at 59-C, Chowringhee, Calcutta.

The following is a copy of the Review by the Chairman, Mr. K. C. Mahindra, which has already been circulated to members.

SALES

Your Company's sales have grown steadily over the past year; from Rs. 970 lakhs in 1960-61 to Rs. 1050 lakhs in the year under review. This increase of 8¼ per cent as compared with 11 per cent last year was not quite as high as expected. However, I see no reason for discouragement or alarm. I would rather interpret the relative shortfall as a useful reminder of how closely our fortunes are linked with those of our customers. Our sales figures are remarkably accurate barometer of the affairs of the consumer-goods industries. In 1961-62, the high prices of groundnut oil made vanaspati too expensive for some people who had become accustomed to buying it; less toilet powder was bought after an excise duty was imposed in March 1961; in many instances our customers' output was limited by shortages of raw materials and, as a result, some of those who buy industrial components from us took less than we had expected. Besides, there were rises in costs, particularly affecting raw material. I shall refer to them later. Our customers' problems which adversely affected our sales volume, our greater efforts in export fields and rising costs have caused profit margins to narrow. The solution, insofar as it is within our own control, rests in increased efficiency and increased productivity. I believe that Metal Box, measured by any standards, is an efficient manufacturing organisation and that our pursuit of greater efficiency is relentless. There is, however, a limiting factor, the volume of production. Technological progress demands the application of the latest processes and methods to an increasing volume if we are to remain a low cost producer. But in the case of tin containers our productive capacity is not being increased. Government's policy over the licensing of any expansion of existing units or the formation of new ones continues to favour the man who produces both the goods and the packages for them. I cannot believe that Government can continue to turn a blind eye to the obvious long-term consequences: uneconomic fragmentation of the industry, stagnation in technical development and, above all, a high-cost container for the masses of the people. All around us, industrialists are appealing to be allowed to produce more in order to meet their ever increasing costs. How can the price-line be held so long as Government deliberately fosters the emergence and growth of uneconomic methods?

I do not wish to be misunderstood: there is no plea whatsoever that large units be allowed to expand at the expense of the small. In Metal Box we have done and are doing everything we can to foster the growth of small-scale industry. We buy materials from it, we provide it with know-how and we sell machinery to it. My point is that if the targets in the Third Plan for the production of consumer goods—milk products, to take only one example—are to be achieved, I just do not see where the containers in the numbers, at the price and in the quality which all these new manufacturers are demanding from the start, are going to come from. We shall have to wait and watch the prices rise, whereas we ought to be getting on with the basic job.

EXPORTS

In other fields, I am glad to be able to say that we are, indeed, getting on with the job. To conserve foreign exchange, for example, we have extended the manufacture in Calcutta of industrial components and machinery required for can-making and closing, which had to be imported hitherto, and we have made a successful effort to step up our direct exports of packages, machinery, hardware and publicity media. Since we first entered the markets of South-East Asia, competition, notably from Japan, has intensified. Despite this, our exports were 36 per cent higher than last year and their value during the year was over Rs. 25 lakhs. We are now one of the first five exporters of engineering goods. The growth in our direct exports, made possible only by constant touring and by offering very low prices, has had its effect on our profits. Nevertheless, we are resolved to maintain a steady growth and hope to achieve a substantial increase in our exports in the current year.

Our largest contribution in the export field is an indirect one: supplying packaging materals, to international standards of quality, for goods packaged and exported by Indian manufacturers. It is our conviction that every well-packaged Indian product is a potential earner of foreign exchange. This belief is substantiated by the export from India last year in Metal Box packages of goods worth over Rs. 4 crores to more than fifty countries spread all over the globe. Many of these packages were designed to meet the specific needs and tastes of highly competitive overseas markets. My report last year highlighted the part your Company was playing in India's prawn exports. Amongst the other exports, the success of which has been assisted by the high quality standard of our containers, are cashew nuts, vanaspati, vegetable oils, fruit, toiletries, confectionery and biscuits. Here is an important area of achievement at a time when the diversification of India's export pattern is a matter of great urgency.

To those who participate in the closed economy of India, marketing consumer goods abroad may well be an unfamiliar and novel experience. It has not taken long for the fact to be brought home that, when ex-

porting, quality packaging designed to meet the customers' requirements in a particular market is not an expensive frill but a business necessity.

RAW MATERIALS

An important feature in the year's trading was the increased cost of tinplate. Supplies from the Tinplate Company and Rourkela have often had to be despatched by road rather than by rail at greater expense. Most imported supplies now arrive under D.L.F. from America. In earlier years, tinplate came more cheaply from Japan and the U.K. We have also had to resort to Russian supplies in non-standard sizes at prices even higher than the American. Supplies, albeit at a price, have been reasonably available throughout 1961-62.

Stocks at the commencement of the new financial year, though slightly less than the previous year, can be considered satisfactory. But the outlook for the current year is clouded by the uncertainty of production at Rourkela which is struggling with the problems involved in starting up a major steel enterprise. In areas where we can make a contribution we are co-operating closely with this new source of supply and it is gratifying to note that the quality of our first consignment of Rourkela tin-plate was promising. Quantitative difficulties, however, may take long to overcome and, having regard to the length of time taken to plan imports, it is important that D.L.F. or other imports should continue to be made available on the same scale as last year.

Deep-drawing mild steel sheet was in satisfactory supply throughout the year. The production of our industrial components is assured for the present orders on hand; but beyond that, production will depend on the availability of imported sheet steel of the special quality required for this type of work.

The Company's consumption of aluminium sheet and slugs, whilst showing a small increase over the previous year, continued to be limited by the availability of Indian-made supplies and by their high price. With the completion of the Indian Aluminium Company's expansion programme, and the commencement of production by Hindustan Aluminium during this year, it is hoped that consumers of this valuable packaging material will benefit from additional supplies at a lower price.

The increased excise on foil, now Rs. 600 per tonne, is a discouraging levy on a material which we use exclusively for the tamperproof of sealing of tinplate containers and for the development of new laminates for heat-sealed consumer-packages intended for the mass markets.

RESEARCH, DESIGN AND DEVELOPMENT

The year under review has seen continued success in the efforts by our Research Division to develop high-quality ancillary materials of indigenous manufacture. Recent successes in collaboration with our suppliers include a range of process resistant decorative materials for collapsible tubes and, on an experimental basis, for processed food cans; an enlarged range of high-gloss flexographic inks which enables us to produce Diothene bags to a quality comparable with any polyethylene printing anywhere in the world; and improved light-resistant inks for use in packages and advertising media liable to continuous exposure to daylight. The Canning Advisory Service offered by Research Division to food canners has continued to expand. Considerable development work has been carried out on complex aspects of plastics production and technology.

Normal product design work continued successfully throughout the year and a number of new products within the scope of our existing machinery were added. The Technical Development Section has made further contributions over the year in the design of new packages, industrial components and machinery. Package development work is primarily directed towards improved pilferproof containers capable of being manufactured and, as far as possible, closed at high speeds. An outstanding development introduced during the year under review was the aluminium 'No-pilfer Diaphragm' designed primarily to seal confectionery containers and make them tamperproof. The use of this development eliminates the need for imported tagger tinplate. We have also developed prototype machinery for addition to our range of sealing equipment for customers, redesigned some of our existing plant, and designed new machinery to accelerate production speeds.

As an important development aimed at providing greater facilities to prawn exporters, we opened in December 1961 our Kerala Service Installation in Cochin which includes a reforming unit. At Calcutta No. 1 a high speed Open Top can-making line of the latest design has been installed to replace obsolete equipment. In the Plastics Works at Calcutta No. 2, machinery for the manufacture of heat-sealing laminates, extrusion-coated products and moulded bottles is being installed. Manufacturing trials are currently in progress and we expect to go into regular production shortly.

Also at Calcutta No. 2 steady progress has been maintained in machinery building; currently we are making a range of twenty-five different machines. The fact that some 10 per cent of our output of these machines was exported is an indication of the high standards achieved.

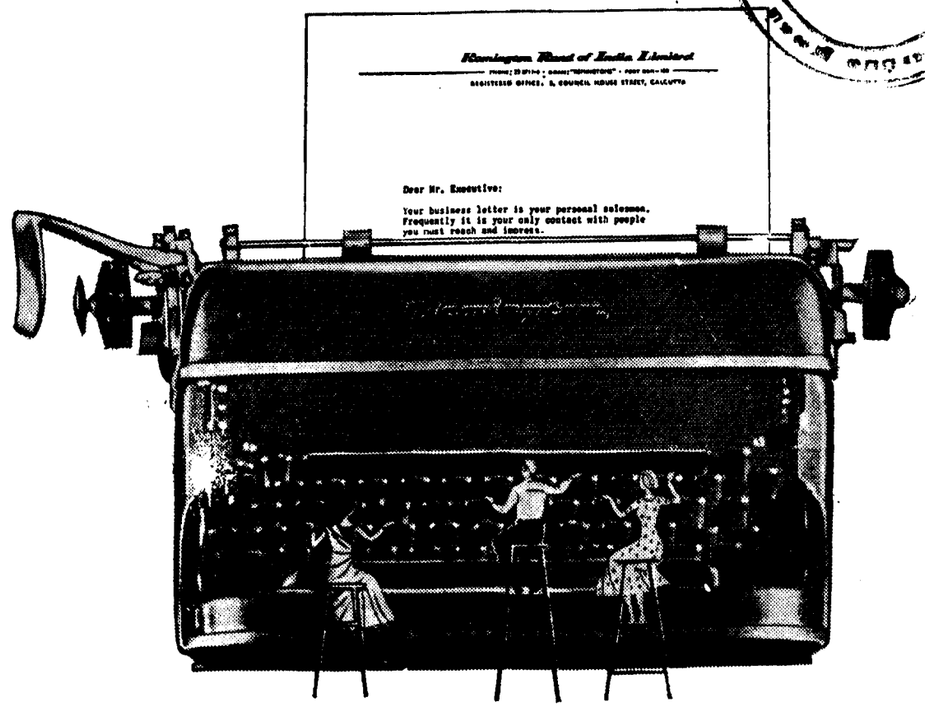
Your Company has recently received permission from the Government of India to manufacture treated and laminated papers and boards and containers made therefrom. Our entry into this field will enable us, using Indian raw materials, to offer precision-made cartons finished to that standard of quality which is essential for export markets. It will also enable us to develop packaging systems involving the use of tamperproof functional cartons capable of holding semi-solids and possibly liquids, and providing an air-tight seal. This product diversification is a result of the Company's sustained efforts to provide its customers with a complete packaging service. In this, as with all our endeavours, both old and new, we owe much to our associates in the United Kingdom. The new line of laminated papers and boards and containers made therefrom will be substantially assisted by the valuable contribution which our associates can make, and your Company will materially benefit from their long experience in what to us will be a new field of activity.

In Bombay, with the completion of an additional floor on the administrative block, our present site in Worli is now fully developed. We have, therefore, purchased some twelve acres of land at Deonar 9 miles from Worli. Here, Bombay No. 2 Factory will be built in order to relieve congestion, make room for carton manufacture and improve working conditions at Worli. Preliminary planning has been completed and construction should commence shortly.

EMPLOYEE RELATIONS

Good relations between management and employees have continued except for occasional signs of restlessness in Calcutta and Faridabad. The past year was marked by the establishment of representative committees of employees to strengthen bipartite negotiations in all units. To facilitate understanding at all levels management has widely circulated an unequivocal statement of the Company's personnel policy.

I am glad to report that after three years of unsatisfactory relations in Madras, this last year has seen



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More statistics : a Remington typewriter has 1,845 parts and more than 3,700 different press tools, jigs, fixtures and special toolings are needed to make them. The parts are made from 24 varieties of materials in 251 sizes and thicknesses, including special alloy steel in 53 sizes. More than three-quarters of these materials undergo heat-treatment.

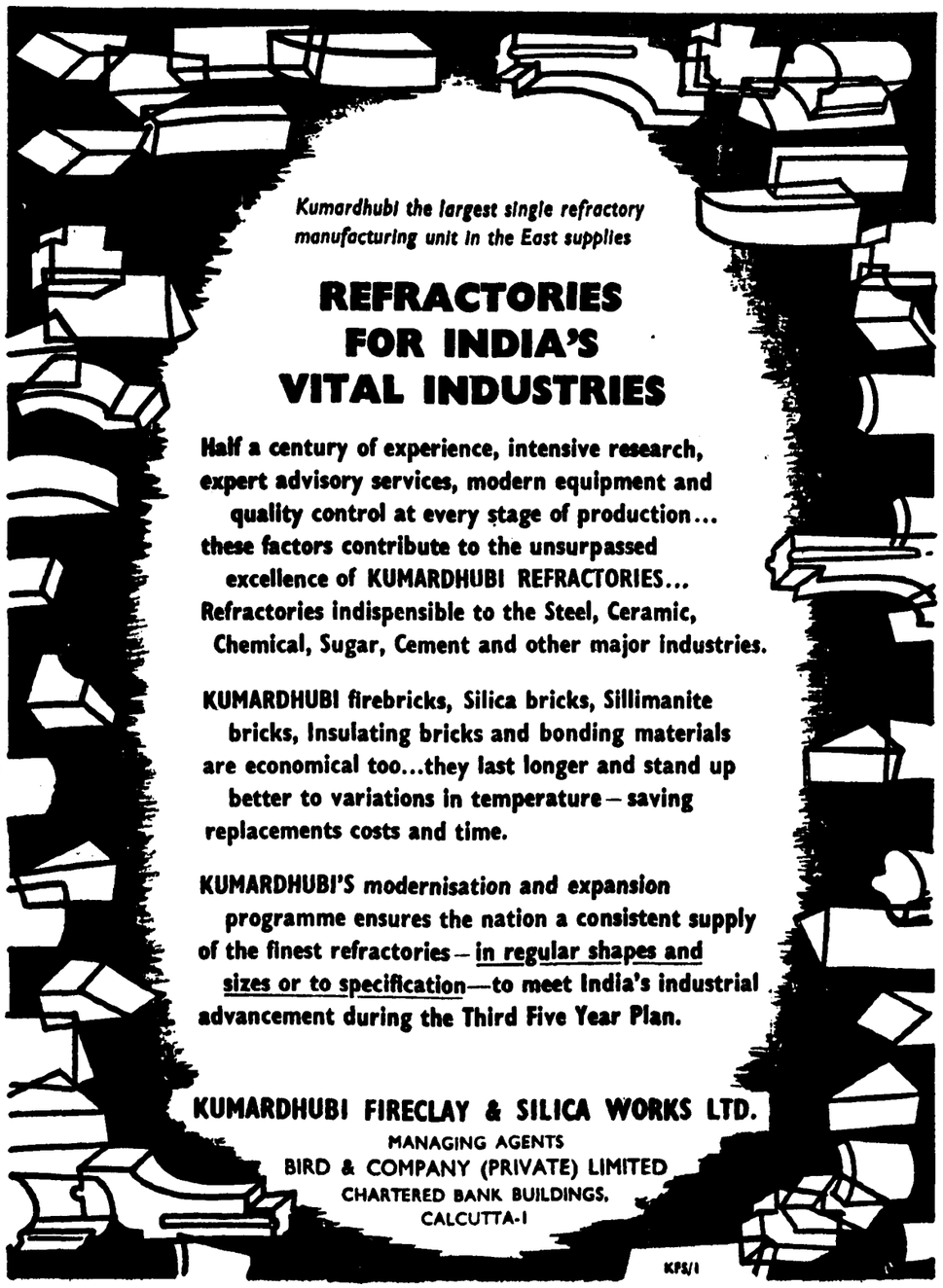
Just these few statistics meant setting up our own Tool Room and Heat-Treatment Section in the Howrah Factory, training Tool Room labour and initiating research among local industries for the production of alloy steel. It meant training a full Assembly Department for highly specialised skills from rivet-spinning and type soldering to electroplating and stove-enamelling and many more. It even meant training type-aligners to be always accurate to within .003 of an inch.

We are rather proud that the finished typewriter from the Howrah Factory truly saves Foreign Exchange *without sacrificing an iota of quality.*

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a marked improvement. The terms and conditions of union recognition have been settled and a five year agreement resolving differences has been signed. The second three year agreement on Prosperity Bonus with employees ended with the p yment of last year's bonus. Fresh negotiations were started late in 1961 and they have now been concluded in a new three year agreement.

We have continued to put emphasis on the training of staff and progress has been made in integrating outside courses available both in India and abroad with facilities within the Company. Two of our Indian officers were given special technical training by our associates in the U.S.A., the Continental Can Company Inc. Sixteen Indian officers were sent for training with Metal Box in the U.K. Seventy-four managers have already undergone the Company's residential course in management and one hundred and fifty-four foremen and supervisors have attended non-residential full-time courses organised by the Company. In time, every member of the Company's management cadre will have participated in a programme of formal training. Our in-company courses have benefited from a visit of the head of Metal Box's Education and Training Division in the U.K., Mr. D. G. Sanders. You will be interested to learn that following his visit, our associated companies in neighbouring lands have decided to send their managers to India to participate in our courses.

Aside from formal schemes of training, we have charged management in all our units with the important responsibility of on-the job training and we have generally improved the planning of the career development of our more promising employes. There is, as a result of this training activity, a perceptibly increasing awareness of sound management practice at all levels.

I thank the employees of the Company for their co-operation and for the fine sense of responsibility which they have contributed over the past year to our progress in the face of some formidable difficulties.

RETIREMENT

Sir Robert Barlow, who has been a Director of the Company since its formation in 1933, has retired from the Board. I am sure you would wish me to place on record our deep appreciation of the invaluable services rendered by Sir Robert Barlow in the last thirty years. It was his genius that spear-headed the development of the packaging industry in India and if it had not been for his inspiration and foresight this Company could never have aspired to its present position in the Indian economy.

OIL INDIA LIMITED

Speech delivered by Shri Khandubhai K. Desai, M.P., Chairman at the Third Annual General Meeting of the Company held at Duliajan, Assam, on June 22, 1962.

Gentlemen,

The Report of the Board of Directors gives you an idea of the financial position of your Company and explains in some detail the extent of its operations during the year 1961. I shall refer briefly to some of the salient features in this report later, but I think it is important in the first place for us to realise their context against a more general background.

CONSUMPTION OF PETROLEUM PRODUCTS

The consumption of petroleum products in a developing economy like India is bound to grow at a rate faster than what has been generally estimated in the past. We are at the present moment still dependent to a very considerable degree on imports both of crude and of products and this is again dependent on the availability of foreign exchange for such imports. This is of particular relevance at a time like this, when all else is overshadowed by the continuing foreign exchange crisis with which this country is faced. At present we are spending about Rs. 80 crores every year in foreign exchange on imports of crude oil and petroleum products. It is well to remember this fact when considering or discussing the large-scale programme of oil exploration that has been launched during the last few years by the Government of India. In the public sector the Oil and Natural Gas Commission propose to spend about Rs. 200 crores on esxploration and production operations, and they aim to achieve a production target of about 3½ million tons per year during the final year of the Third Five-Year Plan. I would like to take this opportunity to congratulate the Oil and Natural Gas Commission on the signal successes they have already achieved in the Gujarat Region, and to pay our tribute to the dedicated and unremitting efforts they are making to increase India's oil potential.

OIL INDIA TO PRODUCE 3 MILLION TONS OF CRUDE OIL BY 1963

As far as the programmes of your own Company are concerned Oil India's reserves stand at about 45 million tons of oil and 720,000 million cu.ft. of gas at present and with the existing number of wells drilled by Oil India so far and those to be completed by the end of 1963, Oil India would be in a position to meet its commitments of supplying nearly 3 million tons a year to the Refineries at Gauhati and Barauni and the Assam Oil Company Refinery at Digboi. This total production of 3 million tons would mean a foreign exchange saving of more than Rs. 20 crores a year. If we are fortunate to discover oil in the new concession areas in respect of which an exploration licence is pending with the Assam Government, this in turn would greatly assist not only in saving on further imports of crude, but in further expansion of the Refineries at Gauhati and Barauni. This is a matter therefore which should have priority specially as Oil India's prospecting programme does not involve any foreign exchange expense as the latter has already been underwritten by The Burmah Oil Company, Government's partner in Oil India. We had originally planned to start work in the new area in October 1961. Unless the exploration licence is granted promptly it would not be possible to start the work even in the coming cold weather and any further delay would seriously impede progress in the vital field of oil exploration and development.

Our annual report gives you some idea of the facts and figures of oil drilling and operations during the year 1961.

TRANSPORT OF CRUDE OIL THROUGH PIPELINE

While the achievement of our production target is all important special mention should also be made of the transport problem, viz., the construction of the 720-mile long Oil India pipeline from Nahorkatiya to Barauni. The completion of the first stage of this pipeline to Gauhati was delayed due to abnormally heavy rains in the middle of 1961, which led to the suspension of work. However, as soon as this was foreseen arrangements were made to build up stocks of crude at Gauhati Refinery by means of railway tankwagons to enable the Refinery to commence operations as scheduled on 1st January, 1962. The first stage of the pipeline was actually completed by the beginning of March and pumping of crude oil to the Refinery had commenced. We take this opportunity to congratulate The Burmah Oil Company (Pipe Lines) Limited and the contractors for having done a good job under difficult circumstances. Progress on the second stage from Barauni to Gauhati is satisfactory and we are hopeful that the whole line will be ready when the Barauni Refinery goes on stream early in 1963. This pipeline system traversing a difficult terrain, cutting across three state boundaries is the second largest in the East (including the Middle East) and will be one of the most modern and automatic.

OIL INDIA'S ORGANISATION TAKES SHAPE

The year 1961 as you would see has been a momentous one in the history of this young organisation. This Second Supplemental Agreement brought Government's shareholding on a par with that of The Burmah Oil Company, thus giving it parity on the Board of Directors. The first task to which the newly re-constituted Board addressed itself was the setting up of a separate organisation for Oil India.

As from 1st January, 1962 we took over on Oil India's payroll all the staff required—executive, clerical and labour—engaged on Oil India's work who had hitherto been employees of the Assam Oil Company. The organisational set up, provision for future recruitment, the devolution of powers and duties to the Managing Director and to the officers in the field and other allied matters have been charted out and are now in actual operative effect. This transition I am glad to say has been effected without any friction, and I would like to take this opportunity to convey our grateful thanks for managing Oil India's affairs to Assam Oil Company and for their co-operation since then.

PROBLEMS WE HAD TO FACE

Like any other industrial undertaking however, Oil India has had its own share of difficulties during the year. The new Board was faced almost immediately with a strike by the contractors' labour—but this was fortunately settled in a brief time.

Land Acquisition: Another serious problem that arose was the question of land acquisition for further drilling in our existing concession areas. It is not always possible to acquire land under the Land Acquisition Act 1894 or Rule 119 of the Assam Land & Revenu Regulations. Therefore we had to resort to private negotiations in certain cases. We were however caught on the horns of a dilemma, as we found that adherence to existing procedure for acquisition of land entailed much time and uneconomical use of drilling outfits; although land could be obtained more quickly by private negotiation, prices spiralled and our continuing to pay high prices became impossible not only because of the excessive cost to the Company but also because of the overall effect on land prices for other industrial ventures within the State. We have sought the co-operation of both the Government of India and the Government of Assam in this regard and we trust that with their assistance some solution can be found to this problem.

Utilisation of Natural Gas: The utilisation of natural gas produced along with oil and by itself has presented problems of planning. The Assam Government have now set up a Committee on which Oil India is represented, which would go into these questions regarding market availability of gas, the demands from various consumers, the capital costs involved in storage equipment, the price at which the gas is to be sold etc. It is gratifying to note that the Assam Government is very keen on fostering and developing gas-based industries in the State.

Royalty: Another important matter to which I would like to refer is the Royalty question. I earnestly trust that there would be an early settlement of this question, as this would enable us to proceed more expeditiously with our development programmes.

FINANCIAL POSITION

As far as our financial position is concerned, I do not think it is necessary for me to go into this in any detail as this is fully set out in the report before you. As you would see the financial picture shows that the net surplus after providing for depreciation, taxation and development rebate amounts to Rs. 1.15 crores which is being transferred to the general reserve. Taking into account that we are still in the development stage and our sales in 1961 were limited to about 300,000 tons I think this can be considered reasonably satisfactory.

In conclusion I would like particularly to thank my colleagues from the Board for their co-operation and assistance. From the very beginning it was realised by both partners in Oil India (the Government of India and the Burmah Oil Co.) that the successful working of Oil India with two equal shareholders would depend primarily on a basic understanding and agreement on matters concerning the formulation of policy at the Board level, combined with a certain amount of give and take on both sides. I am glad to say that this system has worked smoothly and successfully. The Board has functioned as a homogenous team and I trust it would continue to function on the same lines in future. This has been due to the spirit of co-operation shown by both the partners and to their understanding of the common objective—namely, to make this new venture a success.

Finally, I would like, on behalf of your Company to express my appreciation to the staff and workers of Oil India who have given their full loyalty to this new organisation and who have spared no pains to contribute to its successful working. In this connexion I must pay here a tribute to Shri M. J. Condon, the previous Managing Director of Oil India, who was instrumental in evolving a basis for the Government and The Burmah Oil Company to work together and in making the transition smooth. I would also like to place on record my appreciation of the excellent team work done by our present Managing Director, Shri J. C. Finlay and the Financial Director, Shri Govindan Nair, which has rendered possible the setting up of Oil India on its feet.

THE NEW GREAT INSURANCE CO. OF INDIA LTD.

Speech of Mr. Tulsidas Kilachand

Presiding over the Nineteenth Annual General Meeting of the Shareholders of the Company held at Baroda on the 23rd June 1962, Mr Tulsidas Kilachand, Chairman, referred to some of the problems facing the Insurance Industry, in the course of which he said:—

REMOVAL OF RESTRICTIVE REGULATIONS AND NEED FOR NEW INSURANCE ACT

"Recently, all insurers carrying on general insurance business in India have received a circular from the Secretary of the Executive Committee of the General Insurance Council, conveying certain decisions taken by the Executive Committee introducing far-reaching changes in the Code of Conduct and the Administrative Machinery. If it is possible to improve the tone of the market by introducing these changes, nobody will be more happy than I. I am, however, personally of the opinion that these changes, far from assisting in the development of general insurance business, will hamper its growth. In fact, a dispassionate examination of the situation will show that all the difficulties encountered by the industry at present are primarily due to the very nature of the provisions included in the Insurance Act, which are unrelated to facts, and because they are unreal, artificial supports such as the Code regulations have become necessary to sustain them.

The Insurance Act governs the carrying on of general insurance business in India, and was passed as early as in 1938, when both Life and General business was in the non-Governmental Sector. Life Insurance was nationalised over six years ago, with the result, so far as we are concerned many of the provisions of the Act originally applicable to Life business, have become obsolete. It is, therefore, high time that the Insurance Act as a whole was reviewed and, as I had occasion to refer to in my speeches in the past, an Act in a more simplified form, based perhaps on the model of U.K. Insurance Act, be placed on the Statute Book.

As mentioned earlier, I am personally convinced that most of our difficulties are due to the plethora of restrictive regulations that are included in the Act and the Code. A smooth and progressive development of the industry on the right lines can only be possible by the removal of all such restrictive provisions that impede its natural growth.

My views on this subject are shared by the other Directors of your Company. However, since all the insurers in India, both Indian and non-Indian are, I understand, giving their full support to the recent changes in the Code of Conduct, your Board have also decided to fall in line with other insurers.

REDUCTION IN FIRE PREMIUM RATES

Another point to which I would like to refer is the decision recently arrived at, at the instance of the authorities, to reduce the Fire premium rates. This is the third reduction during the last eight years. The first reduction took place in 1955, when the average worked out at about 10 per cent. A similar reduction was effected in 1960, and hardly two years have passed before a further reduction of about 15 per cent is being brought into force from 1st July, 1962. I am afraid that this important subject has not received the consideration it deserves on the part of the authorities. We are told that the Fire rates have substantial margin of profits, which enables companies to indulge in the so-called unhealthy practices. It should not, however, be overlooked that the previous two reductions, aggregating in all to about 20 per cent in the Fire rates, have not succeeded in eliminating such practices to any material extent. There is, therefore, very little justification to presume that yet another reduction will achieve this objective. It is also well-known that, comparatively both Marine and Miscellaneous Accident business have not at all proved profitable; yet such practices exist in these two classes of insurance also. It is thus apparent that rates have nothing to do with the so-called malpractices.

Apart from this, insurers have to cater to their clients' requirements for all classes of business, and if they make a profit in the Fire Department, such profits help them in meeting, to some extent, the losses in the Marine and Miscellaneous Insurance Departments. This explains our dependence on the profits of Fire business, but if an accusing finger is pointed to such profits alone, and a Nelson eye is kept in regard to the losses in the other Departments, the picture becomes distorted. It is, therefore, essential that the problem is tackled as a whole and, viewed from this angle, there is no justification for reducing Fire premiums rates and that too in such quick succession.

We are told that Marine and Miscellaneous Insurance Departments should stand on their own merits. Whilst on the subject, it may not be out of place to stress that the unfavourable experience of Marine and Miscellaneous Insurance business is not peculiar to Indian insurers only; it is the same problem with companies the world over. If, therefore, Indian companies unilaterally disturb the Marine rate structure, there is every chance of their losing this business to the powerful foreign market.

However, since a decision has already been taken to reduce the Fire rates for the third time from 1st July, 1962, I can only hope that this will be the final reduction and that the authorities will refrain from contemplating further reductions, as such a step will only weaken Indian insurers and impair their healthy growth.

To sum up, I wish to emphasise that, instead of reducing the Fire rates on the one hand, and introducing more and more restrictive regulations in the Code on the other, to support the unreal provisions of the existing Insurance Act, it would be far better to amend the Act itself, on the lines suggested by me earlier, with a view to improving the market conditions."

Company's Building: Referring to the Company's building, Mr. Tulsidas mentioned that the foundation work had been completed and that the construction of the superstructure had been taken up, but we were still experiencing difficulties in obtaining the required supply of building materials such as cement, etc. If we succeeded in surmounting these handicaps, it was expected that, in the normal course, the building would be completed by the end of 1963.

EXPANSION ABROAD

Mr. Tulsidas took the opportunity to mention that the question of starting operations in some of the South-

East Asian Countries where conditions were favourable was under the Company's active consideration, on the basis of a study tour undertaken by an Officer of the Company. In this connection, I would like to mention that, before we extend our activities to a foreign Country, we are required to obtain the permission of the Reserve Bank of India as well as of the Controller of Insurance. Considerable delay is usually experienced in getting such permission, and I would, therefore, appeal to the authorities concerned to cut red tapism to the minimum and assist the Companies in their expansion projects.

COMPANY'S ACCOUNTS

Dealing last with the Departmental Accounts, the Chairman stated that the gross direct premium for the year 1961 was Rs. 60,69,262 in Fire, Rs. 48,97,961 in Miscellaneous Insurance, and Rs. 42,48,244 in Marine, whilst the net premiums were Rs. 50,61,495, Rs. 40,40,335 and Rs. 14,85,797 respectively. After providing for losses and expenses, and reserves at 50 per cent in respect of Fire and Miscellaneous Insurance, and 100 per cent for Marine, and after adding the balance brought forward from the previous year, the net amount to the credit of the Profit and Loss Appropriation Account in all was Rs. 6,61,078. The Directors had transferred Rs. 40,000 to the Staff Gratuity Account and Rs. 3,00,000 to General Reserve and had proposed to pay Thirteenth Dividend on Ordinary Shares at Rs. 3.00 per Share less tax, amounting to Rs. 3,00,000.

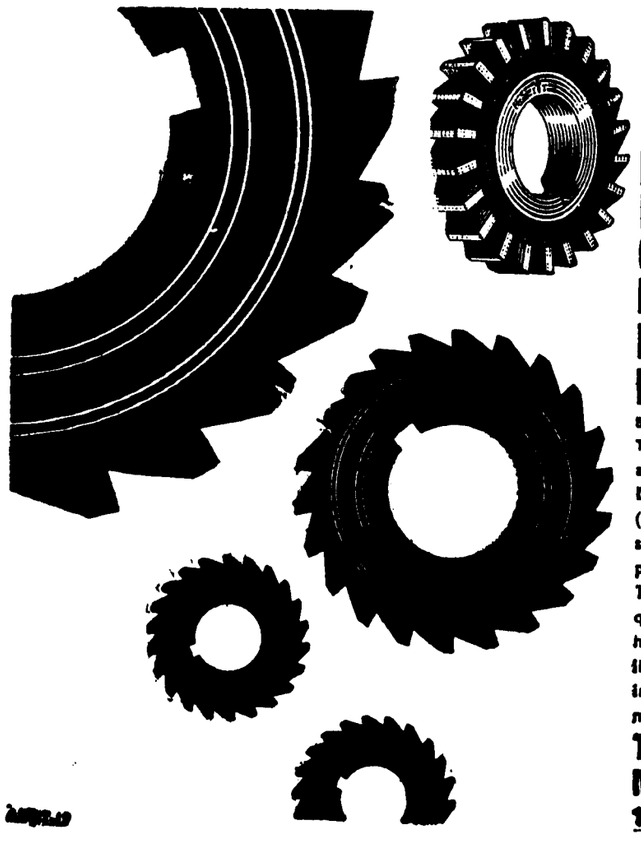
N.B. : This does not purport to be a record of the proceedings of the Annual General Meeting of the Company.

ANNOUNCEMENT

THE PUNJAB NATIONAL BANK LIMITED

Interest rate on Savings Bank accounts will be Raised to 3% p.a.

• with effect from 1.7.1962



I T

DAGGER BRAND CUTTERS FOR LASTING PRECISION PERFORM. ICE

BACKED BY YEARS OF TRADITION and rigid control at every stage of production **DAGGER BRAND CUTTERS** (available in inch and metric sizes) assure precision performance. They are made of superior quality steel, specially heat-treated to ensure long life, and manufactured in India's biggest and most modern factory for small tools.

THE INDIAN TOOL Mfrs. Ltd.

101 Sion Road, Bombay 22.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.0
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	109.9	120.0	145.4	130.6	122.8	123.9	124.9
1961-62	..	120.1	100.3	122.2	142.6	138.8	124.6	126.6	125.1
March	1961 ..	117.5	113.4	121.9	159.1	137.3	128.4	129.7	127.5
April.	" ..	117.6	112.0	121.5	153.1	136.0	126.1	127.5	126.0
May	" ..	117.2	104.1	122.8	152.8	136.9	124.5	126.3	125.2
March	1962 ..	119.2	99.8	123.0	136.3	135.5	124.9	126.4	123.6
April	" ..	120.5	98.8	122.4	135.1	136.9*	125.2	126.8	124.2
May	" ..	124.2	102.0	122.3	134.8	137.3	125.6	127.3	126.2
May 12, 1962	..	123.8	102.4	122.3	134.8	136.0	125.5	126.9	125.9
May 19, 1962	..	125.0*	102.4	122.3*	134.3	137.4	125.5	127.2	126.5
May 26, 1962	..	125.4	102.1	122.3	134.7	138.3	126.2	127.9	127.0
June 2, 1962	..	126.0	102.1	122.2	135.1	138.6	126.1	127.9	127.3

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period		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	—	—	—
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*	.. .. ..	412	431	300	167	400	486	495	168	478	173	170	173
1961	September	417	436	302	169	410	491	499	169	479	171	171	177
	October	415	434	302	168	417	499	501	172	480	176	177	177
	November	415	434	302	170	417	508	497	174	481	180	178	177*
	December	416	435	302	171	410	499	493	175	481	178	177	177*
1962	January	417	436	296*	170	399	513	495	178	482	177	174	175
	February	419	438	—	170	399	513	492	—	480	177	177*	175*
	March	420	439	—	170	—	—	493	—	480	182	175*	175*
	April	—	—	—	170	—	—	—	—	—	182	175*	175*

† Base 1944 = 100. * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 15-6-1962			8-6-1962			1-6-1962			25-5-1962		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 gram)	126.80	125.15	126.06	126.70	124.50	125.43	127.10	125.30	126.18	127.55	124.25	126.03
Silver (per kilogram)	215.95	214.80	215.45	216.90	214.85	215.78	221.75	216.50	218.47	222.00	220.95	221.55

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs.

Period	LIABILITIES: Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	ASSETS: Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
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
1961-62 ..	1,957,42	19,58	1,977,00	117,76	115,93	233,69	11.82	121,65	1,621,65	1,977,00
Average of Fridays										
Feb. 1961 ..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12,58	121,75	1,587,28	1,954,79
March „ ..	1,970,51	14,91	1,985,42	117,76	127,01	244,77	12.33	119,41	1,621,24	1,985,42
April „ ..	2,017,13	18,88	2,036,01	117,76	118,01	235,77	11,58	121,90	1,678,34	2,036,01
Feb. 1962 ..	2,022,55	18,29	2,040,83	117.76	126,11	243,87	11.95	119,51	1,677,45	2,040,83
March „ ..	2,066,22	20,06	2,086,28	117,76	121,86	239,62	11.60	116,49	1,730,17	2,086,28
April „ ..	2,136,62	23,21	2,159,83	117,76	110,61	928,37	10.57	118,65	1,812,81	2,159,83
Week-Ending										
18-5-1962 ..	2,146,66	16,34	2,163,00	117,76	101,50	219,26	10.14	114,37	1,829,37	2,163,00
25-5-1962 ..	2,121,85	41,64	2,163,48	117,76	96,50	214,26	9.90	114,85	1,834,37	2,163,48
1-6-1962 ..	2,112,61	35,06	2,147,67	117,76	92,68	210,44	9.80	114.04	1,823,19	2 147,67
8-6-1962 ..	2,141,30	19,11	2,160,41	117,76	92,68	210,44	9.78	111,78	1,838,19	2,160,41

BANKING DEPARTMENT

Period	LIABILITIES: Deposits: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	Total Liabilities & Assets**	ASSETS: Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
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
1961-62 ..	60,71	16,55	81,95	140,73	299,94	119,13	504,08	19,64	34,10	18,11	63,87	137,69	207,74	22,93
Average of Fridays														
Feb. 1961 ..	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142.06	18.07
Mar. „ ..	61,88	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	134,90	467,38	18,97	55,31	10,60	84,08	135,28	142,78	20,37
Feb. 1962 ..	57,52	16,38	77,10	147,85	298,75	137,30	521.05	18.34	31.16	10,68	61.15	162.63	207.44	29.64
Mar. „ ..	63,22	13,26	77,37	151,76	305,62	141,78	532,39	20,11	44,87	10,88	75,55	179.66	168.20	33,12
April „ ..	65,39	7,96	86,56	153,71	313,62	146,14	544,76	23,28	66,02	8,27	112,72	136,79	162,58	35,11
Week-Ending														
11-5-1962 ..	49,05	18,78	89,04	151,46	308,34	149,51	542,84	26,98	70.60	4,80	109,80	138,98	155.25	36,38
25-5-1962 ..	49,01	15,89	89,12	150,66	304,67	165,23	554,90	41,69	63,48	6,15	104,17	121,74	180,31	37,36
1-6-1962 ..	50,96	13,07	89,38	150,28	303,68	164,70	553,38	35,16	52,45	8,82	103,79	122,19	192,66	38,31
8-6-1962 ..	52,70	8,31	85,06	148,65	294,74	159,53	539,26	19,16	56,19	9,95	111,32	129,66	174,36	38,63

* 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

INDIAN UNION

PUBLIC SECTOR INDUSTRIAL UNDERTAKINGS INCOMPLETE OR NOT IN FULL OPERATION

(Rs. in '000)

1. Name of Concern	Heavy Electricals Ltd.		Heavy Engineering Corporation		Hindustan Photo Films Mfg. Co.	Hindustan Organic Chemicals	Damodar Valley Corporation	
2. Registered Office	Bhopal		Ranchi		Madras	Bombay	Calcutta	
3. Date of incorporation	29-8-1956		31-12-1958		30-11-1960	12-12-1960	1948	
4. Accounting year	Ending 31st Mar.		Ending 31st Mar.		Ending 31st March	Ending 31st March	Ending 31st Mar.	
	1958-59	1959-60	1959-60	1960-61	1960-61	1960-61	1959-60	1960-61
5 Capital Subscribed:								
(a) By Govt. of India	6,04,60*	12,49,60*	2,10,04	6,64,49	..	..	35,67,43*	36,66,75*
(b) By Others	—	—	—	—	..	..	79,02,04**	81,62,40**
							28,22,77@	29,35,51@
6. Reserves and surplus	—	—	—	..	..	..	1,22,60	1,39,58
7 Borrowings	11,69	1,00,13	—	..	..	..	..	..
8. Other liabilities	41,43	97,91	29,69	1,58,76	..	..	1,74,49	1,76,65
9. Total Liabilities (5 to 8)	6,57,72	14,47,64	2,39,73	8,23,25	..	..	1,45,89,33	1,50,80,90
10. Gross fixed assets	..	..	1,54,24	5,15,71	..	..	..	..
11. Depreciation	..	..	..	2,87	..	..	..	..
12. Net fixed assets (10—11)	3,63,49	10,07,19	1,54,24	5,12,84	..	..	1,40,69,31	1,46,57,58
13. Investments	..	..	..	..	..	..	1,09,55†	1,22,28†
14. Current assets	19	24,41	6,35	68,98	..	..	1,86,64	1,69,58
15. Loans and advances	1,20,71	1,59,59	14,39	1,39,59	..	..	1,04	78
16. Cash and bank balances	78,29	11,75	55,29	49,48	..	..	2,22,79	1,30,68
17. Miscellaneous expenditure and losses	95,04	2,44,70	9,46	52,37	..	..	..	..
18. Total Assets (12 to 17)	6,57,72	14,47,64	2,39,73 c	8,23,25	..	..	1,45,89,33	1,50,80,90
19. Wage bill	13,48	26,63	7,12	30,11	..	..	..	..
20. Number of persons employed (actual No.)	1,838	4,281	435	1,716	..	..	21,040‡	19,149‡
21. Remarks	* Includes Share capital Suspense.							

* Central Government.
** West Bengal Government
@ Bihar Government.
† Relate to investment of Contributory Fund.
‡ Excludes contractors labour.

INDIAN UNION

PUBLIC SECTOR INDUSTRIAL UNDERTAKINGS INCOMPLETE OR NOT IN FULL OPERATION (Contd.)

(Rs. in '000)

1. Name of Concern	Indian Oil Company Ltd.	Indian Refineries Ltd.		National Mineral Development Corporation		Neyveli Lignite Corporation Ltd.		National Building Development Construction Corporation Ltd.
2. Registered Office	Bombay	New Delhi		New Delhi		Neyveli		New Delhi
3. Date of incorporation	30-6-1959	22-8-1958		15-11-1958		14-11-1956		15-11-1960
4. Accounting year	Ending 31st March	Ending 31st March		Ending 31st Mar.		Ending 31st Mar.		Ending 31st Mar.
	30-6-59 to 31-3-60	1959-60	1960-61	1959-60	1960-61	1959-60	1960-61	1960-61
5. Capital Subscribed :								
(a) by Govt. of India	2,25	1,50,00	6,90,00	40,53	1,68,03	28,49,48	48,26,22*	..
(b) by Others	..	..	..	..	..	..	..	..
6. Reserves and surplus	..	3,90	7,53	..	..	..	..	..
7. Borrowings	..	95,47	4,52,55	..	..	84,47	90,61	..
8. Other liabilities	15	1,23,65	1,08,10	13,31	13,70	99,00	1,62,65	..
9. TOTAL Liabilities (5 to 8)	2,40	3,73,02	12,58,18	53,84	1,81,73	30,32,95	50,79,48	..
10. Gross fixed assets	20	1,67,30	8,77,58	..	..	..	..	..
11. Depreciation	..	51	7,93	..	..	..	..	..
12. Net fixed assets (10—11)	20	1,66,79	8,69,65	19,17	82,51	17,17,88	28,23,34	..
13. Investments	..	3,56	81	..	..	..	..	..
14. Current assets	..	93,41	1,59,75	..	64	2,11,28	2,61,64	..
15 Loans and advances	1	74,62	1,14,47	1,78	6,40	5,41,81	13,54,93	..
16. Cash and bank balances	1,58	34,64	1,13,50	4,92	30,66	1,50,02	53,20	..
17. Miscellaneous expenditure and losses	61	..	..	27,97	61,52	4,11,96	5,86,37	..
18. TOTAL Assets (12 to 17)	2,40	3,73,02	12,58,18	53,84	1,81,73	30,32,95	50,79,48	..
19. Wage bill	16	89	41,77	4,51	12,26	1,25,06	1,89,98	30
20. Number of persons employed (actual No.)	..	835	1,426	3,05	5,38	17,435**	23,565**	36
21. Remarks						*Includes Rs. 7,30,00,000 share Capital deposits. **Includes both casual and regular workers.		

Wherever fine suits are worn, there's DIGJAM WOOLLENS

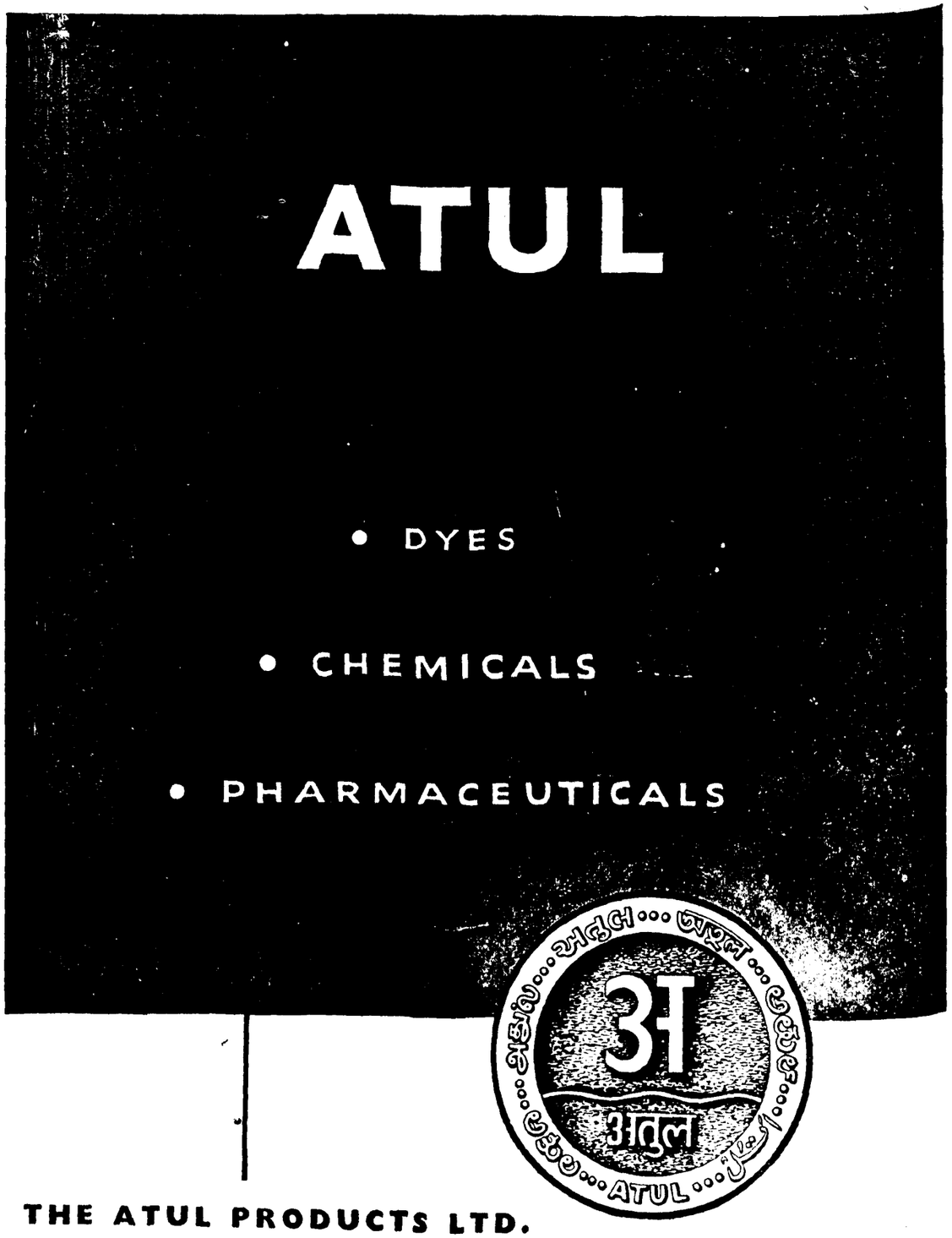
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The Indian Economy in 1961

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1961: Expansion Under Strain

THE calendar year 1961 promises to surpass, at least in terms of national income and the rate of industrial production, any previous year in the history of the Indian Union. It is a little too early to speak about the agricultural year 1961-62 since there still exists some uncertainty as to the damage done by floods, and all that can be said at the present time is that jute has been markedly successful. Nevertheless, assuming that agriculture is no worse than last year, the rise in industrial production of 8.3 per cent in the index—but because of the inadequacy of weighting with base 1951=100, substantially more, perhaps 12 per cent in practice—gives some indication of the buoyancy of the industrial system. Per capita income in the Indian Union has probably risen significantly again, although the rate of rise will not be as high as in 1960-61. All in all, one can look upon the year with assurance reflected in all the indices of economic growth — national income, industrial production and indices of consumption. Less happily, there has been a significant rise in prices and particularly of the working class consumer price index and the improvement in banking deposits has been slow and halting.

Against the fairly optimistic picture presented with the conclusion of the Second Plan which ended in the year, must be set the greater demands of the Third Plan. It is true that foreign exchange for the first two years of the Third Plan has been underwritten, but at the time of writing the detailed sanction of projects included in these proposals has not been obtained; these are to be discussed only at the end of January at a new Aid India Club meeting. Project preparation for the Third Plan has been slow, and now that new additions have been made in the power field, there will probably be more controversy as to where additional finance is to be found for its fulfilment. At the same time, the position on India's foreign exchange payments front has become more critical, and even with a loan from the International Monetary Fund, there is no likelihood of any short-term relief in a critical payments situation. The shortage of foreign exchange has also been reflected in rupee resources, and stringency has now appeared in the banking system with the ratio rising to about 65 per cent with the busy season by no means concluded. It is certain that stringency might be acute at the peak of the busy season.

The year has reflected, as the articles that follow show, both the light and shade of the elements which have been described above. Broadly, the picture is one of vigorous expansion under increasing strain; so long as the strain is taken on the foreign exchange front, one might assume that the internal buoyancy of the system will carry us over without serious mishap. A particular buoyant factor has been the rise in industrial profits which seems to suggest that even heavy taxation can be taken in the country's stride at this moment. The Reserve Bank's figures published both for public and private companies are only for the year 1959, but before tax these showed a rise of about 40 per cent, though gross profits included depreciation and slightly higher figure for profits before tax after depreciation. The picture is naturally a mixed one since some industries are doing much better than others. But there has scarcely ever been a time when the urge to obtain licences has been more powerful and the foreign collaboration so willing to play.

On the other hand, political currents are increasingly uncertain. Foreign reaction on Goa may be transient but it was more vigorous than anticipated and Government expenditure, particularly on defence of the China border, cannot be small. Taxation need be higher than anticipated. How much room is there to manoeuvre? Probably not very much.

Agricultural Production

WITH the near achievement of the Second Plan target of 80 million tons of foodgrains, it would not be an overstatement to aver that the year 1961 has added a refreshing page to the history of Indian agriculture. Despite the persistence of the periodical draughts and floods, to which this country has long been heir, the concerted efforts directed towards agriculture during the last decade of planning would appear to have begun at last to pay dividends, albeit inadequate yet. It is not necessary to compare our agricultural progress with those of the advanced countries to convince ourselves how backward we still are and how much more we have to do to accelerate the rate of growth in this sector in order to meet the needs of our rapidly growing population—10 million a year if the present rate of increase is maintained. It is only necessary to mention that, during the past ten years—1950-1960 — the annual average foodgrain imports amounted to over 2.8 million tons. This, coupled with the fact that, in spite of all the awareness shown and the attention paid to this sector, the problem has persisted, ought to convince anyone of the challenge that confronts this country. As was rightly pointed out by the F.A.O. in its World Agriculture Output and Trade Review, in spite of the higher world agricultural output in 1960-61 than in the previous season, the present level and rate of growth of agriculture has been very low either in terms of the requirements or in terms of exports of underdeveloped countries.

Be that as it may, whatever increase we have had in agricultural production so far is mainly due to such extensive and intensive cultivation as has been undertaken since the last 10 years. The cumulative effect of these efforts has been to bring by the end of the Second Plan, as much as 70 million acres under cultivation, and, by the end of the Third Plan, it is further contemplated, this figure would be around 90 million acres. This means that the additional land that could be brought under cultivation in the years to come would be nominal, and, as Dr. V.K.R.V. Rao, observed in his presidential address to the 21st Annual Conference of the Indian Society of Agricultural Economists, an all-out effort would have to be made in order to increase the yield per acre by about 50 to 60 per cent., on an average, in the next 10 years so as to meet the increased needs that would have to be covered by then. In the context of the huge task ahead, this implies, even if the allocation to agriculture of Rs. 1,280 crores in the current Plan happens to be nearly double that of Rs. 667 crores provided for agriculture in the Second Plan, it still falls very much short of what would appear to be necessary.

Several far-reaching measures, such as, for example, the proposal to set up a Development Corporation for Agriculture, have been taken no doubt. Hitherto, Central Land Mortgage Banks and State Co-operative Banks used to give only short-term loans, (even these no doubt were of great help to the farmers), but the long-term needs of agriculture remained woefully neglected, as they seemed to be nobody's business.

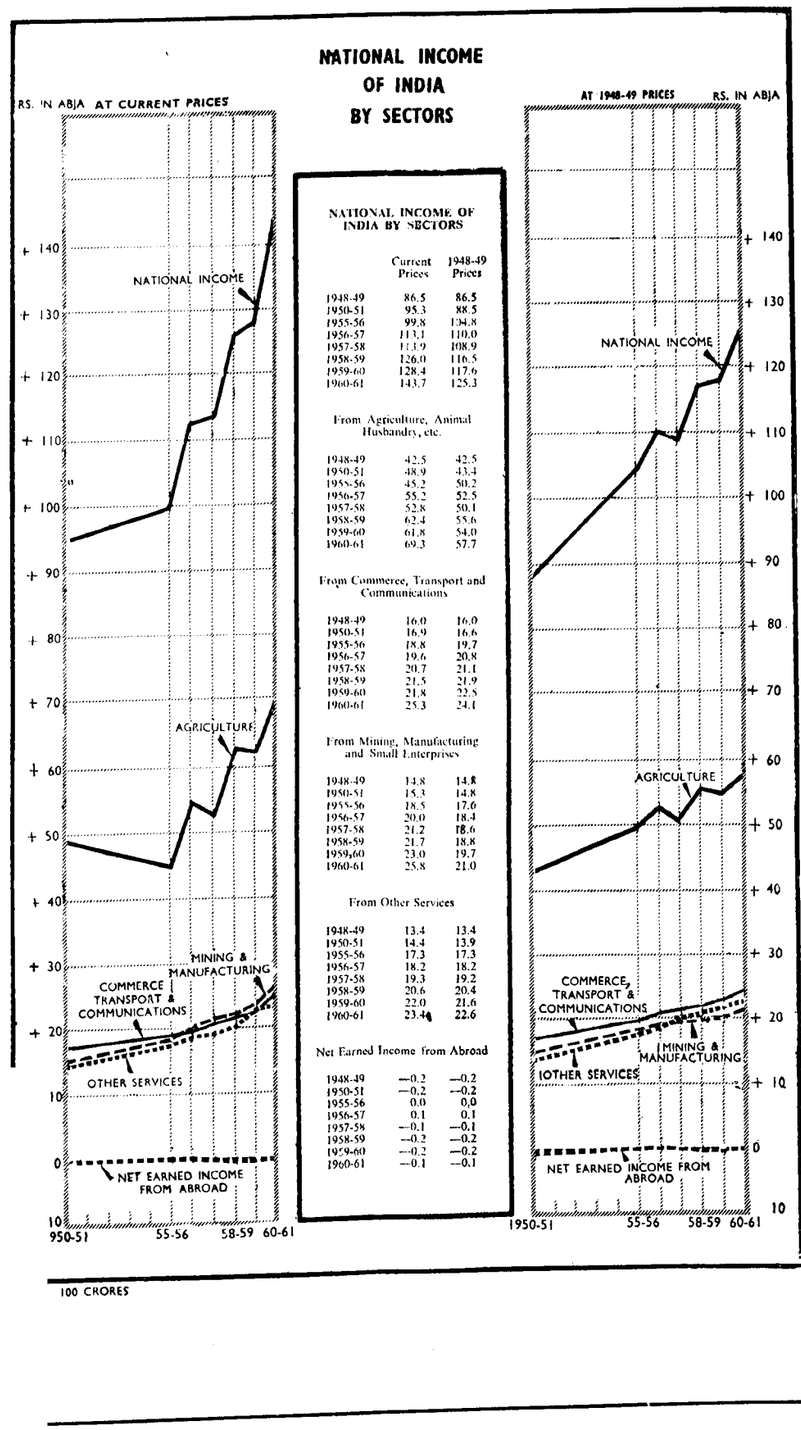
According to the latest available official estimates, agricultural production in 1961-62 is likely to surpass the level of 1960-61. Even the possibility of such improvement in the face of the devastating floods in the U.P., Bihar, Madras and Kerala during the year under review should make gratifying reading. The index number of agricultural production (1949-50 = 100) rose from 127.2 in 1959-60 to 135.0 in 1960-61, an increase of nearly 6.3 per cent. In actual figures, the increase of agricultural production in 1960-61 over that in the preceding period, according to the all-India final estimates released by the Directorate of Economics and Statistics, amounted to 2.7 million tons in rice, 0.6 million tons in wheat, 1.1 million tons in jawar, 0.7 million tons in gram and 0.4 million tons in tur dal.

Among cash crops, sugarcane touched a new peak at 86.9 lakh tons in terms of gur, registering a rise of 13.3 per cent over 1959-60. In the case of cotton, the total production stood at 53.94 lakh bales, thereby registering an increase of 46.7 per cent over 1959-60, but the current season's production, it is feared, would be very much lower, say around 48 lakh bales Except in the case of groundnuts (plus 10.5 per cent), rapeseed and mustard seed (plus 31.8 per cent), there was a fall in production of other oilseeds, especially castor seed and linseed. However, the overall oilseeds production stood at 65.3 lakh tons in 1960-61, as against 58.85 lakh tons in the previous year. But there was a sharp decline in the production of jute, of as much as 12.5 per cent compared to the output in the 1959-60 season, mainly due to unfavourable weather almost throughout the season. But, in the current season, it is estimated, the production of raw jute would improve perceptibly.

Industrial Production

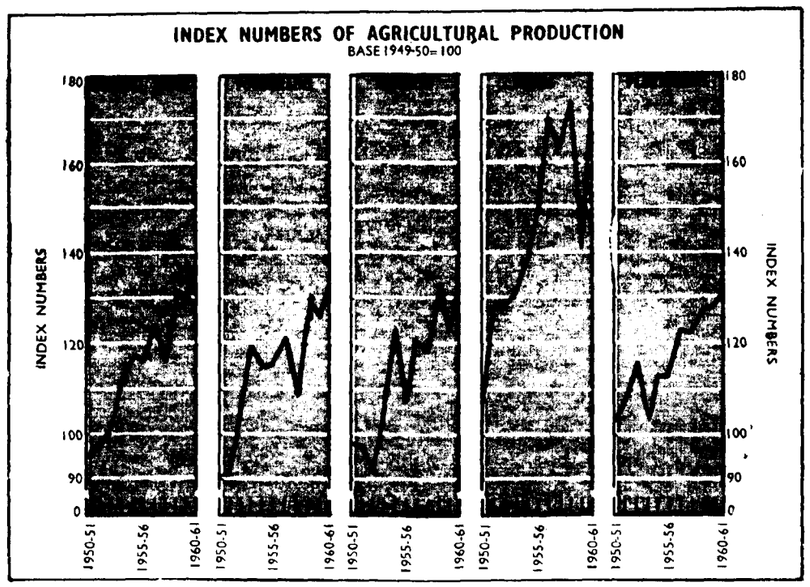
OVERALL, no doubt, industrial production in India in 1961 increased, but the rate of such increase was relatively lower either in comparison with that of the previous year or in terms of growth as visualised by the planners. A number of factors contributed to this, the more important of these being the foreign exchange shortage which limited imports—both developmental and maintenance—the acute power paucity which was especially pronounced in certain regions, and the transport bottleneck, not to speak of shortages of raw materials, such as jute which led to curtailed hours of work, block closure, sealing of looms, etc., all of which affected the quantum of output of certain industries. The sudden breakdown in the Rourkela Steel Plant, as also the increased ash content of the coal supplied had the effect of seriously curtailing the country's steel output, thereby upsetting the hopes and calculations of the authorities who had bargained for a steady uptrend in our steel output. The latter factor—higher ash content of coal—hit the steel production in the private sector also. Even coal production, the monthly average of which was about 5.5 million tons during the first five month-period, fell to the Second Plan period average level, which was distinctly lower. The cumulative effect of all these was a perceptible decline in the rate of production. In fact, while the percentage increase was as much as 12.2 in the first eight months of last year, the rate of such increase over the same period in 1961 was only 9 per cent. The seasonally adjusted general index of industrial production (base: 1951=100) commenced the year at 183.9 and moved to the peak level of the year (186.9) in March. Thereafter, the index number declined to 173.2 in July, though the provisional figure for August appeared better at 174.1.

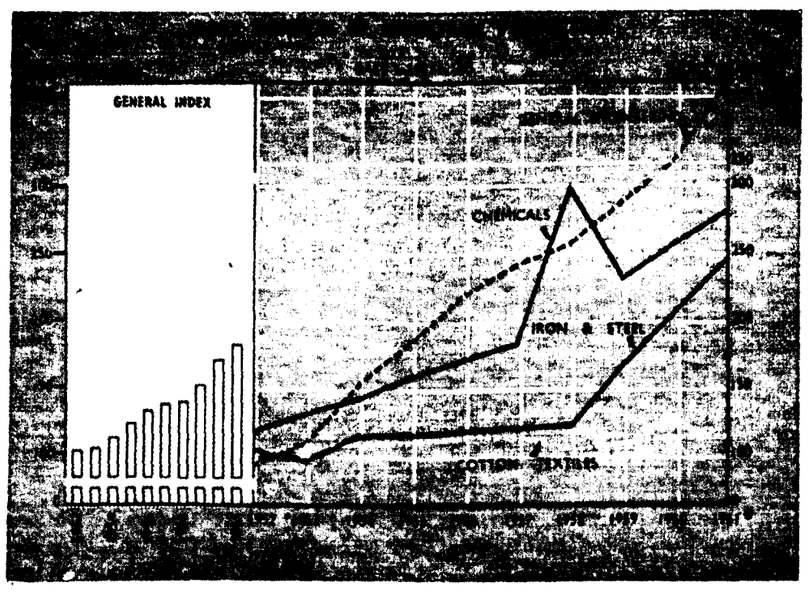
The actual production trends in some of the major industries may now be reviewed. To begin with the textile industry, which is the biggest organised industry in the country. The total production of cotton piecegoods in the first ten months recorded an increase of 112 million yards over that for the corresponding period of the previous year, the actuals being 4,284 million



NATIONAL INCOME OF INDIA BY SECTORS

	Current Prices	1948-49 Prices
1948-49	86.5	86.5
1950-51	95.3	88.5
1955-56	99.8	134.8
1956-57	113.1	110.0
1957-58	113.9	108.9
1958-59	126.0	116.5
1959-60	128.4	117.6
1960-61	143.7	125.3
From Agriculture, Animal Husbandry, etc.		
1948-49	42.5	42.5
1950-51	48.9	43.4
1955-56	45.2	50.2
1956-57	55.2	52.5
1957-58	52.8	50.1
1958-59	62.4	55.6
1959-60	61.8	54.0
1960-61	69.3	57.7
From Commerce, Transport and Communications		
1948-49	16.0	16.0
1950-51	16.9	16.6
1955-56	18.8	19.7
1956-57	19.6	20.8
1957-58	20.7	21.1
1958-59	21.5	21.9
1959-60	21.8	22.5
1960-61	25.3	24.1
From Mining, Manufacturing and Small Enterprises		
1948-49	14.8	14.8
1950-51	15.3	14.8
1955-56	18.5	17.6
1956-57	20.0	18.4
1957-58	21.2	18.6
1958-59	21.7	18.8
1959-60	23.0	19.7
1960-61	25.8	21.0
From Other Services		
1948-49	13.4	13.4
1950-51	14.4	13.9
1955-56	17.3	17.3
1956-57	18.2	18.2
1957-58	19.3	19.2
1958-59	20.6	20.4
1959-60	22.0	21.6
1960-61	23.4	22.6
Net Earned Income from Abroad		
1948-49	—0.2	—0.2
1950-51	—0.2	—0.2
1955-56	0.0	0.0
1956-57	0.1	0.1
1957-58	—0.1	—0.1
1958-59	—0.2	—0.2
1959-60	—0.2	—0.2
1960-61	—0.1	—0.1





yards, as against 4,172 million yards last year. Even so, it is feared, the total production for the entire year might not reach the hoped for level of around 5,550 million yards, that is 10 per cent more than in 1960 as was jointly agreed to by the Government and the industry. On the basis of the average for the first nine months of the year, it may at best apporach the 5,200-million-yard level. The main snag in respect of the cotton mill industry has been the paucity of home-grown cotton. (Indian cotton output in 1960-61 season at 37½ lakh bales was the lowest in several years.)

The total coal production in the country for the first nine months of the current year was an improvement over the previous year at 42.24 million metric tons; the corresponding total for 1960 was only 38.8 million metric tons. Though an improvement, this rate of production in the first year of the Third Plan not only falls short of the average rate of production to fulfil the Third Plan target, but is substantially lower than even the average rate needed to fulfil the target of 60 million tons, as had been set for this industry in the Second Plan. The average monthly output in 1961 for the first nine months (Jan.-Sept.) was no more than 4.7 million tons. In other words, the tempo of coal production has remained slack.

The production of sugar, on the other hand, increased sharply from 2,420,000 tonnes in 1959-60 to 3,000,000 tonnes in 1960-61, resulting in a sizeable rise in sugar stocks. It is expected that, as a result of this, the carry-over will increase from 1.1 million tons to 1.2 million tons, even after taking into account the slight increase in consumption that may be expected with the lifting of the control. In the current season (1961-62) too, despite the 10 per cent cut, the estimated production for the season might be around 2,700,000 tonnes.

Among our major industries, it is the jute industry perhaps which had to pass through one of its worst years, owing to acute raw jute shortage, power cuts, sealing of looms, and reduction in working hours. As a result, the monthly average percentage of sacking production declined from 54.4 in January to 44.5 in August. Since the new crop began to arrive, however, the raw material supply position, and with it, jute goods output also, has started improving. At the time of writing it is gratifying to be able to state that the jute mills have reverted to their level of production in 1960 before the effects of the jute shortage came to be felt. The total production for the 11 months of the year amounted to 8,588,000 tons, as against 9,764,000 tons for the corresponding period of 1960. The output of hessian and sacking fell from 3,889,000 tons and 4,915,000 tons in Jan.-Nov. 1960 to 3,130,000 tons and 4,271,000 tons, respectively, in the 11-month period ended November 30.

In the Iron and Steel Industry, the average monthly production stood at 2.25 lakh tons (first six months' average, as against 1.70 lakh tons over the same period of the previous year. But this performance is certainly not up to the mark, taking into consideration the expansion programmes that were effected in the industry in the public and the private sectors alike. There was also an increase in the average monthly production of pig iron which stood at 4.1 lakh tons (first six months' average), as against 3.32 lakh tons over the same period last year. The production of both pig iron and steel would have been much higher, had there been no coal crisis, no shortage of limestone, no paucity of transport and, last, but not least, no breakdown in Rourkela.

As in the case of steel, in the cement industry also, the production record was hardly satisfactory, although there was an increase in the quantum of output absolutely. Thus, the average monthly production amounted to only 6.77 lakh metric tons, on the basis of the first seven months' figures, as against last year's average of 6.53 lakh tons. In contrast, according to a survey conducted by the ACC, the average requirements per month are estimated to be nearly 10 lakh tons, while, according to the Third Plan estimate the country has to reach an average production level of 13 lakh tons.

Production levels in some of the new industries, especially electrical and engineering industries, as also paper and paper board industries, were higher. Increases in output were noted too in rayon and yarn, copper, aluminium, and chemicals and fertilisers.

Transport

RAILWAYS

THE year that we have put back has verily been a year full of accidents for the Indian Railways. There have been a series of very bad accidents commencing with the derailment of the Madras-Bombay Express at the Kosgi Railway Station resulting in the death of the driver and two fire-men and injuries to nine passengers. Hardly had the public time to forget this than there was the Howrah-Ranchi Express tragedy in which 51 passengers died and 195 were injured. This was followed by the Tundla-Furukhabad down passenger train derailment involving the death of 20 persons and injuries to 61 persons. Published railway accident statistics show that, during the first six months of 1961 alone, there were nearly 1,890 accidents, out of which over 760 were derailments, nearly 60 collisions, 40 averted collisions, and 135 fires in trains, among others That so many accidents should have occurred at a time when all care and caution is claimed to have been taken is not very flattering to our Railways. It is worthwhile noting, in this connection that the percentage of overaged locomotives to the total stock on the broadgauge by the end of the Third Plan is estimated to be higher than at the end of the Second Plan — nearly 27 per cent. Add to this the many weak tracks which have fallen due for urgent repairs, and you have some explanation for the many accidents this year.

However, the year under review also witnessed the first India-made electric locomotive move out from the Chittaranjan Works (some 21 more expected to follow in the series by the end of February 1963 — as many as 16 of these have been ordered by the Southern Railways to be run between Madras and Villupuram, the section that is presently being electrified.) In the context of the prevailing transport condition, the need for more electrified sections is obvious. Yet, unfortunately, out of the total allocation of Rs. 1,375 crores (including the latest proposed addition of Rs. 50 crores) for the railways, only Rs. 70 crores have been earmarked for railway electrification. Perhaps this cannot be helped, to some extent, because of the power shortage in the country.

It is something of a comfort to be told, therefore, that — to make up for this shortage — there are prospects of more diesel oil locomotives being indigeneously produced. With the establishment of Nunmati and Barauni refineries, we are told, sufficient diesel oil would be available for diesel locomotives which are now imported from abroad. A diesel locomotive covers as many as 7,500 miles a month, averaging nearly 250 miles a day, as against only 82 covered by an average steam locomotive. The Indian Railways have today a fleet of 181 diesel locomotives, and another 250 or more ordered from abroad are expected to be received soon.

Among all the Afro-Asian countries, India has not only the biggest network of railways but her own workshops and highly skilled technicians engaged in building locomotives and coaches. As such, she is in a relatively more advantageous position than others to give the lead to several of the yet-to-be developed nations of Asia and Africa through constant help and advice. An opportunity was provided to take soundings, as it were, of the extent to which such co-operation could go, when the third Asian Conference was held in New Delhi on November 13. As our Vice-President, Dr. S. Radhakrishnan, said whilst inaugurating this Conference, "A conference of this kind will help us to understand our special problems and establish closer relationship between the different countries which will be to our mutual advantage." Here is an avenue which, if tactfully and properly exploited, would open up a vista of great potentialities for our exports, both physical and invisible.

ROADS AND ROAD TRANSPORT

ALTHOUGH relatively greater awareness than before is being evinced lately, the problem of road transport has, by and large, continued to remain the weakest link in our transport chain, the planners notwithstanding. The treatment meted out to roads by the powers-that-be is an unrelieved record of the pre-Independence mistaken notion that road development would be harmful to railways. It is a pity that, even with the past experience of other countries like England and Germany to guide us, we have not outlived this concept. In the the result, the Government's whole approach to road transport is anything but realistic and imaginative. This was pithily put by the President of the Indian Road Transport and Development Association, Dr. F. P. Antia, in these words: "If our national income is to increase from Rs. 14,500 to Rs. 19,000 crores during the Third Plan period, our transport facilities should be increased by about 78 per cent. This would involve the provision for long distance transport for 342 million tons of goods in 1965-66, as against 192 million tons carried in 1960-61. The railways would carry only about 245 million tons. Having regard to the limited capacity of other means of transport, the country is threatened with a transport shortage of unprecedented magnitude of approximately 70 million tons." Surely no one can regard a plan that can afford to be complacent about such a sizeable shortage as realistic. The position then is not only serious but also presents a challenge to the authorities concerned, if they are really keen that their good work on the other fronts is not to be foundered on the rocks of road shortage.

The debate on road-rail rivalry has gone on so long in this country that few still have any illusions on the subject. Today, more than at any time before in the economic history of this country, the value of good and ample road mileage is recognised. Although the railways have become the most important means of transport, especially from port areas, even railway interests do not dispute that, to meet the internal demands, it is not only desirable but imperative to allot a greater share to the roads in the country's transport system. Viewed from a purely economic angle roads are any day a better proposition. Thus, road construction needs only a third of the outlay needed for railways. Furthermore, the operating costs on roads work out much lower than the present average railway rate of Rs. 6.10 per ton-mile for revenue-earning traffic. Besides these and a host of other advantages, road development is essential to serve the ever-increasing needs of the nation as a complementary agency. If, in spite of all this, the roads have received from the Planning Commission an allocation of only Rs. 324 crores, excluding Rs. 29 crores from International Development Association, as against Rs. 1,325 crores (since raised by a further Rs. 50 crores) received by the railways in the Third Plan, one can only say it is unfortunate. Road transport today is what it is because of:

(1) Physical restrictions on long-distance road transport,

(2) excessive taxation (for an average vehicle the tax in India is higher than in the U.K., or the U.S.A., let alone in any Asian, undeveloped country), and

(3) lack of good roads.

If this is all the recognition and the reward, what has been the record of roads?

By the end of the Second Plan, that is as on 31-3-1961, the targets set out in the pre-independence Nagpur Plan (1943) were exceeded; the mileage of surfaced roads reached 144,000, as against 123,000 and unsurfaced roads were well above 250,000 miles, as against 208,000 miles. However, about 60 per cent of the total mileage still consisted of earth roads only. Out of the total road mileage in the country, 150,000 miles constitute National Highways, but only about 2,300 miles of these are two-lane carriage ways. No wonder then that the Planning Commission itself has commented that, "despite considerable expansion of the road-mileage over the last ten years, the road net-work remains deficient in certain respects." But this admission hardly means anything. Perhaps the Planning Commission will be proded to action by way of a higher allocation to roads, only after the Neogy Committee on Transport Policy and Co-ordination in its final report comes to the conclusion, after its investigations are over, that deficient road transport acts as a drag on economic development.

Along with our developmental programmes, as is only to be expected, our transportation needs also have risen. This is especially so in the sphere of road transport, covering both passenger and goods transport. Thus, whereas, in 1949, there were only 73,000 goods-vehicles, the number today (1960-61) has gone up to about 160,000. Over the same period, passenger-vehicles have increased from 27,275 to about 50,000. Although seemingly spectacular, this increase has been far from commensurate with the decade's growth in the volume of traffic. This is so because the target set for the manufacture of vehicles in the Second Plan was only 40,000 and the actual production was lower still at only 30,000, thanks to shortage of foreign exchange. This situation calls for a thorough reappraisal of the position and a complete reorientation of approach, as was refreshingly evident the other day when the Planning Commission was reported to have declared that the small car plan could not be accommodated in the Third Plan. For the measures taken so far, such as tax-relief, and liberalisation of licensing policies, though helpful to some extent, have failed to yield the expected results. Further, it is no use merely fixing a target if the foreign exchange required to achieve it is not ensured. During the Third Plan, the target for commercial vehicles has no doubt been fixed at double the production level of 1960-61, but without sufficient foreign exchange to back it, the powers-that-be would only be risking a repetition of the none-too gratifying experience of the Second Plan.

SHIPPING

THE year 1961 will go down in the annals of Indian shipping as the year that saw our shipping achieve international status. This happy consummation followed the inauguration, on November 27, 1961, of the Indian Committee of Lloyd's Register, which is a recognition, albeit belatedly, by Lloyd's Register of Shipping of India's growing importance as a maritime and industrial country. Consequent on this, India can also make her contribution to the solution of world shipping problems by participating in the General Committee of Lloyd's. Another notable development of the year was the acquisition of the 42,000-ton tanker—Adi Jayanti — by the newly formed Indian shipping company, the Jayanti Shipping Co. of Delhi. With this addition, it has become possible to claim that our Second Plan shipping target of 900,000 G.R.T. has been reached. Nevertheless, the actual Indian tonnage as at the end of the Second Plan (31-3-1961), consisted of 172 vessels still totalling only 858,000 G.R.T. However, with the acquisition since of five more vessels aggregating 51,000 G.R.T. (offset to the tune of 1,400 tons, thanks to the disposal of an old vessel of that capacity), the total tonnage today is 908,000 G.R.T. Of this, over two-thirds is employed in the overseas trade, and the rest in the coastal trade.

Notwithstanding this, the share of Indian Shipping in the total foreign trade has continued to remain very low, being of the order of only 7 to 8 per cent. For a coastline of about 3,500 miles, (excluding the erstwhile Portuguese colonies which have become an integral part of the Indian territory now), we have only seven passenger ships, out of which five are being used for the Konkan Service and the remaining two are employed at Danushkodi. Besides these, there are three tankers. (24,000 G.R.T.) which are on charter with the three oil refineries in India for transport of their respective products.

An event of some significance to Indian shipping in 1961 was the amalgamation of the State-owned Eastern and Western Shipping Corporations into the Shipping Corporation of India. It will be recalled that such a merger was recommended by the Estimates Committee as early as in 1959. Better late than never, this merger has at last come about which should enable our country to make considerable headway in the future in not only intensifying the present trade routes but also in opening up new ones. Already two new routes have been opened, one between India and the Far-East and the other between Japan and India/U.K. and the Continent.

On the shipbuilding front, although, early in the year, there was a dearth of orders, the Hindustan Shipyard at Visakhapatnam began gradually to experience brisk activity, so much so that the pending orders with the yard for six new ships are expected to be sufficient to keep it busy till almost the end of 1963. The Government has also sanctioned to the yard a grant of Rs. 2.5 crores for its developmental programmes. Although this has helped relieve the hardship of the yard considerably, its requirements, especially in the form of foreign exchange, are admittedly greater, but help has not been forthcoming in the requisite measure, though this industry is acknowledged to be one of the primary channels for earning foreign exchange. This serves further to underscore the inadequacy of the Third Plan allocation of Rs. 55 crores only to Shipping. It is a great pity that this allocation has not been raised, despite the fact that the attenion of the authorities has been repeatedly and pointedly drawn to this lacuna. One expected that, if only by reason of the tempo of increased industrialisation and the steady rise in the volume of our foreign trade, the authorities would have ensured the maintenance of an annual rate of increase of at least 100,000 tons as during the Second Plan. The irony of it—or is it the tragedy?—is that, even after accepting the need for greater allocation thus, the powers-that-be have chosen not to provide for it.

While shipping generally has been stalled thus, because of limited resources, the fate of coastal shipping has been positively disappointing. Thus, in the First Plan period, as against a target of 3.12 lakh tons, what was actually achieved was only 2.40 lakh tons; during the Second Plan also, as against the set target of 4.20 lakh tons, only 2.68 lakh tons could be achieved. How this came about is common knowledge. It was certainly not due to any lapse on the part of the shipping interests. To quote that acknowledged authority on shipping, Mr. M. A. Master, "The railways continued their policy of diversion....This created a serious crisis for coastal vessels."

AVIATION

AS in the case of shipping, the year 1961 marked yet another milestone in the history of Indian Aviation. The Indian Airlines Corporation made some profit, though not comparable with those of others, and to the gratification of all concerned, the year rolled by without any untoward happening, in contrast to the record of our railways. During the year, there were no air crashes resulting in loss of life or property in India, though the year witnessed elsewhere some of the worst crashes in the post-war years. To the user of India's airways, of particular importance and interest has been the decision of the authorities gradually to replace Dakotas with Viscounts which, it is claimed, are not only better suited but do not also involve any extra operational costs.

The Air-India International also recorded a big increase in its operational profit — from about Rs. 18.19,332 in 1959-60 to about Rs. 1,17.13,500 in 1960-61. This is stated to be the highest profit earned since the inception of this company. If boeings 707 inter-continental jets were introduced on the A.I.I. routes and the A.I.I. entered the North Atlantic routes last year, this year has seen the introduction of Boeing Services on the India-Japan route (January, 1961) and the India-East Africa route (May, 1961). It may not be out of place to note that a super constellation service was extended to Kuwait in the Persian Gulf, via Karachi and Bahrein, late last year (October, 1960).

The report of the A.I.I. for 1960-61 makes the notable point that tripartite arrangements — made between the B.O.A.C. and the Quantas Airlines and the A.I.I. last year — have proved to be of great advantage. In view of the particularly difficult conditions it has been experiencing during the current year, however, it would appear, these arrangements may not prove profitable. According to the A.I.I. Report, there are reasons to believe that the A.I.I.'s profits in 1961-62 might be affected adversely. On the other hand, the trade discussions that are afoot between 'Lufthansa', of West Germany and the A.I.I. to run the Boeing via Dusseldorf, if successful, might be of some advantage to the A.I.I., and, in that event, as the report has pointed out, "the future may continue to be viewed with confidence."

A new chapter was opened in India's aviation history with the successful test flight this year of H.F. 24

jet plane, made in the Hindustan Aircraft Factory at Bangalore. Close on its heels came another successful test flight, also by an India-built transport plane "AVRO 748" from the I.A.F.'s Kanpur Workshop, which is claimed to be completely fabricated from indigenous materials except for the engine supplied by a U.K. firm.

Foreign Trade

ALTHOUGH India had an adverse trade balance in the year 1961 also, the extent of such deficit not only showed a slight decline absolutely as compared to the previous year but also a slowing down in the annual rate of increase in it which was witnessed during the past few years. Thus, as against an increase of Rs. 59 crores in 1959 and of Rs. 37.49 crores in 1960, there was actually a decline of Rs. 3.43 crores in 1961. Another gratifying feature of the country's foreign trade in 1961 was that the average monthly exports were the highest in three years at Rs. 55.44 crores (on the basis of the first ten months's figures). True, the average monthly imports at Rs. 79.44 crores also were similarly the highest for the past three years, but the rate of increase in the average monthly exports was a shade higher. Yet the fact remains that we are still not out of the woods, inasmuch as the tempo of improvement in exports, even taking the best monthly performance of Rs. 61.36 crores in August, 1961, falls short of the minimum monthly average of Rs. 61.75 crores as per the relevant estimates in the Third Plan.

The total imports for the period January-October, 1961 amounted to Rs. 794.44 crores, as against Rs. 761.72 crores for the same period in the previous year representing an increase of Rs. 32.72 crores. Exports, including re-exports, also rose from Rs. 518.21 crores in 1960 to Rs. 554.36 crores in 1961, thereby accounting for a slightly higher increase of Rs. 36.15. In the result, the trade gap between imports and exports over the ten-month period declined by Rs. 3.43 crores, from Rs. 243.51 crores in 1960 to Rs. 240.08 crores in the year under review.

A detailed study of the composition of our imports shows no great departure from the previous years' patterns; only the year saw the restrictive import policy tightened further with 120 more items falling under the import-cut axe. The lion's share of the increase in imports was accounted for by machinery and transport equipment, according to the detailed figures available for the first eight months. The imports of these items rose from Rs. 187.02 crores in 1960 to Rs. 250.80 crores in 1961. There was a further decline in imports of foodgrains in 1961. Thus, whereas wheat imports aggregate Rs. 22.31 crores for the first six months of 1961 as compared to Rs. 26.77 crores over the same period in the previous year, those of rice registered a decline to Rs. 2.73 crores from Rs. 2.91 crores in 1960. Notwithstanding this, however, the country's food import bill ran into Rs. 98.40 crores for the first eight months of 1961, as against Rs. 86.25 crores in the corresponding period of the previous year, due to higher prices. The other items that accounted for the rise in imports included beverages and tobacco, chemicals, mining construction and other industrial machinery, motor vehicles, iron and steel, and miscellaneous manufactured articles.

The better performance on the export front in general during the year under review was mainly due to increases — both in volume and in value — of some of our traditional exports, especially tea, cotton, food, and sugar, as also manufactured goods. There was no visible boosting up of our exports to any market, except to Russia, so that the increased offtake was accounted for only by India's erstwhile and long-standing importers. To some extent, the improvement was also due to the increase in price of the exported items. If the trend noticed in the latter part of the year under review were to last throughout the year 1961, the record for the whole year could be expected to mark at least the beginning of a wholesome trend. Among the individual items that accounted for the increase in exports, mention may be made of food, tea, and coffee, manufactured goods and iron and steel, which registered perceptible increases. There were also slight increases in crude materials, leather, beverages, tobacco and sugar. Items which recorded an actual fall in exports were spices, wool and other animal hair, ores of non-ferrous base metals, vegetable oils, machinery and transport equipment.

The foregoing analysis once again drives home the lesson that we have yet to make a great leeway on the export front even in the case of some of our traditional items, such as cotton textiles and jute manufactures. In the case of commodities with export potentialities like manganese ore, we failed badly not so much because of the price disadvantage as because of our unrealistic and unimaginative policy. In the case of jute manufactures, of course, there was an excuse, in that the Indian industry experienced one of the worst years in the history of that industry, and this on the top of growing competition from other countries, chiefly Pakistan which now possesses the most modern jute industry and has the added advantage of the world's finest golden fibre. The loss of a major market like Argentina (it is said that country's adverse balance of trade with India forced it to resort to cheaper sub titutes in place of jute) ought to open the eyes of the powers-that-be. Other developments abroad, such as the American moves to protect its own cotton industry, call for an immediate re-appraisal of the situation and a re-orientation of our export policy. An active export promotion drive must be launched in order to augment our exports to regions like East Africa, where this country could hope to capture the market for other non-traditional export items as well.

INDIA'S EXTERNAL TRADE

	Imports	Exports (including re-exports)	Balance of Trade
1960			
January ..	62.68	52.06	— 10.62
February ..	69.12	49.81	— 19.31
March ..	75.58	53.37	— 22.21
April ..	82.00	48.58	— 33 42
May ..	82.77	50.74	— 32.03
June ..	84.95	48.94	— 36.01
July ..	73.70	48 54	— 25 16
August ..	82.73	57.04	— 25.69
September ..	75.28	53.09	— 22.19
October ..	72.91	56.04	— 16.87
TOTAL ..	**761.72**	**518.21**	**—243.51**
1961			
January ..	83.87	54.34	— 29.53
February ..	73.50	53.42	— 20.08
March ..	81.43	57.36	— 24.07
April ..	85.90	53.84	— 32.06
May ..	85.57	57.12	— 28.45
June ..	87.34	49.88	— 37 46
July ..	69.00	50.74	— 18.26
August ..	71.54	61.36	— 10.18
September ..	76.56	59 29	— 17.27
October ..	79.73	57.01	— 22.72
TOTAL ..	**794.44**	**554.36**	**—240.08**

Prices

BY and large, to judge from the trend of wholesale prices, the price situation in the country during 1961 was not as disquieting as one had reasons to believe in view of the heavy plan outlays. The behaviour of prices in the year under review was conditioned by a series of favourable developments. In the first place, the increase in money supply in 1961 fell sharply from Rs. 217 crores in 1960 to Rs. 92 crores (11 months ended November). Secondly, the food situation improved remarkably, due partly to the heavy imports (17 million tons foodgrains) made in 1960 and partly to the record crop of 79 million tons harvested in 1960-61. In fact, it improved to such an extent that not only were the controls on wheat movement lifted but those on rice also were promised to be lifted at an early date. Further, with reports of bumper crops in the offing from the different parts of the country, the price of foodgrains tended to decline noticeably. As a result, the index number of agricultural commodities, which was 124.3 in January, in the year under review, later reached the peak level at 128.1 in July to decline again to 121.8 in October (it was 125.6 in the corresponding month of 1960).

The index number of wholesale prices (Base 1952-53 = 100) showed a rise of 2.4 per cent for the 11 months ended November, 1961, as compared to a sharp rise of 6.5 per cent for the corresponding period in 1960. There was a slight fall in the index number of food articles to 118.7 towards the end of November, 1961, as against 119.2 for the corresponding period of the previous year. In the liquor and tobacco group, there was a visible fall of 17 points to 97.0 in November last, as compared to the position for the corresponding month in the previous year, but there was an increase of a little over three points over the same period in fuel, power, light and lubricants. In the case of industrial raw materials, there was a sharp decline of 10 points from November, 1960, but intermediate products registered, over a like period, a rise of 7.5 points. The index number of finished products remained more or less stationary.

The main commodities that contributed to the 2.4 per cent rise in the wholesale price index during the eleven-month period were fibres and oilseeds. Over the past 11 months, the index number of fibres recorded a rise of 16 points. In respect of oilseeds, the price rise over the 10 months ended October, 1961 amounted to as much as 15 points.

On the whole, the course of the consumer price index also reflected that of the wholesale price index. Commencing the year at 123 (Base: 1949 = 100), the former index moved up by one point in February, remained constant till May, then rose again by 3 points in September, and remained constant during the following month at 128, as against 125 in the corresponding month of 1960. This small rise in the index, even in the face of a decline in foodgrains prices, was occasioned by a sharp rise in the prices of fruits and vegetables.

Banking

REFLECTING doubtless the slowing tempo of economic activity, both money supply with the public and scheduled bank credit showed a smaller expansion over the year than in the preceding year. The table below sets out the major items of money and banking data:

MAJOR ITEMS OF MONEY AND BANKING DATA, 1960 AND 1961

(In crores of rupees)

	As at the end of		Variations over the year	
	Dec. 15, 1961	Dec. 30, 1960	1960*	7961*
I. Money Supply with the public	2,829	2,737	+ 92	+123
II. Reserve Bank data				
a) Notes in Circulation .	1,948	1,869	+ 79	+139
b) Foreign Assets	148	152	— 4	— 61
c) Rupee Investments .	1,814	1,697	+117	+133
III. Scheduled Banks' Data				
a) Aggregate liabilities . .	1,886	1,828	+ 58	+ 1
(i) Demand	772	738	+ 39	+ 16
(ii) Time	1,114	1,095	+ 19	— 15
b) Borrowings from Reserve Bank	5	61	— 56	+ 50
c) Cash and balances with Reserve Bank	119 (6.32)	136 (7.44)	— 17	+ 48
d) Investments in Government securities	606 (32.14)	685 (37.34)	— 79	—154
e) Bank credit	1,241 (65.77)	1.098 (59.88)	+143	+207

Note: Figures in brackets indicate percentages to aggregate liabilities.

* Relates to 11 months for money supply and 11½ months for other data.

During the eleven months upto November, 1961, for which period only the latest data are available, money supply with the public showed an increase of Rs. 92 crores, or a rise of three per cent, compared to Rs. 217 crores, or a rise of 9 per cent in 1960. The smaller increase in money supply compared to the previous year thus was due to the slower rate of increase in bank credit to the private sector, as well as to the public sector. It may be noted, in passing here that the growth in money supply in the Second Plan period as a whole was significantly larger than in the First Plan period, the aggregate net expansion in the former case amounting to Rs. 722 crores or 33 per cent., as compared to Rs. 199 crores, or 10 per cent in the First Plan.

As seen from the foregoing table, active notes in circulation expanded over the year by only Rs. 79 crores (to Rs. 1,948 crores), compared to an expansion of Rs. 139 crores in 1960. The smaller increase in the Reserve Bank's credit to the Government (Rs. 117 crores compared to Rs. 133 crores in 1960) was partly responsible for this smaller rise. It is noteworthy that foreign assets declined by only Rs. 4 crores, over the year to Rs. 148 crores, compared to a decline of Rs. 61 crores in 1960.

Scheduled bank credit also increased over the year by only Rs. 143 crores (to Rs. 1,241 crores), compared to Rs. 207 crores in 1960. Perhaps the larger decline in credit in the 1961 slack season (Rs. 75 crores, as compared to Rs. 20 crores in the 1960 slack season) explains this smaller expansion in bank credit, which, in turn, is due partly to the lower rate of growth in industrial production and partly to the fall in the level of wholesale prices.

The increase in bank credit, such as it was, was facilitated by a rise of Rs. 58 crores in the aggregate liabilities of the scheduled banks to Rs. 1,886 crores. Of these demand liabilities accounted for a rise of Rs. 39 crores and time liabilities for the rest. Borrowings from the Reserve Bank were lower by Rs. 56 crores to Rs. 5 crores, owing mainly to the introduction of a system of slab rates on these borrowings. Thus, the scheduled banks'

access to the Reserve Bank was regulated under a three-tier structure of rates related to the extent of their borrowing. Accordingly to meet their credit demands, banks had to reduce their cash reserves by Rs. 17 crores to Rs. 119 crores and also their holdings of Government securities by Rs. 79 crores to Rs. 606 crores. With these changes, the ratio of credit to deposits moved up from 59.01 per cent to 65.8 per cent, while those of cash and investments went down from 7.4 per cent to 6.3 per cent and 37.3 per cent to 32.1 per cent, respectively.

The question of raising the ratio of capital funds to deposits, as also the liquidity ratio, figured prominently, especially in the latter half of the year, and was debated both privately and in the public (despite the strange attitude of bankers to keep these discussions a closely guarded secret among the participating bankers, though some of these bankers themselves could see no special virtue in it). The curtain was finally rung down however, when the Governor of the Reserve Bank came out with a letter addressed to all scheduled banks impressing upon them the desirability of raising the ratio of capital funds (paid-up share capital **plus** published reserves) to deposits which has steadily declined over the past decade from 9 per cent (1950) to 5 per cent (1960). Respecting the wishes of bankers to give effect to any proposed change in this behalf to meet the prevailing conditions, in the context of the current rapid economic development, by laying down healthy conventions instead of amending the law or issuing a directive, Mr. H. V. R. Iyengar suggested on December 27 that all banks should aim to achieve a ratio of 6 per cent of capital funds to deposits, which, as he has said, should not be difficult. The conventions suggested for the acceptance of the banks by the Reserve Bank Governor are (i) to transfer atleast 20 per cent of their declared profits (i.e. profits after making the usual and necessary provisions) to their published reserves and paid-up capital until these reach a level of at least 6 per cent of their deposits (where the published reserves of the banks are equivalent to or more than their paid-up capital, irrespective of Sections 11 and 17 of the Banking Companies Act); (ii) (where the reserves of any banks have not reached parity with their paid-up capital) to continue to transfer 20 per cent or more of their disclosed profits until the reserves are equal to the paid-up capital and the ratio of paid-up capital and published reserves to total deposits is at least 6 per cent. In addition to this, Mr. Iyengar has commended to the banks supplementary action in respect of capital also whenever called for. Thus, he has exhorted these banks to approach the capital market, as, indeed, a few banks have already done, and to call up unpaid capital, where such may exist, as expeditiously as possible.

No decision has yet been taken as regards the proposal for raising the liquidity ratio of banks. However, almost on the last working day of the year came the announcement that the Deposit Insurance Scheme (as also the Deposit Insurance Act) would be enforced from January 1, 1962. This scheme, it may be noted, is intended to afford protection to small depositors in the event of a bank failure. It is estimated that as much as 75 per cent of the total number of deposit accounts would be fully covered under this scheme. Against payment (in quarterly instalments) of a premium of 5 nP. per Rs. 100 per annum on their deposits, banks would be entitled to receive cover to the extent of Rs. 1,500 for every depositor.

INCREASES IN FOODGRAINS PRODUCTION DURING THE THIRD PLAN

(Lakh tons)

	1955-56	1958-59 (partially revised)	1959-60 (partially revised)	1960-61 (final)	Additional production in Second Plan	Estimated production at end of Third Plan	Percentage Increase during Third Plan
Andhra Pradesh	55.36	63.64	64.40	60.37	5.01	87.69	+45.25
Assam	17.06	16.60	16.50	16.75	—0.30	21.89	+30.61
Bihar	51.84	68.76	65.00	72.54	20.70	82.89	+14.27
Gujarat	72.55	89.28	16.48	17.73	17.54	29.47	+66.23
Maharashtra			59.31	72.36		79.98	+10.53
Kerala	8.87	9.65	10.51	10.91	2.04	14.42	+32.17
Madhya Pradesh	76.17	92.85	93.40	95.50	19.33	107.42	+12.48
Madras	45.38	49.25	50.99	52.82	7.44	68.26	+29.23
Mysore	37.83	37.17	37.83	34.90	—2.93	48.54	+39.08
Orissa	24.63	24.52	39.70	39.80	15.17	56.15	+41.08
Punjab	47.85	60.78	55.35	61.56	13.71	78.50	+27.52
Rajasthan	41.75	50.93	47.11	44.61	2.86	66.35	+48.73
Uttar Pradesh	118.86	133.99	132.43	141.66	22.80	182.84	+28.37
West Bengal	49.73	45.26	46.15	58.47	8.74	66.73	+14.13
J. & K.	4.74	5.49	5.28	5.50	0.76	5.83	+ 6.00
Union Territories	5.32	6.86	6.78	7.23	1.91	8.20	+12.42
All-India	**657.84**	**755.03**	**747.22**	**792.72**	**134.78**	**1,005.47**	**+26.84**

Source: Ministry of Food and Agriculture.

INDEX NUMBERS OF AGRICULTURAL PRODUCTION IN INDIA—GROUPS AND COMMODITIES

(Agricultural year 1949-50=100)

Groups/Commodities	Weight	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
	1	2	3	4	5	6	7	8	9	10	11	12
Foodgrains	**44·9**	**90·5**	**91·1**	**101·1**	**119·1**	**115·0**	**115·3**	**120·8**	**109·2**	**130·0**	**126·6**	**135·0**
(a) *Cereals*	*58·3*	*90·3*	*91·2*	*101·4*	*120·1*	*114·5*	*114·9*	*120·5*	*109·9*	*129·3*	*127·6*	*135·9*
(i) *Kharif Cereals*	*47·8*	*87·7*	*90·4*	*98·5*	*120·0*	*110·4*	*111·8*	*116·9*	*109·0*	*126·8*	*123·9*	*132·4*
Rice	35·3	87·9	90·1	96·8	118·6	105·8	114·2	120·4	105·6	127·5	125·2	136·3
Jowar	5·6	89·8	96·4	106·6	117·0	132·3	96·7	105·3	124·1	127·3	116·9	132·7
Bajra	2·7	83·8	75·3	94·8	135·0	107·8	108·3	90·1	113·5	120·7	112·1	99·8
Maize	2·1	84·4	101·3	123·3	130·2	127·5	112·3	132·8	135·9	134·3	145·1	141·8
Ragi	1·2	87·6	80·4	82·0	115·0	108·6	119·7	118·7	114·4	126·2	128·0	110·2
Small Millets	1·5	88·9	97·4	97·9	125·9	126·8	105·1	98·0	89·5	108·3	106·0	101·8
(ii) *Rabi Cereals*	*10·5*	*102·0*	*95·1*	*114·5*	*120·6*	*133·3*	*128·9*	*136·9*	*114·2*	*140·6*	*144·5*	*151·8*
Wheat	8·5	101·1	93·9	112·7	120·0	135·4	131·3	140·7	118·5	147·0	151·8	160·2
Barley	2·0	105·6	100·0	122·4	123·2	124·4	118·5	120·5	95·9	113·6	113·7	116·2
(b) *Pulses*	*8·6*	*91·7*	*90·3*	*98·8*	*112·0*	*113·5*	*113·4*	*122·9*	*104·4*	*135·1*	*119·9*	*128·7*
Gram	3·7	98·0	88·2	109·2	125·4	145·9	138·9	159·8	129·1	179·4	143·4	161·8
Tur	1·1	91·8	97·7	90·9	99·5	91·8	99·4	108·2	77·3	89·1	87·3	107·0
Other Pulses	3·8	85·6	90·2	90·9	102·6	99·6	103·9	91·9	88·1	105·3	106·4	102·8
Non-Foodgrains	**33·1**	**108·9**	**110·5**	**103·8**	**104·7**	**120·9**	**119·9**	**131·5**	**129·4**	**136·1**	**132·6**	**147·3**
(a) *Oilseeds*	*9·9*	*98·5*	*97·4*	*91·9*	*103·7*	*122·6*	*108·6*	*120·3*	*118·9*	*133·4*	*122·0*	*135·4*
Groundnut	5·7	101·4	93·0	85·3	100·3	123·6	112·4	127·2	137·5	142·7	128·9	142·4
Sesamum	1·2	101·6	103·2	106·9	127·6	135·1	104·8	98·2	84·8	124·4	92·0	73·8
Rapeseed & Mustard	2·0	94·6	116·0	105·5	107·3	127·7	105·8	128·3	114·8	128·2	131·0	172·7
Linseed	0·8	87·8	77·1	86·0	89·1	90·3	97·1	90·3	60·0	105·2	105·0	99·9
Castorseed	0·2	80·5	82·8	79·7	80·5	95·4	96·1	95·3	68·7	87·4	82·7	76·5
(b) *Fibres*	*4·5*	*108·6*	*123·3*	*128·4*	*132·1*	*140·4*	*149·7*	*170·7*	*164·4*	*174·2*	*141·2*	*176·2*
Cotton	2·8	110·7	119·2	121·0	151·8	163·6	153·9	181·2	178·8	176·6	138·5	202·1
Jute	1·4	106·3	151·4	148·6	100·0	94·8	135·8	138·7	128·8	158·7	140·7	133·1
Mesta	0·3	100·0	104·8	103·3	98·5	136·5	174·7	221·5	196·2	224·2	168·4	172·8
(c) *Plantation Crops*	*3·6*	*104·0*	*109·4*	*115·7*	*104·0*	*113·2*	*113·2*	*123·0*	*122·7*	*127·3*	*128·1*	*130·5*
Tea	3·3	103·8	109·6	115·4	100·6	110·4	107·2	117·2	115·7	119·4	119·6*	116·7*
Coffee	0·2	112·3	112·7	125·9	146·5	151·8	196·1	204·1	229·8	240·8	255·2*	341·3*
Rubber	0·1	93·8	94·4	106·1	131·8	127·6	146·1	152·9	140·1	160·2	154·6*	163·8*
(d) *Miscellaneous Crops*	*15·1*	*110·3*	*114·0*	*101·5*	*97·4*	*115·8*	*120·1*	*129·2*	*127·5*	*128·6*	*138·5*	*150·5*
Sugarcane	8·7	113·7	122·8	101·6	89·5	115·9	119·8	137·2	138·1	138·7	149·6	169·5
Tobacco	1·9	97·3	78·0	91·3	101·5	95·1	112·9	113·7	89·4	98·9	105·0	100·8*
All Commodities	**100·0**	**95·6**	**97·5**	**102·0**	**114·3**	**117·0**	**116·8**	**124·3**	**115·9**	**132·0**	**128·7**	**139·1**

* Based on provisional estimates.

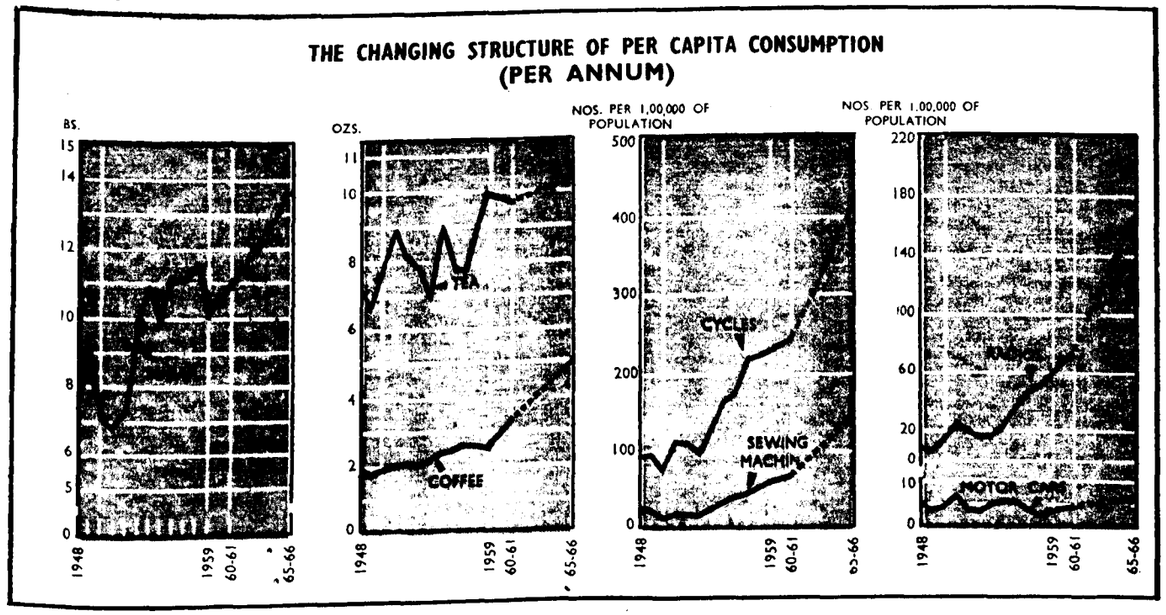
Note:—The indices for 1958-59 and 1959-60 are generally based on partially revised estimates while those for 1960-61 are generally based on final estimates. The indices for these years are, therefore, subject to revision.

Source: Ministry of Food and Agriculture.

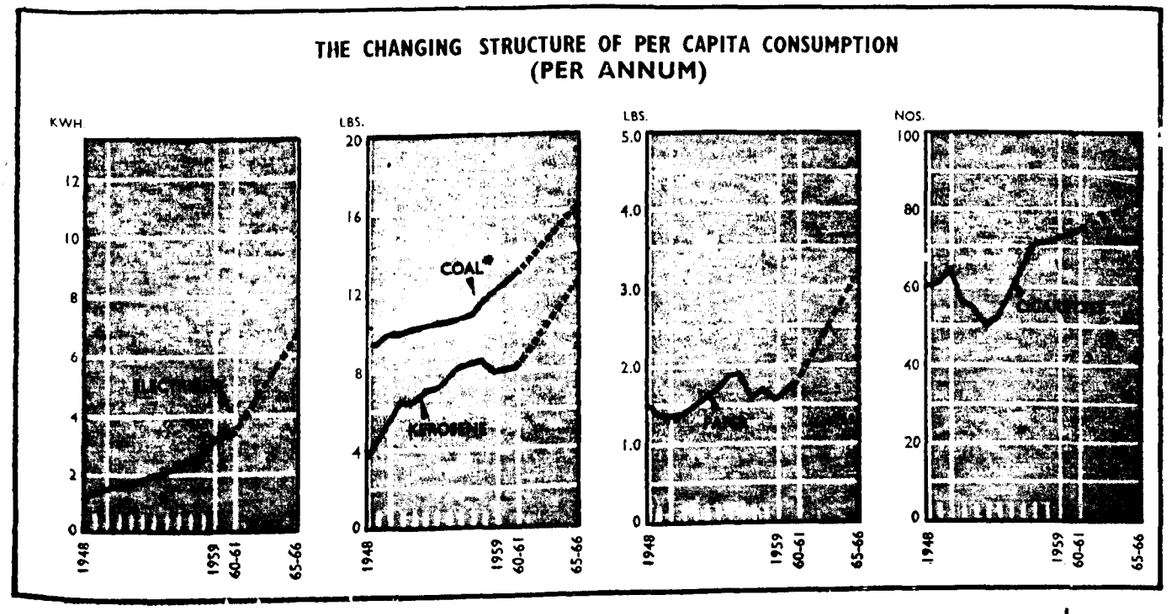
SELECTED INDICATORS OF GROWTH AND THIRD PLAN TARGETS

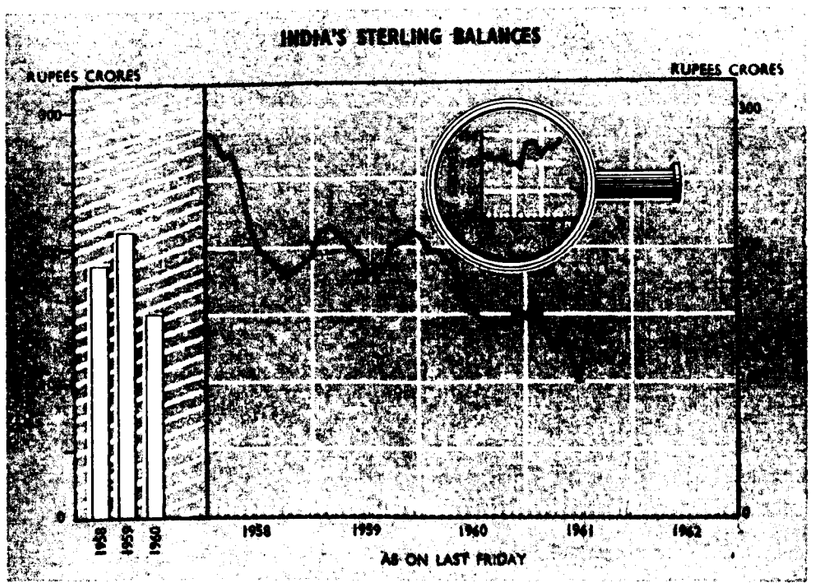
Item	Unit	Selected Indicators of Growth				Third Plan Targets	
		1950-51	1955-56	1960-61	*Percentage increase in 1960-61 over 1950-51*	1965-66	*Percentage increase in 1965-66 over 1960-61*
1. National income (at 1960-61 prices)	Rs. crores	10,240	12,130	14,500	*42*	19,000	*31*
2. Population	Millions	361	397	438	*21*	492	*12*
3. Per capita income (at 1960-61 prices) ..	Rs.	284	306	330	*16*	385	*17*
4. Index of agricultural production	(1949-50=100)	96	117	135	*41*	176	*30*
5. Foodgrains production ..	Million tons	52·2*	65·8*	78·0	*49*	100·0	*28*
6. Nitrogenous fertilisers consumed	'000 tons of N.	55	105	230	*318*	1,000	*335*
7. Area irrigated (net total) ..	Million acres	51·5	56·2	70·0	*36*	90·0	*29*
8. Co-operative movement: advances to farmers ..	Rs. crores	22·9	49·6	200·0	*773*	530·0	*165*
9. Index of industrial production	(1950-51=100)	100	139	194	*94*	329	*70*
10. Production of :							
Steel ingots	Million tons	1·4	1·7	3·5	*150*	9·2	*163*
Aluminium	'000 tons	3·7	7·3	18·5	*400*	80·0	*332*
Machine tools (graded) ..	Value in Rs. crores	0·34	0·78	5·5	*1518*	30·0	*445*
Sulphuric acid	'000 tons	99	164	363	*267*	1,500	*313*
Petroleum Products ..	Million tons	—	3·6	5·7	..	9·9	*74*
Cloth :							
Mill-made ..	Million yds.	3,720	5,102	5,127	*38*	5,800	*13*
Khadi, handloom and powerloom	Million yds.	897	1,773	2,349	*162*	3,500	*49*
Total	Million yds.	4,617	6,875	7,476	*62*	9,300	*24*
11. Minerals :							
Iron ore	Million tons	3·2	4·3	10·7	*234*	30·0	*180*
Coal	Million tons	32·3	38·4	54·6	*69*	97·0	*78*
12. Exports	Rs. crores	624	609	645	*3*	850	*32*
13. Power: installed capacity ..	Million KW	2·3**	3·4**	5·7	*148*	12·7	*123*
14. Railways: freight carried ..	Million tons	91·5	114·0	154·0	*68*	245·0	*59*
15. Roads: surfaced including national highways	'000 miles	97·5	122·0	144·0	*48*	169·0	*17*
16. Commercial vehicles on road	'000 numbers	116	166	210	*81*	365	*74*
17. Shipping : tonnage ..	Lakh GRT	3·9	4·8	9·0	*131*	10·9	*21*
18. General education :							
Students in schools ..	Million numbers	23·5	31·2	43·5	*85*	63·9	*47*
19. Technical education :							
Engineering & technology—degree level—intake ..	'000 numbers	4·1	5·9	13·9	*239*	19·1	*37*
20. Health :							
Hospital beds	'000 numbers	113	125	186	*65*	240	*29*
Doctors (practising) ..	'000 numbers	56	65	70	*25*	81	*16*
21. Consumption levels :							
Food	Calories per capita per day	1,800	1,950	2,100	*17*	2,300	*10*
Cloth	Yards per capita per annum	9·2	15·5	15·5	*68*	17·2	*11*

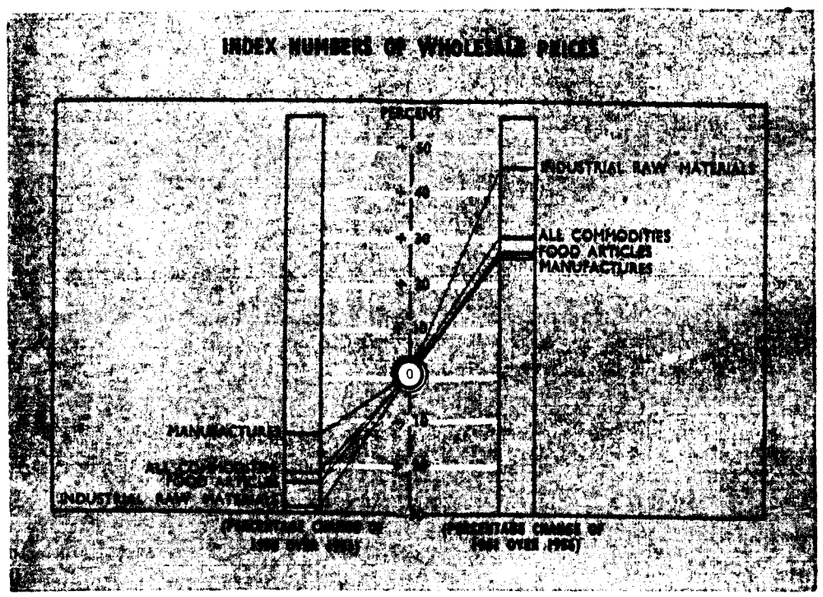
* Estimates of production adjusted for changes in statistical coverage and methods of estimation upto 1956-57.
** Figures relate to calendar years, 1950 and 1955.



*Figures for coal and electricity relate to domestic consumption.







COMPOSITION OF INDIA'S FOREIGN TRADE — IMPORTS*

(Rs. Lakhs)

Items	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
Capital Goods	1,32,08	1,94,82	2,53,52	3,10,40	2,38,03	2,79,34	3,26,70
Electrical machinery	23,76	37,55	49,28	63,10	46,57	53,15	56,15
Textile machinery	12,43	16,83	27,03	22,99	13,01	15,09	23,85
Agricultural machinery	7,00	4,29	6,93	6,16	2,19	55	89
Metal working machinery (incl. machine tools)	3,26	6,16	9,03	25,00	26,18	29,90	38,68
Power generating (exl. electrical)**	..	..	..	27,28	25,11	26,54	25,05
Sugar machinery & parts	1,00	3,99	8,59	5,87	5,11	1,80	1,05
Chemical machinery**	..	..	..	3,05	2,08	4,84	3,55
Other machinery	43,97	62,50	78,03	87,18	56,63	76,09	1,08,24
Transport equipment	40,66	63,50	74,63	69,77	61,15	71,38	69,24
Intermediate Goods	3,32,71	3,55,84	4,61,81	5,01,58	3,68,01	4,48,97	5,03,30
Iron & Steel mfrs.	24,93	74,22	1,46,28	1,74,46	1,11,96	1,13,78	1,40,38
Non-ferrous metals	28,28	25,55	40,32	41,53	33,12	38,81	47,10
Mineral oils	55,06	54,86	75,05	1,07,55	70,51	86,84	69,50
Cotton raw	1,00,77	57,33	51,49	40,70	28,28	41,23	81,74
Chem. elements & compounds	9,43	21,26	26,23	27,59	30,89	44,36	38,95
Artificial silk yarn	14,71	15,44	17,75	11,06	10,29	10,22	11,12
Dyeing, tanning & colouring materials	14,61	17,64	16,08	12,69	9,45	10,45	13,40
Paper and paper boards & manufacturers thereof	10,14	15,31	13,85	12,25	8,00	11,23	11,74
Jute raw	27,49	19,32	8,65	6,79	2,65	3,46	7,54
Tobacco unmanufactured	2,59	1,29	1,11	1,18	1,65	73	23
Fertilizers	12,35	2,24	4,70	7,32	11,03	18,70	13,19
Other intermediate goods	32,35	51,38	60,30	85,46	50,18	69,16	68,41
Consumer Goods	1,53,14	93,86	83,75	1,30,24	2,07,90	2,00,32	2,00,09
Fruits, nuts & vegetables	19,37	19,03	19,46	19,98	17,51	17,69	20,39
Cereals	99,56	17,68	7,92	59,91	1,59,08	1,49,54	1,44,86
Medicinal & pharmaceutical products	10,81	15,93	16,52	17,24	9,28	9,70	10,41
Vegetable oils, non-essential	3,34	6,56	5,22	4,91	3,33	4,13	3,66
Other consumer goods	20,06	34,66	34,63	28,20	18,70	19,26	20,77
Unclassified items	32,89	34,47	49,81	93,24	45,31	32,24	40,04
GRAND TOTAL	6,50,82	6,78,99	8,48,89	10,35,46	8,59,25	9,60,87	10,70,13

* Excludes the value of certain stores imported on Government account.
** Figures for 1950-51 to 1956-57 are included in other machinery.

COMPOSITION OF INDIA'S FOREIGN TRADE — EXPORTS*

(Rs. Lakhs)

Items	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61**
Machinery	54	1,16	1,25	1,48	1,52	2,30	3,00
Transport equipment	27	33	47	40	15	40	69
Metalliferrous ore & metal scrap (a)	9,71	23,06	42,50	57,77	40,62	36,13	39,00
Hides and skins undressed	9,56	6,59	6,03	6,75	8,14	11,23	9,47
Cotton raw and waste	17,35	39,38	20,50	14,54	22,62	14,49	11,56
Oil-Veg. (non-essential)	25,26	34,35	15,59	10,59	6,37	14,81	8,51
Seeds	17,34	3,91	1,02	15	1,93	2,54	5,13
Tobacco unmanufactured	14,11	10,65	12,49	14,63	14,68	13,53	14,61
Mica	10,00	8,37	9,09	8,66	9,57	10,01	10,15
Gums, resins & lac	13,62	13,00	11,12	8,28	7,02	8,22	8,61
Jute manufactures	1,13,81	1,18,25	1,19,21	1,11,16	1,01,82	1,09,87	1,35,15
Tea	80,42	1,09,14	1,45,15	1,18,65	1,29,69	1,29,04	1,23,59
Cotton manufactures	1,38,44	63,54	67,07	62,55	51,60	68,32	62,09
(i) Handloom cloth	10,88	8,46	7,98	5,21	5,10	6,82	4,77
Leather & leather manufactures	25,95	22,97	21,28	21,08	18,93	30,66	24,97
Fruits & vegetables	12,76	15,37	17,27	19,16	21,98	21,67	26,08
Spices	25,45	10,60	9,01	8,00	8,01	14,46	16,64
Silk goods	83	34	28	21	28	44	60
Coir products	10,81	8,93	9,58	8,06	8,04	8,77	8,55
Handicrafts	34	64	89	1,35	1,61	2,03	2,19
(i) Carpets, carpetings etc.	..	..	..	1	1	5	4
(ii) Brass & bronzeware	..	..	..	96	1,04	1,48	1,66
(iii) Other handicrafts	..	..	..	38	56	50	49
Total of (1 to 19)	5,26,57	4,90,58	5,09,80	4,68,47	4,54,58	4,98,92	5,10,59
Total of Exports*	5,96,13	5,90,85	6,14,15	5,73,22	5,57,81	6,39,64	6,42,75
Total of re-exports	4,51	5,66	5,57	6,61	6,80	9,75	9,91
Total exports including re-exports	6,00,64	5,96,51	6,19,72	5,79,83	5,64,61	6,49,39	6,52,66

* Excludes the value of re-exports.
(a) Includes minerals crude from 1954-55 onwards.
** Provisional.

PRICES

INDEX NUMBERS OF WHOLESALE PRICES : 1951 TO 1961

(Base: 1952-53 = 100)

	1951	1956	1957	1958	1959	1960	1961	November 18, 1961	Percentage Change during Plan First	Percentage Change during Plan Second
Food Atricles	122	93	102	102	114	117	118	121	—24.2	+26.7
Cereals	100	86	99	95	102	103	100	N.A.	—14.2	+16.3
Pulses	102	77	84	78	113	90	93	N.A.	—24.5	+20.8
Liquor and Tobacco	113	79	87	95	100	96	114	98	—30.3	+45.1
Fuel, Power, Light and Lubricants	98	97	106	114	116	118	121	122	— 0.7	+25.3
Industrial Raw Materials	154	109	117	111	116	132	159	138	—28.8	+45.4
Raw Cotton	144	107	113	103	102	113	111	N.A.	—25.7	+ 3.8
Oilseeds	149	106	119	113	128	141	150	N.A.	—28.9	+50.9
Manufactures	119	103	106	108	108	117	129	127	—13.3	+25.7
Intermediate Products	133	111	109	107	109	121	137	140	—16.7	+24.1
Finished Products	116	102	106	108	108	116	128	124	—12.8	+26.1
All Commodities	125	98	106	105	112	119	128	125	—21.7	+36.0

Note: Yearly figures relate to averages of Saturdays in March. N.A. — Not available.
Source: Office of the Economic Adviser to the Government of India.

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India and Denmark

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Indo-Danish Collaboration

THIS Blue Supplement is being published to coincide with the visit to this country of Denmark's Prime Minister, Mr. Viggo Kampmann. The co-operation in economic as well as other spheres which Denmark has extended to us in our development programmes has brought the two countries close together in recent years. If pride of place has been given in the pages that follow to the specific schemes of technical and overall collaboration extended by Denmark to this country, it is only an expression of appreciation for the valued help we are receiving.

The remarkable manner in which Denmark's economy is progressing to achieve higher and impressive levels of growth is a subject of much absorbing interest to the outside world. The article that follows immediately gives an insight into this achievement. Denmark provides a very fruitful example of progress with determination in spite of handicaps in diverse ways and it is here that India can draw upon her experience, although in several respects the economies of the two countries and the availability of natural and other resources for them present somewhat divergent patterns.

Through the decades Denmark has made a deep impression upon world opinion by the intensive and high level development of her agriculture. This is in the midst of geographic and climatic factors which were not necessarily altogether conducive to it. Denmark's agriculture and dairy, poultry and other related industries have acquired a prominent place in the export markets of Europe as well as countries in other parts of the world. It would certainly be a revelation to many that this advance has been achieved although Denmark has to depend on the import of some key resources for them. It would, however, be a total mistake to consider Denmark's economy as preponderatingly dependent upon agriculture.

The history of her economic progress in the last two decades in particular shows that industry has been given a very broad base for future expansion with stability and this fact is fully reflected in the remarkable transformation in the composition of Denmark's export trade. The position now is that the shares of agricultural and industrial exports are almost equally balanced around a share 45 per cent for each in the total exports. Here is an instance which shows how a primarily agricultural economy can move with the time, modernise itself, assimilate the fruits of technology and change over to a diversified structure.

It is interesting that among the industrial exports of Denmark rank not only processed products but also capital goods. This outstanding feature of Denmark's economic progress should focus attention on her approach to setting up a pattern of small-cum-medium scale industries in its various segments. India can draw upon Denmark's experience in this respect. The articles in this Blue Supplement explain the secret of Denmark's dynamic agriculture (her income per farm, which on the average is small, is the highest in the world) as well as her confident onward march in industrialisation.

The visit of Prime Minister Viggo Kampmann has broader implications than those of conventional goodwill contacts and exchange of political views on current affairs. It was only natural, in the context of the intimate co-operation which has been developing between the two countries in recent years, that the question of enlarging its area should figure as one major issue of interest in the course of this visit. The area of co-operation is now sought to be extended in new fields.

Among them mention must be made of Denmark's readiness to collaborate in a joint atomic research programme for peaceful use at the Trombay plant. The visit of her leading atomic scientists was arranged at this time for this purpose. Denmark's folk schools have broken new ground in education and there is a proposal to introduce this pattern in India as a part of her collaboration in the sphere of training of farmers in Mysore State. In the field of health also Denmark is coming forth with her technical assistance and good offices in a special sphere. All in all, the visit has proved a concrete step forward in enlarging the scope of co-operation between the two countries.

India and Denmark: A Comparison in Economic Growth

LMOST every country is currently engaged in a battle to raise the living standards of its people. lia and Denmark are no exceptions to this general le. In both the countries, great stress is laid on lustrial, agricultural and business growth. The pros- rity of both India and Denmark—as of any other coun- —depends today on material progress which consists development of basic resources and growth of in- stries not to the exclusion of other important ter- ry activities such as transport. A narrow attitude laying emphasis on any one particular sector of the onomy is likely to lead to lop-sided economic deve- pment which must result ultimately in a set-back to owth. The harmonious manner in which economic ogress in Denmark has been attained is something be envied.

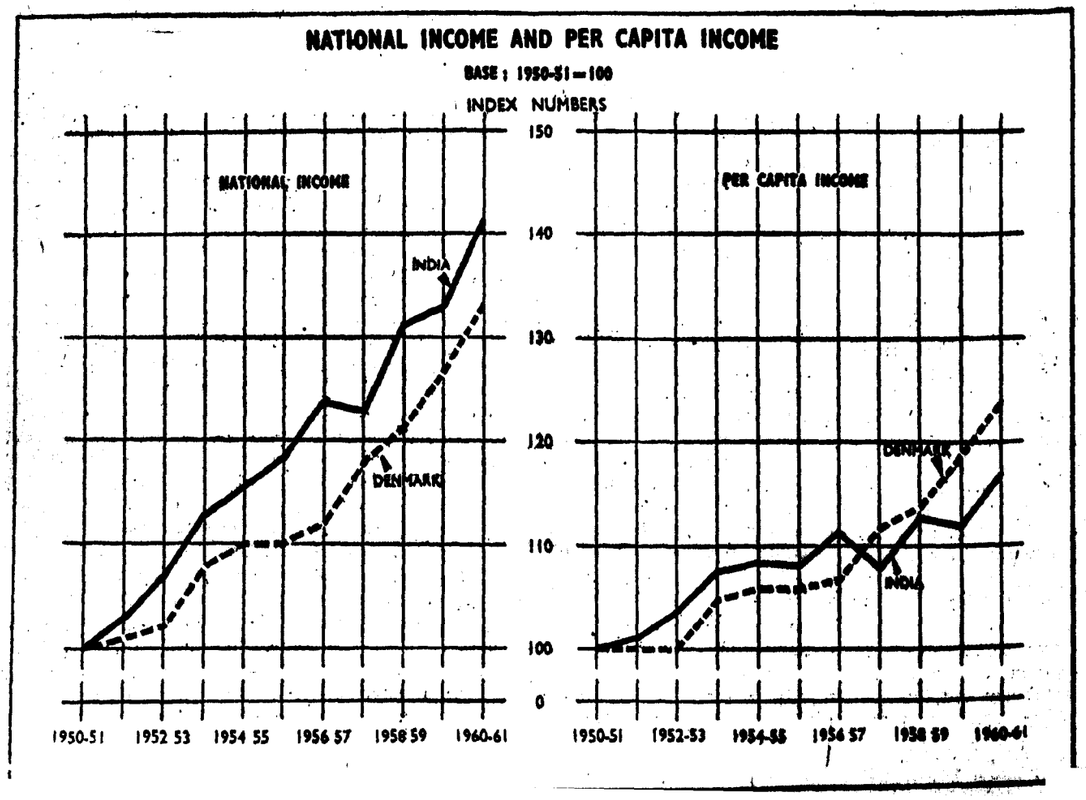
While the statisticians have not agreed on the ndred per cent accurate measure of economic growth, tional income is usually accepted as the best indi- tor of progress. An attempt is made here to study e rates of growth of the two economies since 1950. historical analysis of the national income data for e past decade for India and Denmark reveals India's periority in growth in percentage terms. With 1950-51 base, India's national income (at 1948-49 prices) se by 42 per cent in 1960-61. During the correspond- g period in Denmark, the gross domestic pro- uct (at 1949 prices) for which data are avail- ble, rose by not more than 33 per cent. However, his advantage in overall rise was lost due to the fast ate of growth in India's population. In per capita erms, the rise in Indian income turned out to be not nore than 17 per cent. As the population in Denmark as increased during the last decade at a very slow ate, the increase in income in per capita terms was round 24 per cent.

In regard to the sector-wise composition of national ncome it may be stated that the share of the services n the Indian Union was slightly less than that in Den- nark. Whereas in 1960-61, the contribution of the services was about 32 per cent in India, the correspond- ing percentage (for 1959) in Denmark was 41. In other words, the contribution of "commodity output"—indus- try, and agriculture taken together—was 68 per cent in the case of the Indian Union and only 59 per cent in Denmark. Thus, a relatively higher percentage of income is derived in Denmark from tertiary activities. It has been revealed by a study of the composition of national income of industrialised countries that they enjoy a relatively higher standard of living because they tend to have a larger tertiary sector. This belief is reinforced by a conversion of both the Indian national income figures and Denmark's gross domestic product data into rupees. It will be seen in the table below

NATIONAL INCOME AND PER CAPITA INCOME

Year	India			Denmark		
	National Income* (Rs. Mils.)	Population (In Mils.)	Per Capita Income (In Rs.)	Gross Domestic Product† (Rs. Mils.)	Population (In Mils.)	Per Capita Income (In Rs.)
1950-51	88,500	357.6	247.5	14,081	4.27	3,297.7
1951-52	91,000	363.6	250.3	14,199	4.30	3,302.1
1952-53	94,600	370.0	255.7	14,291	4.33	3,300.5
1953-54	100,300	376.8	266.2	15,149	4.37	3,466.6
1954-55	102,600	383.9	267.8	15,456	4.41	3,504.8
1955-56	104,800	391.3	267.8	15,465	4.44	3,483.1
1956-57	110,000	399.1	275.6	15,768	4.47	3,527.5
1957-58	108,900	407.3	267.4	16,628	4.49	3,703.3
1958-59	116,500	415.8	280.2	16,999	4.52	3,760.8
1959-60	117,600	424.7	276.9	17,821	4.55	3,916.7
1960-61	125,300	434.0	288.7	18,775	4.58	4,099.3

* At 1948-49 prices.
† At 1949 prices.



that in the year 1960, India's national income was almost seven times the gross domestic product of Denmark. At the same time, Denmark's population was a little more than one per cent of India's total population. That is why in per capita terms Denmark's income was nearly 14 times that of India.

Steady rise in productivity, be it industry or agriculture, is the fundamental reason for Denmark's prosperity. The yields in the dairy industry of Denmark are perhaps the highest in the world. In the case of 50 per cent of all dairy cattle in Denmark, the yield of milk from a single cow is as high as about 8900 kilograms per year with 5.62 per cent of fat content.

The same dynamic spirit pervades Danish industry which has continued to race ahead despite the paucity of essential raw materials and complete absence of coal mines, oil wells or water falls to provide energy. The present level of industrial production shows a hundred per cent improvement over the pre-war level.

The succeeding pages highlight the great stress on productivity and techonology in almost every important sector of the economy in Denmark. It is through these two basic prime movers that the engines of progress in Denmark have been hastened. The Indian Union cannot but adopt the same techniques in order to further her own economic expansion. Therein lies the key to prosperity.

The Danish Agriculture

DENMARK is traditionally known as an agricultural country. But it would be more appropriate to call it a land of "agribusiness". Farming here does not mean merely raising of some crops or rearing of cattle. It implies much more. Through setting up of co-operative milk products and bacon factories, the Danish farmers have combined industry with the primary agricultural activity and this has led to an appreciable increase in their incomes.

But the marriage of industry with agriculture alone has not enabled the Danish farmers to attain a standard of living much higher than that enjoyed by average agriculturists elsewhere by following this avocation in its commonly understood form. During the past four decades, the Danish agriculture has made rapid strides otherwise also. Total harvest, for instance, in terms of crop units (one unit = 100 kg. of barley) doubled between 1910-14 and 1954-58. During the four years 1910 to 1914, average annual harvest amounted to only 66.3 million crop units. It climbed to 133.5 million units a year in the later half of 1950's. Livestock production, similarly, has gone up appreciably. Butter production has risen by 50 per cent, cheese output has been increased sevenfold, eggs and beef production threefold, and pig production by nearly 100 per cent. In 1959 and 1960, output was further stepped up and was almost three times the average production just before World War I.

In the recent past, however, greater stress has been put on increasing livestock output. This has followed the changing food habits on the Continent as a whole. Thus, though Denmark imports about 10 per cent of her grains and animal feed requirements, she exports large quantities — after meeting the home consumption fully — of butter, cheese, eggs and meat to Britain, West Germany and France where "lurmark' (the trade mark for the Danish animal products) has become a household word.

The Danish soil, however, is by no means very fertile. Nor is an average Danish farmer by any standard a big landlord (half of the agriculturists in Denmark own not more than 25 acres of land). What is then the secret behind the Danish farmers wringing so abundantly from the niggardly hands of nature?

The Danish farmer has overcome the obstacles placed in his way by nature through tremendous grit and determination. He has built up a highly efficient farming system which can be the envy of any underdeveloped country. All the none-too-plenty culturable land has been brought under the plough and intensive farming is resorting to to such an extent that no plot of land is left even as "current fallow". Massive use is made of science and technology. And all this has come about through the farmers' own efforts,— without any great help from the Government which, of course, has not hesitated when some assistance has been asked from it. Good farming is a social obligation in Denmark; better farming is regarded as a great social virtue. The result is that Denmark is the only country where the State provides no subsidies to the agriculturists, nor does it levy any protective duties.

The use of science and technology in Danish agriculture in the recent past can be gauged from the facts that use of chemical fertilizers, which was already quite appreciable in 1940's, has increased by about 60 per cent (from 258,000 tons to 413,100 tons) during the fifties and tractorisation has progressed at a strident pace (In 1959, there were over 550 per cent more tractors in use in Danish agriculture than in 1950). Pesticides and herbicides have also come to be used widely. So also the soil conservation measures. Livestock output has been raised through improved breeding of cattle and eradication of animal diseases. The yields per unit-area and per head cattle in Denmark today compare quite favourably with the best in any country on the Continent, except perhaps the Netherlands. From one hectare of land, the Danish farmer produces as much as 30 quintals of wheat or 28 quintals of barley or 356 quintals of sugar-beet. A Red Danish Dairy cow yields as much as 9,698 lbs. (4,400 kg.) of milk and 406 lbs. (184.4 kg.) of butter-fat a year. A Black-and-White cow yields as much as 9,900 lbs. (4,492 kg.) of milk and 399 lbs (181 kg.) of butter-fat. Meat yields from these are sometimes as high as 1,700 lbs. (770 kg.), but in no case less than 1,100 lbs. (500 kg.). Pigs when slaughtered at the ages of 6 or 7 months yield about 145 lbs. (65 kg.) deadweight.

The increased application of science and technology in Danish agriculture has been facilitated largely by the peasant proprietorship system which gives a tremendous incentive to the farmer to produce more; the farmer has not to share the fruits of his labour with anybody but his family. Absentee landlordism does not also hamper the growth, for it simply does not exist there. With a view to create peasant proprietors, large agricultural estates have been taken over by the State-constituted Land Fund and passed on to the agriculturists either to enable them to increase their holdings to the level of about 25 acres or to the former tenants and the new generations to start their own farming business. Approximately 35,000 small holdings have thus been established since 1899 when partitioning of large estates began.

The Danish farmers having acquired proprietory rights and fired with the ambition of improving their lot, have taken quickly to improved methods of farming. To overcome the difficulties inherent in small-scale agriculture, they have gone in for co-operation with others in various fields such as marketing of their products and purchase of aids to production. In the present-day Denmark, one finds a wide variety of agricultural co-operatives — purchase co-operatives; credit

co-operatives, marketing co-operatives, cattle breeding, pig rearing and poultry keeping co-operatives, export co-operatives etc. An ordinary Danish farmer is a member of more than one such co-operative. Co-operation in Danish agriculture however, does not extend to cover joint farming.

Through these co-operatives, the Danish farmers have set up an elaborate agricultural advisory service system on which they draw extensively. The co-operatives engage experts in various fields of agricultural activity who spare no pains in helping the farmers in resolving their difficulties. The farmers seek their guidance without any inhibition, for they are their own employees. An average farmer's interest in farm technology is aroused by means of extensive field tests which these experts carry out every year on ordinary farms under ordinary conditions.

The State on its part has also done quite a bit to change the outlook of the conservatives amongst the Danish agriculturists. It has set up a large number of folk high schools and agricultural institutes. The former are meant to impart education to adults, between the ages 18 to 25, in all farm activities in general. The latter concentrate mainly on giving education in live-stock management, farm accounting, elementary engineering and higher farm economies.

India, whose agricultural economy is patterned more or less on the same lines as the Danish farm economy, has to learn quite a lot from the Danish experience. Co-operation between the two countries in this field has abviously to be fostered. It is, thus, in the fitness of things that the Danish Government, which has already set up a folk high school on the Danish model at Mysore, has offered to set up another on a bigger scale and is providing dairy experts to hold a lecture course at the Aarey Milk Colony.

Danish Industry

DENMARK'S industrial potential compared to other advanced European countries is considered to be on the lower side because from the standards of contribution to national income industry and agriculture both figure prominently. Industry's share is nearly 38 per cent while that of agriculture is a little over 20 per cent. As compared to these figures, the British Industry contributes nearly 45 per cent and agriculture only 4 per cent to national income. But when compared to the Indian economy, Denmark is positively far more advanced industrially. In India 17.4 per cent is the contribution from industry to national income: agriculture contributing nearly 50 per cent.

The largest and the most rapidly expanding industry in Denmark is "iron and metal working industry" which in 1958 produced goods worth, 3,791 million kr. (Table I)—nearly 20 per cent of the total value of Denmark's output. Shipbuilding and transport equipment industries too hold a considerably important position in Danish industrial pattern. Both of them contributed to the extent of 1,503 million kr. in 1958. As regards shipping Denmark holds an important position in Europe. In mid-1960 Denmark had shipping tonnage to the extent of 2.27 million which compared well with 3.43 million tons of the Soviet Union. Among other heavy industries cement making is also important. Stone, clay and glass section contributed nearly 662 million kr. in 1958.

The consumer goods industries hold a significant position in Denmark's economy. In fact a sizeable section of industrial labour is engaged in the manufacture of food, beverages and tobacco. Table I below shows that in 1958 the output in terms of million kr. was 3,796, which was nearly 20 per cent of the total industrial output. This appears very natural about a country which has a large agricultural base. Many agricultural items provide important raw materials for the manufacturing concerns. The canning of various types of food, beverages and tobacco is a flourishing manufacturing proposition for the Danish producers. Then textile mills and clothing manufacturing establishments also figure in a prominent way. Between them they contributed in 1958, 1,845 million kr. to industrial output. Then, wood furniture is produced in Denmark which is considered of a high standard. Paper making and chemicals are Denmark's other important industries. The consumer goods industries like textiles, clothing, food and beverages along with paper and wood furniture constitute over 50 per cent of the total industrial output. Against this, investment industries like iron and metal working, shipbuilding, transport equipment, chemicals, stone clay and glass constitute a little below 50 per cent. Thus there is a balance between consumer and producer goods industries.

TABLE I.

Industry	Number of Establishments (1957)	Manpower Employed (1959)	Value of Production Mill. Kr. (1958)
Food and beverages ..	691	36,400	3,796
Textiles	361	19,700	940
Clothing and footwear ..	726	23,500	905
Wood and furniture ..	771	18,000	658
Paper and graphic industries	651	22,500	1,302
Chemicals	441	17,300	1,751
Stone, clay and glass ..	581	17,100	662
Iron and metal-working	1,317	76,900	3,791
Shipyards and transport equipment	175	25,900	1,503
Other industries	402	10,100	492
TOTAL	6,116	267,400	15,800

Table II on page v gives the growth of Danish industries during the last decade in terms of index numbers. It is evident that the textile sector has not made much progress and this stagnation is shared by clothing, and non-metallic mineral products. There are fast moving sectors such as basic metals and metal products as well as electricity. Growth in these two sectors between 1948 and 1958 was to the extent of 80 per cent. Paper and chemicals output also increased during the decade by nearly 40 per cent. Food beverages and

tobacco remained quite steady and the increase was nearly 25 per cent, which was lower than the total industrial expansion in the country.

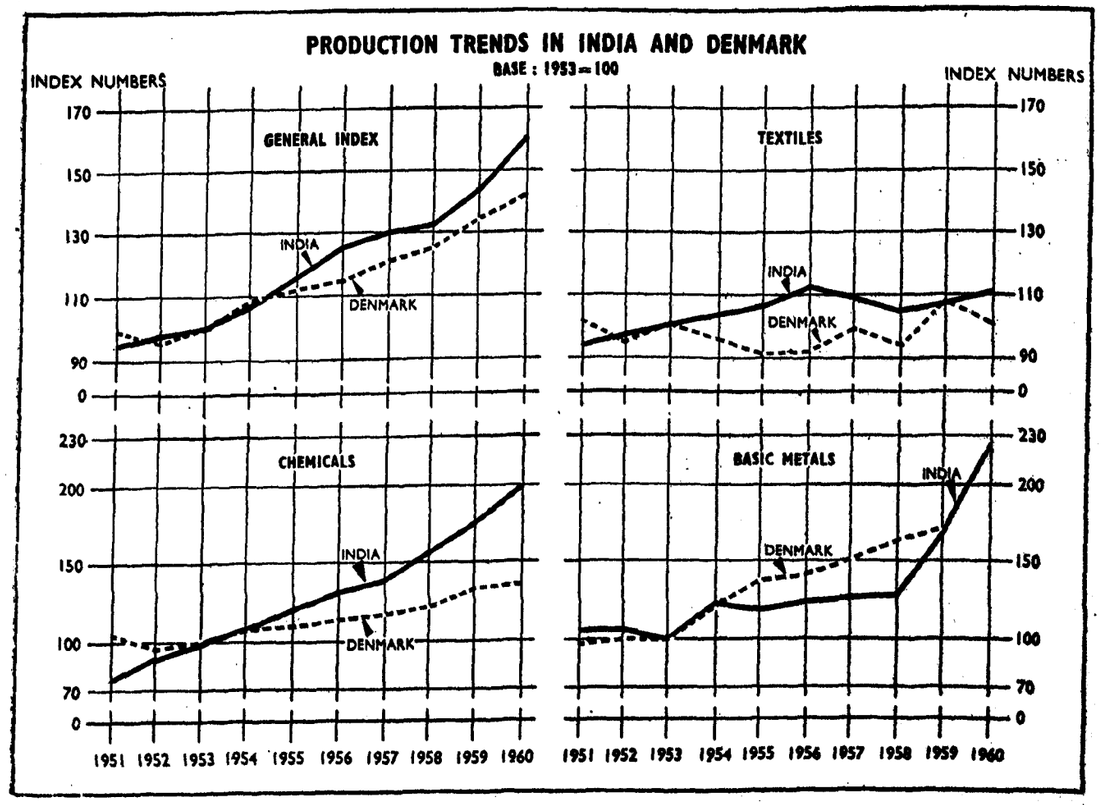
TABLE II.

INDEX NUMBER OF INDUSTRIAL PRODUCTION

(1953=100)	1948	1958
Food, Beverages and Tobacco	92	118
Textiles	81	89
Wood products	85	114
Paper and paper products	89	124
Chemicals	82	121
Non-metallic minerals	87	91
Basic metals	79	137
Electricity and gas	73	140
TOTAL INDUSTRY	82	121

Danish industry faces the problem of raw materials which has always been the major hurdle in its expansion. There are no coal mines, oil wells or even water resources to provide sources of energy, an important element in industrial expansion. Moreover, there are no ore deposits; even forests are not sufficient. Then, the climate does not allow the growing of cotton. In a way, therefore, the industry lacks nearly all the traditional raw materials which in many other countries form the basis of modern industry. There are, however, some raw materials available like clay, chalk and limestone which help the Denish cement and brick making sections considerably prosperous. Otherwise it is not without reason that Denmark industry is concentrated in food processing.

Danish steel and rolling mills utilise mainly scrap iron which is imported. The textile and clothing industries also largely process foreign materials. In this field technical skill is coupled with artistic sense to produce items which are welcome in the home and foreign markets. The paper industry also bases its production on imports of cellulose and pulp. During the recent years, however, Danish straw produced by the farmers in being used. That the Danish industry is primarily dependent on imported raw materials is very clear from the fact that more than 50 per cent of the imports consist of raw materials.



Foreign Trade

DENMARK presents a typical instance where the people of the country have raised the level of economic prosperity by sheer industry, overcoming genuine and serious handicaps of paucity of raw materials. If building materials are left out of account, it would be quite apparent that most of the staple raw materials need to be imported. Traditionally, Denmark has acquired a reputation of having built its economy on a dynamic agricultural industry. But even in the field of agriculture, cattle-feed must of necessity be imported without which the high level of production of milk and bacon cannot be maintained. Similarly, unless a wide range of raw materials is imported, the processing manufacturing industries would not be in a position to maintain their current levels. Broadly, it has been assessed that, imports of raw materials in particular, and of other goods and services too, amount to one-third of the total value of the production in the country. Denmark, therefore, belongs to that category of countries which are depending in a high degree upon the import trade for the progress of their internal production. It is no surprise, therefore, that the fluctuations in the external trade of the country have a very important bearing on the economic activity inside.

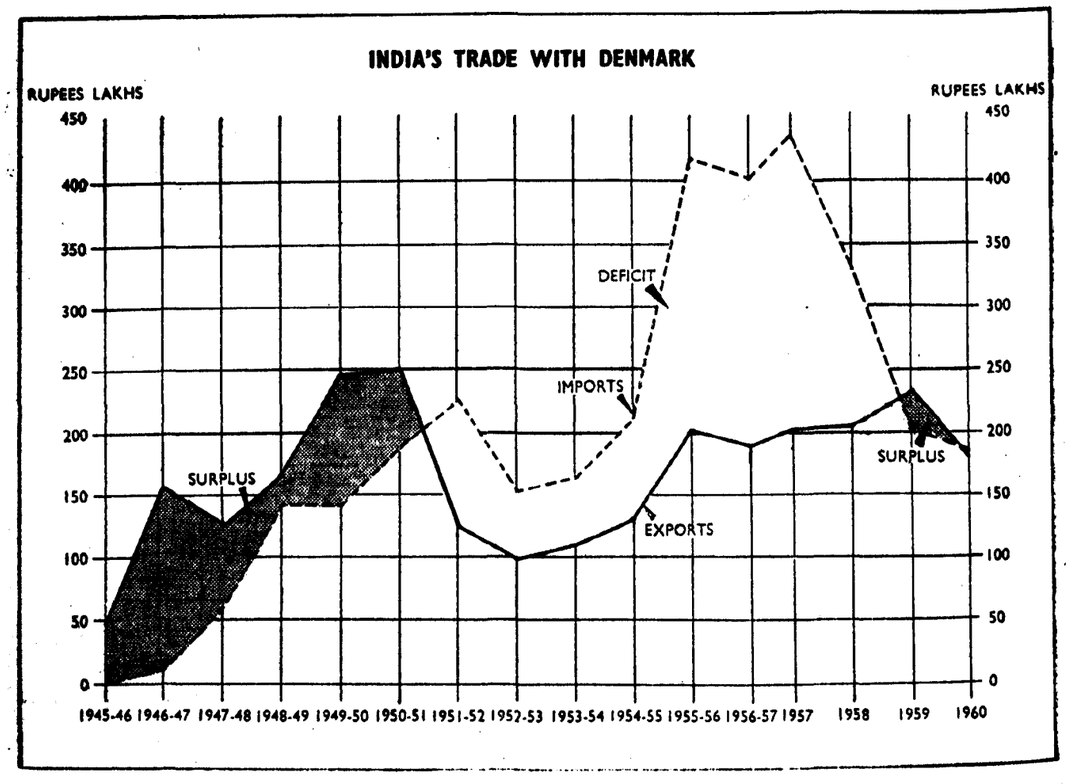
From another angle, Denmark represents a typical instance of a country which has revolutionized the character of its economy in a short span of about two decades. It would be a totally wrong idea to conceive of Denmark as a country relying excessively upon the agricultural industry for a rising level of exports. That may have been true before World War I. But during the inter-war period, and particularly during and after World War II, the character of her export economy has been very rapidly transformed. This is quite obvious from the composition of exports by categories. Between 1938 and 1959, the share of agricultural goods went down remarkably from 71 per cent in the total export trade to 48 per cent, whereas the share of industrial goods rose very steeply during the same period from 27 per cent to 45 per cent. The result today is that agriculture and industry are very nearly evenly balanced in the composition of Denmark's export trade. Canned meat and milk, however, raised their share from 2 per cent in 1938 to 7 per cent in 1959.

The shortage of indigenous raw materials and their high ratio to domestic production has given a definite bias to the tariff policy of Denmark. In the first Tariff Act of 1797 Denmark showed a deliberate preference for low protective duties for the simple reason that the strategic imports, on which the level of production depended, could not be taxed in the interest of the economy itself. Even in the great economic depression of the 1930's, Denmark preferred import restrictions, which can be dismantled without resistance, to high tariffs which cannot.

This background in tariff policy has assumed importance in the wake of the EEC and EFTA controversy. Below is tabulated the regional distribution of Denmark's foreign trade in the year 1958.

(Million Kroner)

Region	Exports	Imports
Common Market (minus colonies)	2,730	3,350
Free Trade Area (minus colonies)	3,474	3,660
Rest of the world	2,405	2,252



As between the two West European trading blocs, it will be seen from the above table that the balance of Denmark's external trade is tipped in favour of EFTA. But this dependence on the trade with EFTA can by no means be considered as preponderating or heavy. Broadly speaking, the external trade relations of Denmark with the EEC and with EFTA are practically equal, and taking the three regions together, the remarkable feature about Denmark's external trade that emerges is that she has not developed a relationship of extreme reliance upon any particular region.

It would appear that, since a choice had to be made, the balance of advantage for Denmark lay in continuing her intimate relationship with the EFTA region and one important consideration which weighed in this decision seems to be that Britain has been traditionally a very important market for Denmark's agricultural exports. Denmark's membership of EFTA necessarily brought a change in her tariff policy. With the coming into existence of EFTA, Denmark has been placed under an obligation to liberalise her policy still further both in regard to import restrictions as well as tariff duties in the intra-EFTA trade. Thus in July, 1960, she applied a reduction of 10 per cent in the intra-regional imports. Likewise, the import restrictions are also being liberalised. But this is a part of the consciously accepted obligations. The latest problems posed for Denmark are two. Denmark has very nearly decided to start negotiations with the EEC for full-fledged membership and not for the associate status. Second, the adoption of a common outer tariff for farm products by the EEC at the high level prevailing in West Germany is likely to raise barriers to her farm exports, but this is a transitional problem which will disappear when she joins the EEC.

The trade between India and Denmark was of a very modest size in the year of our Independence. The trends in the trade have been traced in the table at the end of this article. It will be seen from this table that our imports from Denmark were low at Rs. 60 lakhs, from where they rose to Rs. 186 lakhs in 1960. The peak was achieved in 1957 at Rs. 438 lakhs. Under the import restrictions which India had to impose somewhat severely in view of her extreme difficulties of foreign exchange, this change after the peak years was inevitable. Our exports to Denmark in 1947-48 were Rs. 125 lakhs from where they rose to a maximum of Rs. 244 lakhs in 1949-50 and then reached lower levels of Rs. 232 lakhs in 1959 and Rs. 180 lakhs in 1960. An important development in the trade between India and Denmark, which is disclosed by this table, is that the balance of trade which showed a surplus in favour of India, before the beginning of the First Plan, was converted progressively into a deficit, except for the year 1959. If the size of this deficit has been brought down in value, it is because of the application of import curbs, particularly after the year 1957.

But if this exigency of import restrictions is ignored, the most remarkable development about the Indo-Danish trade is the composition of our imports from that country. At the present time about seven-tenths of our imports from Denmark consist of machinery. A conspicuous place is occupied among them by equipment required for the dairy industry and refrigeration, marine diesel engines for fishing boats, machine tools and surgical as well as scientific and precision instruments. This composition of India's imports from Denmark is also indicative of the nature of the economic and technical co-operation between the two countries.

INDIA'S TRADE WITH DENMARK

(Rs. Lakhs)

Year	Imports	Exports (Including Re-exports)	Balance of Trade
1947-48 ..	59.75	125.05	+ 65.30
1949-50 ..	141.06	244.00	+102.94
1951-52 ..	222.40	124.57	— 97.33
1953-54 ..	162.86	111.60	— 51.26
1955-56 ..	417.69	204.59	—213.10
1957 ..	437.80	202.10	—235.70
1959 ..	201.72	232.09	+ 30.37
1960 ..	185.22	180.41	— 4.81

Topical Notes

SOCIAL SOLIDARITY IN DENMARK

DENMARK'S social policy is second to none. It looks after not only the welfare of the labour class, but that of the nation as a whole. Whichever Government has been in power, it has always tried to improve upon the existing social legislation. The policy has succeeded in an abundant measure in freeing the Danish people from the fear of serious want; it has fulfilled the nations wants which are beyond an individual's control. The combined expenditure on social insurance and welfare, family policy, and public health in Denmark now amounts to 12 per cent of the country's total annual income, as against only 7.5 per cent in 1934.

A significant feature of Denmark's social policy is that employers have to contribute only a small portion of its costs. National pensions (which in the form of old-age benefits date back to 1890) have been financed entirely through public funds from the very beginning. And so have been many benefits and services which have developed since and which go to make up the social security system of today.

The history of modern social policy can be traced back to the end of the last century. Since then it has grown in dimensions systematically. In the initial stages, the emphasis was on provision of relief at the times of sickness, unemployment and accidents. On the whole, the policy was confined to factory legislation, to accident prevention and improving of public health. But with increased social consciousness in the country, a more active policy was formulated, especially towards the end of 1930's. Today, it forms an integral part of the general policy designed to ensure economic stability and increased prosperity. Virtually all the population groups subject to social risks are covered by one type of insurance or the other—unemployment insurance, industrial insurance, health insurance and old age and disability insurance.

Particular attention is being devoted to the welfare of the aged who cannot manage without special attention. Upto 1957, to qualify for a pension, a person's income had to be below a specified level. Now with the passing of the National Pensions Act, the entire outlook has changed and all persons are paid pensions from the age of 67. Substantially larger amounts are paid to persons having limited means—to men and married women from the age of 65 and to unmarried women and widows from the age of 60. The maximum pension of a married couple with no other income is about 40 per cent of the average earnings of a fully employed unskilled worker. Houses at very low rates of rent are also provided for the aged. In Copenhagen and many other cities, special blocks have been built for old-age pensioners. There is also great emphasis on levelling out the rather wide economic and social disparities between families with children and

without. Apart from tax concessions that are granted to families with children, cash family allowances are also paid along with subsidized housing facilities. Creches, nurseries and recreation centres are, of course, littered all over the country. Children get special care in schools. The State and the local Governments contribute three-fourths of the costs of the facilities provided to the children. The parents and private contributors meet the rest of the expenses.

The health insurance scheme has some excellent features. Nearly 80 per cent of the population receives free medical attention and hospital treatment plus a substantial reduction in the cost of essential medicines. Each new advance in medical science is applied for the benefit of the population in general. Various population groups are also secured by law against loss of income due to illness. These include public and private salaried employees and agricultural and domestic servants.

So far as unemployment insurance in Denmark is concerned, it provides the unemployed with a fairly reasonable standard of living and at present covers 700,000 workers. Although efforts continue to be made to get rid of the menace of unemployment, it still continues to haunt the authorities in certain districts. Possibilities are that with increased economic activity, this social problem may be overcome soon.

PROSPERITY AND PROBLEM OF INFLATION

EVER SINCE Denmark entered her boom period in 1958, economic activity has been accelerating. There is no capacity lying idle or partially unutilised today. With full employment, further industrial production is possible only by the introduction of additional manpower, by technological advancement and by new investment. Capital goods have seen a rapid rise in investment mainly to cope with the keener competition anticipated under the formation of the European Economic Market. The heavy demand for labour in manufacturing industries has resulted in shortages of skilled labour and today demand outstrips supply to such an extent that even unskilled labour is difficult to find in certain sectors particularly in building and civil engineering. In the last four years unemploymet has fallen from 10 per cent to 3½ per cent—a level below which it cannot fall further; for it represents the maximum seasonal and structural unemployment. The incomes of all sections of the Community have mounted rapidly. This general rise in incomes, coupled with a slower rate of expansion in industrial production, has given rise to considerable pressures of demand and to a worsening of the balance of payments position. Prices began to rise in 1961 after the previous period of price stability which prevailed from 1957 to 1960 and it is anticipated that they will rise further following higher charges for transport and postal services. The vigorous boom, in fact, has now threatened the stability of the economy.

All weapons, monetary, fiscal and political have been exercised to dampen the pressure of excessive demand in various sectors of the economy and to put it on an even keel—in step with production possibilities and export earnings. Through two successive surplus budgets as a result of the enchancement of excise taxes on petrol, beer, wines and spirits, apart from the increase in the railway and postal charges, the pressure of demand has been checked considerably. The monetary measures have included the raising of the Bank rate which at present stands at 6½ per cent as a result of which the interest level has risen to 7½ per cent. A restrictive credit policy has also been adopted and it is likely to be maintained till the situation warrants its revision.

It has, however, been realised that however these measures may be necessary to restrain inflationary rises in incomes, the answer to the long-term problem lies in the growth of production. In its report for 1960-61 on Denmark, the OEEC has made certain recommendations for stabilisation. For example, it has suggested the introduction of a pay-as-you-earn system of income-tax "as the time lag (of 18 months on an average) existing at present between the earning and the taxation of income, seriously limits the effect of raising the means for governmental revenue. In regard to correction of foreign imbalances, it has suggested that the Government should try to explore the possibilities of increasing the inflow of foreign capital, either in the form of direct investment or public loans.

INDO - DANISH CO - OPERATION

AMONG THE advanced countries which have signed technical and economic co-operation agreements with India the contribution of Denmark is no less significant. In recent years increasing number of Danish companies have collaborated with their Indian partners in various schemes and projects, such as the production of dairy equipment, switchgear and motor starters, gas cylinders, air compressers, marine paints, dry-spraying plants, collaboration in the manufacture of cement machinery, evaporator thermostats, milling machines, machine tools, marine diesel engines and a number of other industrial products.

The Danish programme for technical assistance for developing countries was started more than 10 years ago. The bulk of Denmark's aid of this nature has been channelled mainly through the United Nations and only very limited resources are earmarked for bilateral assistance. In recent years Denmark's contribution to the UN technical assistance programmes has been the largest of any member nation on per capita basis. A good part of the Danish contribution has been allocated for international training courses to be held in Denmark—under the sponsorship of various UN agencies like FAO, ILO, WHO and UNESCO. Among these UN sponsored international training courses, dairy training courses were arranged in Denmark in 1956 and 1958 but with a view to improving the efficiency of these courses by offering the training in climatic and agricultural conditions as close as possible to normal conditions in the students' home countries in Asia and Africa, the international training course was shifted to Aarey Milk Colony (near Bombay) in 1960 with the support of the Indian Government. Under this programme three training courses have been attended by a total of 68 students—29 from India and the rest from other African and Asian countries. A fourth course was inaugurated recently and it is anticipated that two such dairy training courses will be held annually in India over the coming three or four years.

Denmark's aid also comprises assistance by Danish technical experts overseas and training of foreign students in Denmark either under bilateral Danish assistance programme or programmes financed by other countries. Since 1950 a total of 155 students and trainees from India have studied in Denmark and 44 Danish experts have imparted training in India primarily in the field of health service, agriculture, dairying, forestry, fisheries and school psychology. Besides, many Indians have worked in private Danish industries. In the field of science, close co-operation has existed between India and Denmark, and this co-operation is being extended in the sphere of peaceful uses of atomic energy. Even the Danish non-governmental organisation like "Mellemfolkeligt Samvirke" which is closely associated with the Danish Unesco—National Commission has joined hands with the Mysore State Adult Education Council to establish the Danish Mysore project in 1959. A group of Danish teachers and agricultural experts are also working in co-operation with the Vidya Peeth at Shivaragudda.

Under this programme a poultry form has been established with supplies from Denmark of machinery and equipment including incubators and 2500 day-old chics and work has also been undertaken for soil and seed improvement. Through efforts as these, combining commercial, economic and technical co-operation, it is hoped that relations between Denmark and India will be further strengthened in the years to come.

DAIRIES: CO - OPERATIVE ORGANIZATION

CO-OPERATION has for long been the most outstanding feature of Denmark's agricultural development beginning as far back as in 1882. In the wake of the first co-operative dairy in 1882, many of the sort sprang up all over the country and constituted the major undertakings in the productive field. They have come into being, somewhat spontaneously from within, to meet practical needs as they have arisen.

The organisational structure of the Danish Dairy industry has been built up with the individual dairy at its base. Of 1,400 dairies in Denmark about 1,175 are members of co-operatives. A co-operative dairy has a number of milk producers on the list as members who dispose of their milk production and the manufactured products as a joint enterprise. Each member is bound to accept the rules of the dairy as legally binding. The rules of the individual co-operative dairies are based on the set of standard rules for co-operative dairies, as drafted by the Federation of Danish Dairy Associations, though it is not obligatory for the co-operative dairies to follow them. But they are treated as a model and are generally followed with minor modifications.

The most important of these are those governing the joint liability of the members and their obligation to supply. The members are jointly liable for any loan raised by the executive committee of their dairy in accordance with resolutions passed at a general mee ing. Another equally important and uniform rule is that members are obliged to supply the dairy with all the surplus or marketable milk from their healthy crows.

The scrupulous attention paid to quality is noteworthy. There are other rules making specific demands as to the quality of the milk supplied to the dairy and instructing the dairy manager to return milk which falls short of these demands. The payment for the supply is made according to weight, fat content, and hygienic quality of milk. An executive committee of generally five to nine members is elected at the general meeting of members to conduct the affairs of the association. All members are admitted to a general meeti-g and each has one vote no matter what is his quanti y of supply.

There are 24 regional dairy associations covering a county each and almost all co-operative dairies, the private dairies, and all the co-operative condensed milk factories in Denmark are its members. These regional dairy associations are all members of the Federation of Danish Dairy Associations—an apex body—representing the dairies of their respective counties in the national organisation.

The "Union of Denmark's Private Dairies"—an association of private dairies in Denmark—is also a member of the Federation and that being so, the private dairies are adequately represented in the Federation through their membership either of the "Union of Denmark's Private Dairies" or of a regional dairy association.

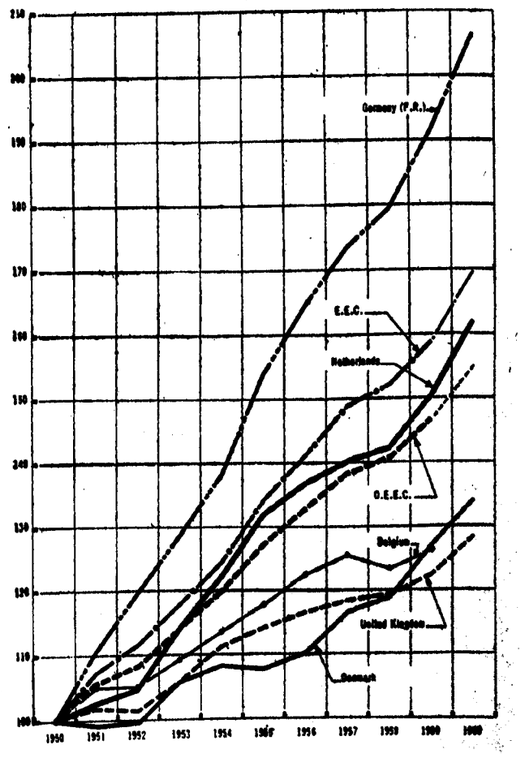
The Federation of Danish Dairy Associations looks after the interest of the dairy industry at home and abroad by striving to create and maintain, in broad terms, economically sound conditions for the production of milk and milk products. Its supreme authority rests with the Delegate Assembly, the members of which are elected by the individual member associations, the number of delegates from each association having been determined either by the number of dairies in the organisation or by the total quantity of milk processed.

The Federation, besides being represented in the major agricultural organisations, is the accepted body for negotiations with the Ministry of Agriculture a.d for making recommendations in matters pertaining to the interest of the dairy industry at large.

AGRICULTURAL EXPORT INDUSTRIES

DENMARK'S traditional emphasis on agriculture has given her agricultural export industries an important place in her economy. Danish agricultural pr ducts with the "Lur" mark of quality enjoy a high reputation in the export market of the world and are marketed in varying quantities in countries like the U.K., West Germany, the United States, Italy, France, Sweden, Brazil and Venezuela. The chief agricultural exports

EVOLUTION OF THE GROSS NATIONAL PRODUCT AT CONSTANT PRICES
1950 = 100



are butter, bacon, meet, eggs and poultry, cheese, potatoes, horses and breeding cattle. Other more specialised exports are grass, cereal and root seeds and malting barley. The cow and the pig are important sources as foreign exchange earners, particularly the former is a source of many more valuable agricultural exports. The two are closely interlinked and form the basis of Danish farming. Poultry is another industry in which the country enjoys a high reputation in being the second biggest exporter of eggs in the world market.

The export trade in cattle has flourished in Denmark because of strict quality control to which they are subjected before being exported. The compulsary preshipment inspection of cattle by veterinary surgeons requires that exportable cattle must conform to certain specified minimum sandards of yields. The Export Board for Breeding Cattle, apart from building up considerable exports to a number of countries, has extended the knowledge of the Danish cattle industry abroad through its various publications and exhibitions. In 1960 butter production amounted to 165,000 metric tons of which 117,000 metric tons were exported. During the same period, cheese production amounted to 113,104 metric tons of which 75,000 metric tons were exported. West Germany has been the principal customer of Danish cheese, followed by Great Britain and Italy. Denmark's export of condensed and evaporated milk and sterilised cream totalled 36,760 metric tons in 1960. For milk powder the 1960 export figure was 29,567 metric tons. Special export organisations have been formed to organise and expand the export of individual products.

GROSS INCOME OF DENMARK BY SOURCES: 1954-60

(At 1955 Prices)

(Million Kroners)

Sources	1954	1955	1956	1957	1958	1959	1960*
1. **Agriculture**	4,848	4,878	5,087	5,581	5,607	5,340	5,675
Forestry, market gardening and fisheries	590	579	642	694	739	751	770
Peat and lignite	46	54	75	90	73	74	60
TOTAL	5,484	5,511	5,804	6,365	6,419	6,165	6,505
2. **Industry**	5,150	5,244	5,313	5,638	5,873	6,550	7,025
Handicrafts**	2,566	2,514	2,488	2,540	2,624	2,865	2,965
Public utilities	433	501	547	536	508	515	595
TOTAL	8,149	8,259	8,348	8,714	9,005	9,930	10,585
3. **Building and Construction**	2,147	2,061	2,058	2,102	2,158	2,395	2,525
4. **Distributive trades and financial institutions**	4,871	4,839	4,823	5,206	5,423	5,734	6,065
Shipping (foreign trade)	726	769	822	910	912	939	945
Other transport services	1,995	2,040	2,103	2,178	2,248	2,354	2,510
TOTAL	7,592	7,648	7,748	8,294	8,583	9,027	9,520
OTHERS							
5. Personal services	1,381	1,379	1,376	1,398	1,399	1,467	1,510
6. Utilization of housing	1,324	1,374	1,418	1,463	1,512	1,556	1,610
7. Contribution by public sector	2,544	2,616	2,697	2,760	2,802	2,895	2,970
GROSS FACTOR INCOME	28,621	28,848	29,449	31,096	31,678	33,435	35,225

* Provisional figures.
** Small Industries employing upto 6 workers, repair services, etc.

NOTE: 6.907 Kroners = 1 U.S. $ = Rs. 4.76.

DEVELOPMENT OF FOREIGN TRAVEL IN E.F.T.A. COUNTRIES

Country	Foreign Visitors			Income from Foreign Tourism		
	1952	1960	Percentage increase	1952	1960	Percentage increase
	(In Numbers)			(In million dollars)		
Denmark	349,713	5,708,727	1,532	28	107	282
Great Britain	782,830	1,669,300	113	223	525	135
Norway	603,610	2,960,000	390	28	53	89
Austria*	1,248,118	4,553,328	265	38	232	510
Portugal	110,011	352,651	220	15	24	60
Sweden	458,433	N.A.	..	40	109	172
Switzerland	2,828,429	4,949,252	75	147	297	102
TOTAL	6,381,144	20,193,258	217	519	1,347	159

* Hotel guests only.

DIRECTION OF TRADE OF E.F.T.A. COUNTRIES

1st July, 1960 — 30th June, 1961

(Million U.S. dollars)

Area of Origin or Destination	Reporting Country: Austria	DENMARK	Norway	Portugal	Sweden	Switzerland	U.K.	E.F.T.A.
IMPORTS (c.i.f.) from:								
E.F.T.A.	179 (+14)	666 (+ 4)	600 (+13)	139 (+46)	727 (+11)	284 (+13)	1,338 (+10)	3,934 (+11)
Finland	2 (+42)	38 (+22)	18 (+95)	1 (+12)	43 (+44)	8 (+143)	273 (+20)	387 (+26)
E.E.C.	855 (+17)	716 (+6)	522 (+10)	224 (+19)	1,144 (+3)	1,541 (+23)	1,854 (+5)	6,857 (+10)
United States	106 (+18)	172 (+5)	116 (+8)	52 (+83)	358 (+17)	277 (+21)	1,546 (+18)	2,626 (+18)
Eastern Europe	164 (+19)	78 (+1)	47 (—1)	9 (+149)	126 (+10)	56 (+24)	421 (+18)	901 (+15)
World	1,475 (+14)	1,803 (+4)	1,566 (+12)	616 (+27)	2,685 (+7)	2,485 (+20)	12,776 (+5)	23,606 (+8)
EXPORTS (f.o.b.) to:								
E.F.T.A.	156 (+23)	627 (+4)	392 (+13)	73 (+31)	946 (+18)	322 (+16)	1,170 (+9)	3,687 (+12)
Finland	8 (+32)	31 (+33)	18 (+22)	1 (—10)	113 (+29)	21 (+1)	140 (+13)	332 (+18)
E.E.C.	590 (+15)	403 (—6)	229 (+5)	71 (+5)	865 (+15)	812 (+13)	1,690 (+11)	4,660 (+10)
United States	46 (—16)	132 (—5)	64 (—13)	33 (—2)	140 (—22)	186 (—4)	799 (—26)	1,400 (—20)
Eastern Europe	161 (+13)	49 (—20)	35 (—14)	8 (+16)	109 (+8)	64 (+1)	329 (+33)	754 (+14)
World	1,164 (+11)	1,467 (+1)	892 (+4)	328 (+9)	2,661 (+12)	1,973 (+11)	10,470 (+3)	16,884 (+8)

COMPOSITION OF INDIA'S FOREIGN TRADE WITH DENMARK: 1958—60

('000 rupees)

	1958 Exports	1958 Imports	1959 Exports	1959 Imports	1960 Exports	1960 Imports
1. FOOD						
Meat and meat preparation	35	27	64	37	66	16
Dairy products, eggs and honey	—	9,56	—	6,22	—	4,91
Fish and fish preparations	—	3	—	3	72	6
Coffee, tea, cocoa, spices and manufactures thereof	8,52	—	7,23	—	7,14	—
Feeding stuff for animals (not including unmilled cereals)	9,43	—	42,88	—	40,95	—
TOTAL Food Articles	**18,41**	**9,97**	**51,03**	**6,74**	**49,97**	**5,20**
2. BEVERAGES AND TOBACCO	**11,22**	**40**	**6,68**	**40**	**5,31**	**21**
3. CRUDE MATERIALS						
Hides, skins and fur skins undressed	2,53	—	2,01	—	1,00	17
Oilseeds, oilnuts, and oil kernels	9	—	1	10	7	—
Wood, lumber and cork	58	65	1,63	1,90	70	1,93
Pulp and waste paper	—	2,13	—	—	—	11,13
Textile fibres (not manufactured into yarn, thread or fabrics) and waste	13,68	5	14,42	—	14,78	—
Crude fertilisers and crude materials, excluding coal, petroleum and precious stones	3,30	19,14	4,39	4,66	4,85	4,45
Animal and vegetable crude materials, inedible, n.e.s.	1,64	49	1,99	44	1,92	79
TOTAL Crude Materials, Inedible, Except Fuels	**22,85**	**22,62**	**24,64**	**7,52**	**23,51**	**19,08**
4. ANIMAL AND VEGETABLE OILS (NOT ESSENTIAL OILS), FATS, GREASES AND DERIVATIVES	92	—	70	—	2,20	2
5. CHEMICALS						
Chemical elements and compounds	3	4,09	—	3,44	—	6.77
Dyeing, tanning and colouring materials	6	93	—	1,89	—	2,36
Medicinal and pharmaceutical products	3	18,93	2	7,99	4	15,14
Explosives and miscellaneous chemical ma'erials and products	—	73	1,19	84	25	1,58
TOTAL Chemicals	**25**	**25,10**	**1,25**	**14,16**	**29**	**25,85**
6. MANUFACTURED GOODS						
Leather, leather manufactures, n.e.s. and dressed furs	8,21	59	20,27	39	21,15	21
Textile yarn, fabrics, made-up articles and related products	1,39,60	15	1,24,23	5	75,12	3
Non-metallic mineral manufactures, n.e.s.	8	4,04	24	6,61	26	5,12
Base metals	9	18	37	1,34	—	5,10
Manufactures of metals	—	6,12	—	5,83	—	5,01
TOTAL Manufactured Goods	**1,47,98**	**11,57**	**1,45,11**	**14,53**	**96,54**	**16,01**
7. MACHINERY AND TRANSPORT EQUIPMENT						
Machinery other than electric	—	2,18,87	—	94,52	—	76 39
Electric Machinery, apparatus and appliances	—	36,07	—	45,81	5	28,99
Transport equipment	—	1,54	—	3,86	—	3,88
8. MISCELLANEOUS						
Professional, scientific and controlling instruments, photographic and optical goods, watches and clocks	—	1,77	—	1,48	2	2,48
Miscellaneous manufactured articles, n.e.s.	15	2,21	84	3,08	72	1,91
TOTAL Miscellaneous Manufactured Articles	**15**	**3,99**	**96**	**4,58**	**92**	**4,39**
TOTAL Trade	**2,03,82**	**3,32,59**	**2,31,39**	**2,01,72**	**1,80,27**	**1,85,22**

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India and the U.S.S.R.

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Indo-Soviet Economic Co-operation

IN this Blue Supplement 'The Eastern Economist' is making its first attempt to set out its policy and outlook on the controversial problem of Indo-Soviet economic co-operation. For many years, it should be admitted frankly, this journal was unconvinced that the Soviet Union had a major part to play in economic development of this country. Circumstances have now led to a revision of some inflexible views then presented. There are, indeed, political differences, and the 1962 Annual Number of 'The Eastern Economist' has already set them out in major perspective. Our trade and our interests with the Western World will always be greater than our trade or co-operation in these spheres with Eastern Europe. But a major block has been vacated in that we now recognise that, subject to the difference in this order of magnitude, Eastern European countries have a vital role to play in economic development. For our own economic advantage it is necessary that we should utilise the hand of co-operation when it assists our national effort.

Over the years the image of the Soviet Union has naturally changed in India as well as in the four walls of most Indian newspaper offices. The image now presented by the vital and dynamic Premier of the Soviet Union is one of a reversal of the inflexible line of Communist conquest of the rest of the world and, increasingly, a pattern of co-existence in which violence, and even violent propaganda, will be subdued. It is true that the People's Republic of China provides an illustration that the other image is not dead all over the world. But, by and large, trade and co-operation with Communist countries has now become a feature of Western European economies no less than ours. There is certainly no reason to take fright at the growth of economic co-operation and to foster it by all means in our power. This is a historical trend and not a matter of political philosophy. In the month of February the U.S.S.R. proposed not only a great Disarmament Conference in which Mr. Nikita Khrushchev's message to Mr. Kennedy and Mr. Macmillan breathes a new note, but there is also, after Colonel Glenn's great space achievement, a willingness to pool outer space research. Thus the response from the United States, not less than from Western Europe, has been promising. For the whole Free World to take a more liberal view on co-operation with the Soviet Union there must be some substantial change in attitudes on both sides. India, which has been outside the Cold War, cannot take a less positive view. 'The Eastern Economist' holds the view that there are special facilities in Indo-Soviet trade which do not exist elsewhere and should be more fully explained and understood.

It will be remembered in an Indo-Soviet trade agreement in November, 1958, that the idea of trade in "inconvertible" Indian rupees first came into prominence. This was one of the great pieces of imagination exhibited by the Soviet Union in recognising that underdeveloped countries will be naturally unable to export to the extent required to balance their import needs. They, therefore, provided an arrangement by which the spending of the rupees, or the creation of the corresponding exports from India, was a responsibility removed from our shoulders. The results of that great piece of imagination have illuminated Indo-Soviet trade in the last four years. It is a proud story of both sides. It promises to be more fruitful in the years to come.

In bringing out this Blue Supplement, 'The Eastern Economist' wishes to reiterate its view that the currency arrangements and the bilateral arrangements reached with the Soviet Union are in India's national interest and that the Soviet projects in this country—particularly the Bhilai steel plant and the Heavy Machinery plant at Ranchi—are sound monuments to Indo-Soviet economic co-operation. All this takes place within a framework of differences of political and cultural matters which is sometimes intense because of the presence of the Communist Party in India. But it should not prevent patriots from seeing that they can draw the benefits of association without imperilling their country's integrity in any way. The test, in the last analysis, is on overselves and not to any other country.

'The Eastern Economist' is grateful to the Ambassador of the Soviet Union in India, His Excellency Mr.

I. A. Benediktov, for the article he has written for this Supplement and for the valuable co-operation on detail and opinion for which he has arranged. This itself is a mark of recognition that differences in political and cultural outlook are not a bar to free economic relations, and that the Soviet Union has now acquired the capacity to speak in a democratic dialogue with all the nations of the world.

A Good Example of Co-operation

By HIS EXCELLENCY MR. I. A. BENEDIKTOV, Ambassador of the U.S.S.R. in India

THE 'Eastern Economist' has shown a valuable initiative by the decision to publish a series of materials on Indian co-operation with a number of foreign countries in implementing plans of economic development of India. We are highly grateful to the Editor of the magazine for his kind offer to have a Blue Supplement on the questions of the economic co-operation between India and the USSR in this issue. It seems to me that this Supplement can be of interest to the readers of the magazine since Indo-Soviet co-operation has not only a good past and present but also vast perspectives for the future. Our confidence in favourable development of co-operation between our countries is based upon the fact that there is much in common which unites the two great countries of the world. First of all, this is our common aspiration for the world without wars and oppression where continuous growth of economy and human welfare will be secured. On the one hand the common approach to the problem of war and peace finds its expression in coincidence of the points of view of both governments in respect to many questions of international situation, on the other hand common striving for the development of economy finds its realization in economic development plans.

Of course, our countries are on different stages of development and therefore the targets of their planning cannot be similar. India has recently embarked on the path of building a modern economic base, taking advantage of hard-won political independence to secure full economic independence, while the Soviet Union is now facing a concrete task of achieving the highest in the world level of output both in total volume of industrial and agricultural production as well as in per capita production of all goods. Having a mighty economic potential, the Soviet Union renders unselfish economic aid to the peoples who have set themselves free of the yoke of colonial domination and embarked on the path of independent development.

The beginning of extensive Indo-Soviet economic and technical co-operation was initiated during the visit of Prime Minister Jawaharlal Nehru to the USSR in June 1955 and a return visit of N. S. Khrushchov to India some months later. At that very time the parties agreed that the basis of economic co-operation between the USSR and India would be rendering aid to India in creating a heavy industry of her own—the foundation of economic independence and development of all branches of national economy. A little more than 5 years have passed and the firstling of fruitful co-operation—the Bhilai Steel Plant—is already producing steel, cast iron and numerous metal wares for the Indian national economy. Prime Minister Nehru highly appreciated the Bhilai plant and named it a symbol of Soviet-Indian friendship. As a reply to his words the phrase of the head of the Soviet Government N. S. Khrushchov resounds, "Let our friendship be as strong as the metal smelted at this plant which was created thanks to mutual efforts of the governments and peoples of the USSR and India."

Bhilai was a good beginning of co-operation and today the USSR is already giving help to India in construction of 30 large industrial projects in the key branches of Indian economy, such as metallurgical industry, heavy engineering, oil industry, coal mining, and energetics and pharmaceutical industry.

The Bhilai steel plant is to be expanded from the capacity of 1 million tons of steel a year to 2.5 million tons in the period of the Third Five-Year Plan. The heavy engineering plant at Ranchi will produce 80 thousand tons of finished machinery annually. The mining equipment plant with a capacity of 45 thousand tons of machinery and equipment at Durgapur and many other projects will be set up.

The following figures quite eloquently show the significance of our economic and technical aid for India: the total capacity of power stations, which are being built with the help of the USSR and being supplied according to the trade agreement is 19.7 per cent of total capacity of all power stations envisaged for construction during the Third Five-Year Plan. The share of coal mines which are being built with our help is 12.5 per cent the total coal output in the public sector during the Third Plan and as for coal concentrating factories—26 per cent of existing and would-be factories.

India has achieved a certain success in development of her oil industry in the public sector with the assistance of the Soviet Union. If the Second Plan set the task to find the oil deposits, the Third Plan envisages the creation of a national oil and gas industry. A good deal of work is being done in the field of technical collaboration and particularly in training Indian specialists. You will find minute data on the most important aspects of the Soviet-Indian co-operation in this supplement, so I can relieve myself from going into the details. I would like to stress that the total amount of economic and technical aid of the USSR to India in building industrial enterprises and other projects comes up to Rs 430 crores, with the credits of Rs 380 crores included. During the Third Five-Year Plan in accordance with the existing agreement India intends to use Soviet credits to the extent of approximately Rs 300 crores. It will not be an exaggeration to say that these credits consist almost entirely of advanced and up to date equipment and first class technical aid.

During the coming years the co-operation between India and USSR will be even more extensive. As you know, the Programme of the Communist Party of the Soviet Union adopted by the 22nd Congress, envisages a new powerful development of the Soviet economy in the next 20 years. As a result of it industrial production will increase 2.5 times between 1960 and 1970, and by 1980 not less than 6 fold in regard to 1960. During the first 10 years agricultural porduction will increase 2.5 times, and in 20 years 3.5 times. Such a rapid development of the economy will enable the Soviet Union not only to satisfy all the needs of its national economy during a relatively short historical period, but also to increase its assistance to previously backward but at present developing countries, including India.

Peace is primarily essential for the realization of our programme. That is why the Soviet Union is so energetically fighting for peaceful co-existence, for securing world peace. All people are interested in preserving peace. If disarmament could be carried out according to the time schedule and scale proposed by the Soviet Union then it would free enormous resources for assisting under-developed countries. According to the calculations of some economists more than $ [illegible] billion are spent annually in the world for armements and upkeep of the armed forces. If only a half of this money is channelled for the development of such countries as India, then the rate of economic growth could be increased several times.

Last summer we were interested to learn that the Planning Commission of India started to draw up a long-term development plan for 1976. Speaking in Parliament on August 28, 1961, Prime Minister Nehru quoted the basic objectives of the 15-year plan. We think that long-term economic planning is an asset, which makes it possible to secure better conditions for a balanced development of all the branches of the economy. At the same time long-term planning creates better conditions for the development of co-operation with foreign countries, particularly with countries having a planned economy. It allows for a greater degree of estimation of mutual needs and demands. Here we also have good prospects for long-term co-ordination of plans of economic co-operation between the USSR and India.

Considering the fact that planning is firmly entrenched in India and plays an increasingly important role in the country's economic development, I would like to attract attention to some problems of planning under conditions prevailing in India. Two five-year Plans were fulfilled in the main, although some drawbacks emerged which were largely due to faults in the organizing of planning and securing the implementation of the plans as well. You are very well aware that getting rid of drawbacks can only help.

In accordance with the development of the country's economy and the necessity of solving more than ever complicated tasks, a further tuning up of planning is quite essential. Many Soviet planning experts and economists who studied the state of planning in India, are of the opinion that all the pre-requisites exist in the country in order to make a further step forward in improving planning techniques. It is deemed necessary that certain additional measures should be included in planning, as the working out of control figures, on which base the ministries and the states would draw up calculations and submit them to the Planning Commission. An opinion was expressed on the advisability of drawing up annual plans for development in the public sector on the basis of long-term plans, and also of starting composing plans of geological surveys with clearcut financial lay-outs for each item of planned designing work and material-cum-technical provisions. It was also found advisable to start planning in such important fields as labour and wages as well as production expenses. Quite important is the introduction of obligatory statistical reports by the enterprises concerning a set list of items. The statistical institutes would then be enabled to compile general reports on this basis and submit them to the Planning Commission for use in drawing up the Plans and checking up their fulfilment.

The experience gained by planning agencies in the Soviet Union proved that the Planning Commission should be entrusted with the task of a systematic control over the plans' fulfilment. It should be pointed out that in the Soviet Union assignments allotted to enterprises in conformity with the plans are on the same legal basis as laws of the state, so that each enterprise becomes more responsible for a plan being properly carried out.

Any country which introduced planning or elements of planning faces the structure of her economy getting more and more complicated alongside with the increase in production and the expansion of investments in the state sector. And now the problem in what industries the investments should be made in first is being supplemented with the problem what parts of the country they should be directed as to in order to achieve the maximum of effectiveness. Regional planning thus turns out to become one of the most acute problems intermingling with the problem of national integration. Economists of various countries engaged in planning came to a conclusion of necessity to turn to the regional planning on a nationwide basis. In their opinion it should materialize, first, in developing a frame work of economic regions and, second, in combining the industry-wise planning with the region-wise planning. It was found advisable to have in the plans a special section "Regional distribution of the industries" for this end. The experience of planning in the USSR showed that this method of planning did not only affect the interest of regional autonomy but, on the contrary, contributed to their rapid economic progress.

The same can be applied to India. The working out of the general perspective plan of regional development is one of the most essential tasks of the state. It should be drawn out in the interests of the country as a whole while taking into account local requirements and aspirations of the states. The entire success of the regional planning is dependent upon a comprehensive implementation of this combination. In the course of working out the country's general plan it is quite unavoidable to delimit the spheres of authority as well as the projects of national and inter-state importance, included in the plan. Apart from the general perspective plan, it is desirable that the planning bodies of the states work out local regional plans of their own based on the general plan and being supplementary to it. The Soviet scientists and experts who studied planning in this country are of the opinion that India has definite economic prerequisites and sufficient cadre of specialists to implement such planning.

Trade is another important sphere in the Indo-Soviet economic co-operation. It also has some specific features which reflect a friendly character of relations between the two countries. As in the case of long-term credits, the bulk of the Soviet export to India consists of machinery and equipment, the share of these commodities having been about 43 per cent of the total deliveries last year on her part. India exports to the USSR her traditional goods as well as some new items of industrial production. In order to assist India in overcoming the foreign exchange difficulties the Soviet Union agreed to meet the request of the Indian side to place the trade on a rupee-payment basis with mutually balanced deliveries of goods. The three-year trade agreement, signed in 1960, provides for a continuous expansion of mutual trade, which should reach the level of Rs 100 crores in 1963. I am particularly pleased to note that both the STC and private Indian firms are willing to develop trade with the USSR, being well aware of the fact that USSR is a sound and big trade partner.

In conclusion I would like to express my confidence that many-sided co-operation between the USSR and India which the peoples of our two countries as well as of all countries of the world are so interested in will ever expand and flourish in the interests of peace and friendship among nations.

India and the U.S.S.R.: A Study in Economic Growth

DURING the last 40 years the economy of the U.S.S.R. has revolutionised itself under the stimulating impact of the Five-Year Plans. It is a well known fact that the idea of planning on the national scale was born in the U.S.S.R. and it is now being adopted by all the newly independent resurgent nations which wish to accelerate the standards of living of their people in the shortest possible time. The Five-Year Plans of the Indian Union are also directed to the same aim of raising the level of living all-round.

There has been quite a heated controversy in the economic journals about the actual rate of growth of the U.S.S.R. economy. For a long-term study of the U.S.S.R.

economy, it has been decided to rely on the official figures released by the Soviet Union. According to the preliminary estimates made available by the Soviet Union, the total national income of the U.S.S.R. in 1961 was 153,000 million roubles or 809,200 million rupees (about 6.5 times the national income of India). This indicated a 7 per cent increase over 1960. In 1960, the national income of the U.S.S.R. had increased by more than 50 per cent as compared with 1955, indicating an average rise of about 10 per cent per annum (simple). Between 1950 and 1960, according to the official sources, the rise in per capita income was 120 per cent or 12 per cent per annum per capita. During the same period, the rise in the case of the Indian Union was of the order of 42 per cent in national income and 17 per cent in per capita income. In other words, the 1.7 per cent rise in per capita income in the case of the Indian Union was nearly one-seventh of the per capita rise in the U.S.S.R. Whereas the U.S.S.R. economy is heavily biased in favour of industry—and therein lies the key to its rapid progress—the Indian Union is still dependent for half of its national income on agriculture. The rather slow improvement in agriculture is keeping the overall rate of increase in national income at a very low figure. On the other hand the organised industry in the Indian Union has risen in the past decade at the average rate of 10 per cent per annum which compares favourably with the rate of growth in industry in the economically developed countries including the U.S.S.R.

In per capita terms, the income in the Indian Union is one-twelfth of the U.S.S.R. The gap is indeed extremely large and it is realised increasingly in the Indian Union that the rate of progress can be hastened by laying more stress on technological improvement and productivity. These are the two basic ingredients for economic expansion; that is why the Indian Union has decided to import technical know-how both from the East and the West, without getting involved in the cold war controversies. The increasing participation of the U.S.S.R. in India's experiment in accelerated rate of economic development will certainly bear fruit much faster perhaps than the current trends would make one believe. Bhilai stands as a standing monument to Indo-Soviet co-operation in economic growth. While the gap between the levels of living between the two countries may not be bridged in the short period, there is every possibility of hastening the rate of economic development in the Indian Union with the assistance of aid, financial and technical, received from all the friendly nations including the U.S.S.R.

LOOKING AHEAD

The Seven-Year Plan of the U.S.S.R. will end in 1965 while India's Third Five-Year Plan will close on March 31, 1966. The U.S.S.R. Plan has forecast a rate of rise in national income which will lie between 7.1 and 7.4 per cent per annum. The rate of growth in national income in the Indian economy during the next five years is estimated to be a little above 6 per cent per annum. If the rates of growth in national income in the sixties (1961-70) are compared for the two countries, it will be found that the difference is of the order of 3 per cent per annum. The Indian rate of growth will be between 6 and 7 per cent per annum while the Russian rate of growth is anticipated to be between 9 and 10 per cent. Figures are also available for the next 20 years in the case of the U.S.S.R. It is believed that the long term rate will be slightly lower at 8.4 per cent The Indian rate will also approximate to this figure (about 9 per cent) for the 20-year period ending in 1981. What is more important in the case of the U.S.S.R. is that producer goods are expected to grow at a slightly higher rate than the consumer goods for the next 20 years. The emphasis on raising productivity all-round in the U.S.S.R. is much larger than in the case of the Indian economy. In the U.S.S.R. it is presumed that productivity will rise at the rate of more than 7 per cent per annum through better management and rationalisation of available resources. The table below gives the actual rates of growth in the important sectors of the Russian economy in 1960 along with forecasts for the next 20 years.

ANNUAL RATES OF GROWTH

(Percentages)

Indicators	1960 Actual	1961 Forecast	1956-60 (5-Year Plan)	1959-65 (7-Year Plan)	1961-70 (10-Year Forecast	1961-80 (20-Year Forecast)
Gross Industrial Production	10.0	(9.0)	10.5	8.6	10.2	9.7
Producer Goods	11.0	n.a.	11.3	9.2-9.4	10.6	10.2
Consumer Goods	7.0	n.a.	9.9	7.1-7.4	9.2	8.5
National Income	8.0	n.a.	9.9	7.1-7.4	9.6	8.4
Capital Investment	11.5	(10.0)	10.8	8.6	n.a.	(10.5)
Labour Force (non-agricultural)	9.8	n.a.	2.8	2.8	n.a.	1.8
Productivity (Industrial)) per	5.0	(4.0)	8.5	5.9	7.2	7.4
Real Wages (Industrial)) head	5.0	n.a.	5.4	4.9	7.2	6.5
Agricultural Incomes in collectives)	n.a.	n.a.	7.0	4.9	7.2	7.3
Retail Trade Turnover	11.0	n.a.	8.5	6.7-7.1	9.6	8.4
Agricultural Production	2.3	n.a.	5.7	7.9	9.6	6.5

N.A.=Not available.

The Soviet Agriculture

ALTHOUGH farm output in the Soviet Union has tended to level off during the past two or three years —the index number (base 1950-52 as 100) remaining steady around 160—the Soviet agriculture has made appreciable advance since the end of World War II. The war had caused great devastation over the wide areas in the Soviet Union and had upset her agricultural economy to a considerable extent. It took nearly seven years for the output to be restored to the pre-war level. In 1953, production of grains amounted to 80.34 million tons, sugar-beet 23.2 million tons, sugar 3.4 million tons, sunflowers 2.6 million tons, meat (carcase weight) 5.8 million tons, milk 36.5 million tons and butter 497 thousand tons.

Between 1953 and 1958, there was recorded a rapid increase in production consequent upon some drastic changes having been made in the agricultural policy of the State. The most important changes that have taken place in the Soviet farm policy since 1953 have been (i) the provision of adequate incentives to the farmers —collective as well as co-operative farmers—in the form of higher prices and reduced compulsory-delivery quotas for their products, (ii) decentralisation of the decisions on crop patterns, and (iii) making available to the collective farms machinery, fertilizers and other agricultural production at subsidised rates. These changes infused a new enthusiasm in the Soviet farmer who went out to put in a greater effort to raise agricultural output. By 1960, the farm output in the Soviet Union had been raised to 132 million tons of grains, 50.9 million tons of sugar-beet, 6.4 million tons of sugar, 3.8 million tons of sunflowers, 8.7 million tons of meet (carcase weight), 61.5 million tons of milk and 8,48,000 tons of butter.

Higher prices and reduced compulsory-delivery quotas have helped in strengthening the financial position of the collective farms, which has, in turn, aided in greater resort to mechanisation. The Soviet agriculture today is highly mechanised. Whereas in 1949 there was only 47.4 m.h.p. (1.5 h.p. per worker) of engine power employed in Soviet agriculture, in 1959 there was employed as much as 141.1 m.h.p. (4.7 h.p. per worker).

Increased emphasis is today being placed on the need to make the utmost use of the latest advances in science and technology and every effort is being made to encourage farmers to study achievements of model farms and experimental stations which have been set up in large numbers in the whole of the Soviet Union. The use of artificial fertilizers in the Soviet agriculture, however, is not as advanced as in some of the highly developed agricultural countries on the European Continent and in the world elsewhere. Average application of nitrogenous fertilizers (pure content) in the Soviet Union in 1957 was only 3.1 kgs. per hectare, as against about 200 kgs. per hectare in the advanced countries of Western Europe. In the U.S.S.R., however, fertilizers are mainly used for boosting output of commercial crops—cotton, sugar-beet and flax. In the case of cotton, the application of nitrogenous fertilizers is of the order of about 108 kgs. per hectare.

An ambitious programme has been prepared to raise production of the main agricultural commodities and animal products so as to bring about a better balance between the domestic output and the growing requirements. Some of the targets fixed for 1965 are as follows: grains 167 to 180 million tons; potatoes 147 million tons; sugar-beet 76 to 84 million tons; meat (carcass weight) 16 million tons; milk 100 to 105 million tons. Whether these targets would be achieved is anybody's guess. The Government, of course, is reported to be making all efforts to attain them. Investment is envisaged to be stepped up to the commensurable degree.

Industry

IT was the overwhelming stress on planned industrial expansion that led to the transformation of an agrarian economy in the Soviet Union to the present state of highly developed industrial structure. In a period of over 40 years, Soviet Union was able to achieve a continuously rising rate of industrialisation. The Soviet planners believed that only a greater output of heavy industry items such as machinery and equipment could ultimately provide a stable base from which balanced industrial output could continue. In fact in all centrally planned economies, the heavy industry forms the core of the economic structure. At present the Soviet industry seems to have achieved a sustained rate of expansion which during the last decade was around 10 per cent per annum. Increase in industrial output over the six years 1955-61, for instance, was nearly 80 per cent.

The table below contains projected output in certain industries for 1970 and 1980. It is evident that the Soviet industry is still laying significant stress on the heavy industry. Coal output is likely to be more than doubled between 1961 and 1980, oil output is likely to expand nearly three-fold and electricity four-fold. Similarly, cement output is likely to go up from the present actual of 51 m. tons to 234 m. tons. Thus even the declared policy of a shift towards consumer goods is not going to change the basic pattern of Soviet industrial structure.

While it would be true to say that the real basis of industrial expansion in the Soviet Union has been by predominant stress on heavy industries, it would be slightly too much to believe that at the moment the output of consumer goods is neglected. The Soviet planners definitely believe that there has to be, in a centrally planned economy, a rigid system of priorities. The high pace of industrial expansion, they believe, has to be achieved through a process of high rate of saving which naturally necessitates a degree of sacrifice on the part of the population in respect of consumer goods. Naturally, therefore, during the earlier years the Soviet people had to face a situation wherein the industrial consumer goods were available to a limited extent.

During the recent years, however, there was witnessed a significant shift in the priorities in respect of consumer goods production. Pig iron output for 1961 for instance was 53 per cent higher than that for 1955 and that for coal for 1961 was 131 per cent higher than that for 1955. It is interesting to note that clothing and leather footwear increased during the same period by 152 and 163 per cent respectively. Sugar output increased during the same period by nearly 200 per cent and furniture output by 281 per cent. It was further outlined recently that the Soviet Government had allocated additional amount of 2,500 million roubles for the development of the textiles and footwear industries and those supplying them with raw materials. Thus gradually the imbalance in the output of producer goods and consumer goods in the Soviet economy has been rectified to a large extent.

INDUSTRIAL PRODUCTION

(Million physical units)

	1958 Actual	1959 Actual	1960 Actual	1961 Actual*	Revised 1965 Plan	1970 Forecast	1980 Forecast
Coal (Tons)	496.1	506.6	513.0	513.0	606.0	693	1,190
Oil (Tons)	113.2	129.6	148.0	166.0	240.0	390	700
Electric Power (000 kWh) ..	235.4	265.1	292.3	327.0	520.0	950	2,850
Gas (000 cubic metres)	29.9	37.2	47.0	59.5	150.0	318	700
Pig Iron (Tons)	39.6	43.0	46.8	51.1	72.5	N.A.	N.A.
Crude Steel (Tons)	54.9	60.0	65.3	71.0	96.0	145	250
Rolled Metal (Tons)	43.1	47.0	50.9	55.0	73.7	N.A.	N.A.
Cement (Tons)	33.3	38.8	45.5	51.0	78.0	122	234
Mineral Fertilizers (Tons) ..	12.4	12.9	13.9	N.A.	31.0	77	130

*Provisional.

Development of Indo-Soviet Trade

By MR. G. P. VELIKY, Trade Representative of the USSR in India.

THE USSR pays special attention to the development of trade with the countries which have overthrown the yoke of colonialism and which are doing their best to strengthen their national independence.

The fraternal unity with the peoples who have done away with the colonial and semi-colonial yoke is a corner-stone of the foreign policy of the USSR.

The trade turnover with these countries has grown 4 times for the last five years, the trade with such countries as India, Indonesia, Afghanistan, Arabian countries and others having grown especially rapidly. In this period the USSR has established direct trade relations with many countries of Asia, Africa and Latin America. At present the USSR has trade relations with eighty-one countries, with fifty countries on the basis of trade agreements.

The trade relations of the USSR with the countries of Asia, Africa and Latin America are becoming closer and closer, the conclusion of long-term trade agreements with a number of countries, in particular with India, Indonesia, Guinea and Cuba, testifying to the fact.

The Soviet Union supplies to the countries of Asia, Africa and Latin America various machinery and equipment, manufactured goods which are required by these countries for the development of their national economy. These countries pay for the import of the required Soviet goods by their traditional exports and not by gold or foreign exchange, which fact also contributes to the stabilization and strengthening of the economic position of these countries. The Soviet Union has become one of the main importers of such goods as raw hides and skins, rubber, wool, cotton, oilseeds, dried fruit and many others required by our national economy to satisfy the needs of Soviet people. It should also be mentioned that in recent years the USSR has been purchasing from these countries manufactured goods the production of their developing industries (woollen fabrics, jute goods, footwear, canned foods etc.)

The trade relations of the USSR with the countries which have done away with the colonial and semi-colonial yoke are based on principally new foundations —on the foundations of equality and mutual benefit.

It is the first time in history that former colonial and semi-colonial countries have found in the great power, the USSR, a partner who is not seeking to exploit their national wealth and the peoples of these countries, to impose disadvantageous and one-sided terms in trade, but on the contrary, who contributes in every possible way to the development of national economies of these countries and to the raising of the material and cultural level of their peoples.

The beneficial influence of the development of the mutually advantageous and equal trade relations with the USSR strengthens the positions of the Asian, African and Latin American countries on the world market.

Under the influence of just and mutually beneficial trade, such as being conducted by the USSR with the countries of Asia, Africa and Latin America, industrially developed countries of the West, were compelled to make some concessions and give up th most undisguised forms of plunder and economic pressure.

The development of trade relations of the USSR with countries of Asia, Africa and Latin America is our great material contribution to the noble struggle of the peoples for the annihilation of the shameful colonial system.

The planned great rise in the volume of industrial and agricultural production presents new possibilities for the further development of mutually beneficial trade relations of the USSR with the countries of Asia, Africa and Latin America.

For the past 9 years after the signing in 1953 of the first trade agreement between the USSR and India the trade turnover between two countris has considerably increased.

It amounted to only 9.4 million rupees in 1953 as compared to about 600 million rupees in 1961. This clearly testifies to the fact that India-Soviet trade is mutually beneficial.

After the reciprocal State visits of N. S. Khrushchov and Jawaharlal Nehru, the trade between the two countries began to grow rapidly.

In November, 1958, a new Trade Agreement was signed, which extended the principles of most-favoured nation treatment. The Governments of both the countries undertook according to the agreement to develop and strengthen the trade relations between the USSR and India on the principles of equality and mutual benefit. They also have agreed to study and with utmost goodwill take decisions on the suggestions which either of them would like to present for consideration of the other with the purpose of achieving closer economic relations.

This agreement placed the trade relations between the two countries on a new solid foundation. It provides for an increase in the turn-over between the USSR and India by 1963 upto 1 billion rupees, i.e., more than twice as much as in 1960.

According to this Agreement, the import and export of goods by both parties can be carried out on the basis of contracts to be concluded between Indian physical and juridical parties, including Indian State-owned organisations on the one side, and Soviet Foreign Trade Organizations, on the other side.

The Soviet Foreign trade Organisations are expanding trade operations both with Indian State Organizations and Indian private firms.

A notable feature of the Soviet export to India is the growth of the proportion of machines and equipment. Besides equipment for industrial works, plants and factories, Soviet foreign trade organisations supply metal-cutting machine tools, tractors, agricultural and road-building machines, drilling and mining equipment, rolled steel products, non-ferrous metals, printing paper, fertilizers, chemicals, medicines and many other goods required by Indian developing economy.

In 1960, a new item appeared in the lists of Soviet goods to be exported to India—oil products.

In June 1960 the Soviet foreign trade organisation V/O 'Sojuznefteexport" signed with Indian State organisation "Indian Oil Company" a long-term contract for delivery in 1960-63 of 1.5 million tons of Soviet oil products, on conditions favourable for India.

Apart from direct economic advantage to India this deal has helped to lessen the grip of foreign monopolies which were forced to make concessions in respect of prices for crude oil and and oil products which they are selling to India.

It is notable feature of the Indo-Soviet economic relations that while delivering to India rolled steel products, machinery and equipment, the Soviet Union has built at the same time the Bhilai Metallurgical Combine plant, is engaged in oil exploration in India and is constructing a heavy machine building plant at Ranchi.

In the Soviet import from India in 1960 the largest proportion belonged to such goods as tea, goatskins, wool, cashew nuts, black pepper, leather footwear, mica, shellac. It is worthwhile mentioning that at present the USSR occupies s considerable proportion of Indian export and import of certain goods. India exports to the USSR about 22 per cent of its export of coffee, 20 per cent of black pepper, 15 per cent of wool, 19 per cent of castor oil, 12 per cent of cashew nuts, 10 per cent of shellac, 7 per cent of tea.

The USSR is increasing purchases of Indian manufactured goods, such as leather foot-wear, woollen cloth, jute bags and jute cloth. It also is becoming a regular buyer of products of Indian handloom industry and handicrafts, thus stimulating the employment scope of Indian people.

The purchases of Indian goods are being increased by the USSR from year to year according to the steady increase in imports from the Soviet Union by India.

In its trade with the Soviet Union India does not spend deficit foreign exchange because all payments for the goods are effected in Indian Rupee.

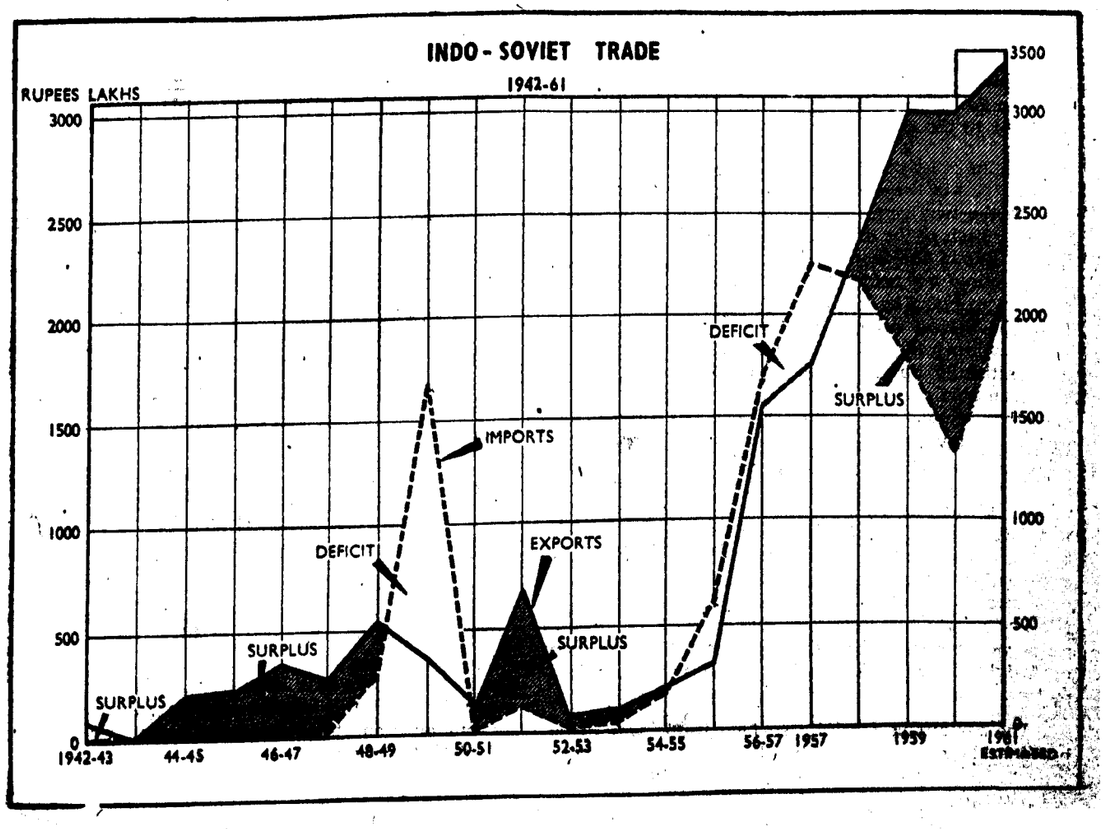
This trade has bright prospects because India finds in the Soviet Union a stable market for its traditional export goods in ever increasing quantities. At the same time India can obtain any goods from the Soviet Union which are essential for the development of Indian economy.

The Pattern of Indo-Soviet Trade: 1942–1961

THE volume of India's trade with the U.S.S.R. was almost nominal till 1954-55 except for 1949-50 when imports from the U.S.S.R. exceeded Rs. 16 crores. This was due to the fact that the Indian Union in that particular year imported wheat alone worth Rs. 9.66 crores. A real spurt to Indo-Soviet trade came with the signing of the first trade agreement between the two countries in 1953. Since then the curve has taken a steep upward course which is amply demonstrated in the graph below. Between 1955-56 and 1957 India's imports always exceeded exports. The volume of deficit, however, was of small proportion. Since 1958, India's exports have exceeded imports showing a sizeable surplus. According to the preliminary figures available for the first nine months of 1961, India's trade with the Soviet Union indicated a surplus of the order of Rs. 9.71 crores with imports at Rs. 15.35 crores and exports at Rs. 25.06 crores. This partnership in trade is likely to grow at an accelerated rate in view of the facilities offered by the Soviet Union to accept rupee payments for all our imports.

A measure of the galloping rate of rise in trade between the two countries is provided by the index of volume of trade (vide table on page viii). With 1942-43=100, the index showed a steady and steep rise from 1954-55, the index was more than four times the 1942-43 level, while in 1960 it was almost 48 times the index in 1942-43. In 1961, the index is likely to be nearly 60 times the total volume of trade in 1942-43.

An analysis of the composition of India's trade with the U.S.S.R. illustrates the direction in which the two countries can participate increasingly in the coming years. The tables on page (xii) give for the year 1960-61 India's exports as well as imports from the Soviet Union. On the exports side, the pride of place is taken by the beverages such as tea, coffee, and cocoa. The total volume of exports of these beverages and spices was Rs. 115.8 million. Hides, skins and fur skins (raw) valued at Rs. 43.9 million were exported as against textile yarn and fabrics valued at Rs. 42.3 million. Next in the order of importance came fruits and vegetables followed by textile fibre and waste and foot-wear. The export of foot-wear has increased at a phenomenal rate, keeping the order books of many of the Indian manufacturers almost full. This is, indeed, a happy trend in view of the fact that the exports in



value can be increased substantially by exporting footwear instead of exporting raw hides and skins.

On the list of imports, the most important item was the base metals consisting of iron and steel, aluminium, tin, and zinc. Next to the base-metals, the most important item was machinery, (electricdl and other machinery) valued at Rs. 39 million. Fertilizers of the value of Rs. 10.5 million were also imported in order to fill the gap in India's total demand of this vital element for raising food output. Another important product which claimed a high figure of Rs. 10.6 million related to paper and paper boards. By and large, the imports picture shows India's hunger for machinery, base metals, and fertilizers. In view of the growing trade relations between India and the U.S.S.R. it is anticipated that the volume of imports, machinery in particular, will rise faster than other items. At the same time, India's traditional exports will find a ready market in the U.S.S.R. As stated earlier, the facility for rupee payments for imports has been the prime mover for growing participation in trade between the two countries.

It is to be conceded that India's traditional exports have featured heavily in the list of commodities exported to the U.S.S.R. If the volume of trade between the two countries is to continue its upward march, it is necessary that concerted efforts should be made to sell India's non-traditional goods such as engineering goods as well where production is rising very fast in the Indian Union.

INDO - SOVIET TRADE

(Rs. Lakhs)

Period	Imports	Exports (incl. re-exports	Balance of trade	Index of total volume* of trade
1942-43	Neg.	90.13	+ 90.13	100
1943-44	3.46	1.84	— 1.62	6
1944-45	1.43	2,03.88	+ 2,02.45	223
1945-56	20.14	2,21.44	+ 2,01.30	268
1946-47	1.50	3,47.90	+ 3,46.40	388
1947-48	33.09	2,86.93	+ 2,53.84	355
1948-49	3,12.24	5,36.57	+ 2,24.33	942
1949-50	16,67.60	3,74.50	—12,93.10	2266
1950-51	22.94	1,37.51	+ 1,14.57	178
1951-52	1,38.55	6,92.39	+ 5,53.84	922
1952-53	24.18	85.41	+ 61.23	122
1953-54	59.71	1,15.20	+ 55.49	194
1954-55	1,81.44	2,11.71	+ 30.27	436
1955-56	6,20.71	3,25.70	— 2,95.01	1050
1956-57	16,90.62	15,50.40	— 1,40.22	3596
1957	22,68.20	17,53.17	— 5,15.03	4462
1958	21,71.12	23,32.02	+ 1,60.90	4996
1959	17,88.63	30,05.19	+12,16.56	5319
1960	13,27.11	29,94.35	+16,67.24	4795

*Total volume=Imports+Exports.

The Two Transport Systems

WHILE there is not much room for a close comparison between the development of the transport system in the 40 years of crowded and speedy economic development in Russia and in 10 years of India's relatively gradual expansion, there are certain features which deserve to be analysed. Both the countries are eminently suited for a wide network of inland surface transport and the location of the natural resources and of industries, as well as the pressure of demand generating from agriculture in every part of the country, create top priority demand for domestic transport. The size of the home markets and the relatively small scale of foreign trade also add to the pressure on domsetic transport.

But in most other respects there are considerable divergencies in the development of the system of transport in the two countries. In each, railway transport is the very basis of the entire structure of communications. But in Russia the Soviet regime started both with a handicap and a benefit (in the form of a wide choice for freedom to plan) by reason of the fact that it inherited from the Czarist rulers a system of rail transport that was very much in a dilapidated condition. Russian planners faithfully observed the basic dictum of planning that transport and power must precede development in the other sectors of the economy and with that end in view they gave a high priority to the building of a far-flung system of rail transport. In 1960, 80 per cent of the freight traffic and 75 per cent of the passenger traffic in Russia was carried by the rail transport system. That in itself speaks for a predominance of the railways in that country and this predominance has been a matter of deliberate choice. It is unlikely to be changed. The dependence of the economy on the rail transport system is to be gauged from the fact that in 1959 the Russian railways operated 1,429,500 million net ton-kilometres of freight traffic and 164,400 million passenger kilometres.

The remaining domestic surface traffic was distributed in the proportions of two-thirds for inland waterways and one-third for road transport in the freight sector, but in the passenger sector the bulk of the remaining share was claimed by road transport. It is a singular characteristic of the Russian rail transport system that continuous technological improvements are incorporated in the equipment and the minimum of obsolescence is invited by reason of the specialisation of the Russian technicians in fitting modernised and improved components on the old equipment instead of discarding the latter completely. Inland waterways are the second predominant mode of transport for six months when climatic conditions allow them to be navigable. The relative positions of railways, inland waterways and roads are very nearly fixed by the development during the last four decades as a pattern for the future.

India had the benefit of inheriting a sound structure of the rail transport system from her former British rulers. There is need for extending the network of railway lines in some areas which have no easy access to any modern mode of transport. Since planning was inaugurated Indian railways are under great pressure of continuous and rapid expansion and their physical capacity as well as financial resources have begun to show strains. In India road transport must be encouraged in the coming years, but the difficulties of the period of transition, in which co-ordination poses many perplexing problems, have hindered the expansion of the road system. Inland waterways are practically out of use and if investment can be spared in the midst of the strict rationing of finances for the development projects, the revival of the old waterways and the construction of new ones will not only bring economy in cost of operation but speed in the movement of traffic. But the major problem posed before India is to meet critical situations as they arise from time to time by reason of the fact that provision of transport capacity has to be made not from the long-term perspective, as it should be, but on a short-term basis of five years or perhaps below that margin.

Soviet-Indian Economic and Technical Co-operation in Establishment of Industrial Enterprises

By MR. B. S. ROMANOV, Counsellor for Economic Affairs, USSR Embassy, New Delhi.

THE Soviet Union has always attached great importance to the development of economic relations between the States, considering it one of the most significant principles of strengthening friendship and peace. The striving of peoples of the countries in South-East Asia for achieving complete economic independence and progress is near to the heart of the Soviet people.

The Soviet-Indian economic co-operation in establishment of industrial enterprises is an important factor in creation of key branches of the Indian Industry and it facilitates the industrialisation of the country and the streagthening of its economic independence.

During the period of 1954-55, an agreement was reached between the Government of the USSR and the Government of India for co-operation in the establishment of the Bhilai Steel Works. In accordance with this, an agreement was concluded on the 2nd February 1955 for the construction of the Bhilai Steel Works. Under this Agreement, both the Governments have decided to establish within the shortest possible time the steel works to the capacity of 1 million tons of steel per year. The Soviet organisations agreed to prepare the Detailed Project Report, Working Drawings and to supply equipment and materials which, at that time, could not be manufactured in India. They also agreed to offer the assistance of Soviet specialists during the period of the construction, erection, and adjustment of the equipment and for the commissioning of this equipment as well as mastering of their capacities. The Soviet Union also undertook the training of Indian specialists for the Bhilai Steel Works. About 700 Indian specialists have undergone training in the Soviet Union in addition to those trained directly at the Bhilai Steel Works—on the shop floor and in the Technical Institute specially organised there. The credit granted under this Agreement is to be paid off on favourable terms—the period of repayment of credit is 12 years with 2.5 per cent annual interest.

The construction of the Bhilai Steel Works was carried out in a short period; it was started in 1957 and completed in the beginning of 1961. Now the successful mastering of the rated capacities is under way there. As on 1st February, 1962, mastering of the rated capacities can be indicated by the following figures: coke—94.0 per cent, pig iron—97.6 per cent, steel—100.4 per cent, rolled metal from 75-90 per cent depending upon the mill. Steel is the main type of product in the Works and as may be seen from the above figures, the full mastering of the rated capacities has been achieved in steel, i.e., 1 million tons of steel per year. The successful mastering of the rated capacities of the Bhilai Steel Works within the short period has been achieved as a result of the selfless labour and creative co-operation of the Indian and Soviet specialists and workers. This also testifies to a high rise in productive culture of Indian specialists and workers who are successfully mastering operation of modern equipment and complex steel production technology.

During the stay of the Chairman of the Council of Ministers of the USSR, N. S. Khrushchev, in India in 1960, negotiations were held and agreement was reached for the expansion of the Bhilai Steel Works to the capacity of 2.5 million tons of steel per year.

The detailed Project Report for expansion of the Bhilai Steel Works prepared by the designing Institutes of the USSR was accepted by the Indian Government at the end of 1961. The negotiations for the supply of equipment and materials from the USSR for the expansion of the Works have been completed by now and preliminary work is already under way. The expansion of the Works will incorporate the latest achievements of modern iron and steel industry; for instance, at present, there are 3 Blast Furnaces working there with an effective capacity of 1,033 cu.m., each can produce about 350-370 thousand tons of pig iron per year. The expansion of the Works provides for the installation of 2 new Blast Furnaces with effective capacity of 1,719 cu.m., each will produce 608 thousand tons of pig iron per year.

The existing 6 Open Hearth Furnaces have a capacity each of 250 tons of steel per heat and the expansion programme provides for the installation of 4 Open Hearth Furnaces with a capacity each of 500 tons per heat and one of the existing furnaces will be reconstructed to the capacity of 500 tons. The expansion programme provides for the installation of an additional rod mill which will produce wire upto 10 mm. in dia. so essential for the construction purposes. The capacity of the existing mills will be increased and they will be able to produce more rails, shape steel and other types of rolled metal which are so essential for the developing economy of India.

The production of main types of rolled metal at the Bhilai Steel Works with the existing capacities and after the expansion can be indicated by the following:

(Thousand tons)

	Annual Output	
	Before Expansion	After Expansion
Rails, heavy		500
Rails, light		20
Strips for sleepers	)365	82
Structural shapes	)	386
Rolled Wire, 5.4—10 mm.	0	490
Merchant Steel	255	262
	620	1650
Billets for re-rolling	150	315
TOTAL	770	1965

After the expansion of the Bhilai Steel Works is completed, it will produce about 25 per cent of the total production of steel in India planned for the end of the Third Five-Year Plan.

Proceeding from the development of steel industry in the country and the increase of requirements in refractory materials which are partially imported with economic and technical co-operation of the Soviet Union, a refractories plant will be established during the Third Five-Year Plan to the capacity of 125 thousand tons of refractories per year.

The Soviet Union is also co-operating in the field of oil industry which plays the primary part in the development of the country's economy.

Before 1956, the opinion that India had no rich oil deposits prevailed. As is known, oil was produced in Digboi oilfield, Assam State, by the English oil company and later by a joint company in which the English Company and the Government have interests. The production of oil stayed for a considerable time on the same level and amounts to about 0.5 million tons of oil, while the country's annual requirements are over 6 million tons. At the end of 1955, a group of Soviet specialists in oil geology came to India on the invitation of the Indian Government. They had studied available data on oil deposits and seen oil-bearing regions on the spot. At that time, the oil deposits in Digboi oilfield and adjacent areas were estimated at 5 million tons, but the Soviet specialists made essential corrections in this estimation, giving it as about 30 million tons or taking into account the nearby regions as about 100 million tons. These preliminary estimations actually came true later and even those foreign experts who had tried to prove that there were no considerable oil deposits in Assam agreed with them. It was the discovery that became a turning point in the decision on the construction of oil refineries in the Public Sector. The Government of India decided to set up two plants for refining of Assam oil—one oil refinery with an annual capacity of 750 thousand tons of crude oil in Gauhati with the co-operation of the Rumanian People's Republic, which was put into operation on the eve of 1962, and the other refinery in Barauni with an annual capacity of 2 million tons of crude oil with the technical co-operation of the Soviet Union, which is under construction at present. The units of this Plant for refining of 1 million tons of oil will be commissioned in 1962-63. The recommendations of the Soviet experts envisaged oil and gas prospecting in some other regions of India which were taken into account by the Government of India while drawing up the Second Five-Year Plan. This work was initiated by the Oil and Natural Gas Commission with the technical assistance of the Soviet Union in 1956. Since then, 4 oil-bearing regions of commercial value have been found—in Cambay, Ankleshwar, Ahmedabad of Gujarat State and in Rudrasagar of Assam State. Besides, prospecting is under way in the Punjab where the existence of considerable gas deposits is evident. The depth of the drilled well there is 4531 metres. The Soviet specialists willingly share their experience with the Indian specialists and workers. Many Indian specialists have been trained and are now carrying out independently deep drilling for oil and gas at a number of rigs.

The commercial production of oil has been commenced in Ankleshwar oilfield. The construction of the first stage of the oilfield has been completed by now and commercial production of oil is under way with the output of 600 tons per day and with further increasing it soon to 900 tons and above. The discovery of new oil bearing areas in Gujarat State has enabled the Government of India to plan during the Third Five-Year Plan the construction of one more oil refinery to the capacity of 2 million tons of oil per year in Baroda region with the assistance of the USSR. At present, the Oil and Natural Gas Commission has completed a plan of oil industry development under the Third Five-Year Plan. It provides for considerable expansion of prospecting work, mastering of the discovered oilfields and commercial production of oil at the new oilfields. According to this plan, the production of oil from new oilfields will be to the volume of 3.0—3.5 million tons by the end of Third Five-Year Plan, which is a great and complicated task. Besides, it is planned to bring the production of oil in the joint Assam company to 2.5 million tons per year. Thus, the total production of oil by the end of the Third Five-Year Plan will be to the tune of 6 million tons and that will considerably help in meeting the requirements of the country in oil, owing to its being produced indigenously, upto 50 per cent of the expected consumption by the end of the Third Five-Year Plan.

The next important field of Indo-Soviet economic co-operation is the construction of electric power stations. As it is known, the Third Five-Year Plan lays great stress on power development and provides for additional power capacity of 7 million kw. The USSR assists in the construction of 4 thermal power stations: Neyveli (Madras State)—with a capacity of 400,000 kw, Obra (Uttar Pradesh)—250,000 kw, and expansion of Korba power station (Madhya Pradesh) from 90,000 kw to 290,000 kw. The Patratu Thermal Power Station will also be built in Bihar to the capacity of 100,000 kw. of the first stage with expansion to 300-350,000 kw and the Right Bank Bhakra Hydro Power Station—480,000 kw. The total capacity of all these power stations will be 1.7 million kw or about one-third of the present power capacity. As it is known, the first 50,000 kw unit of the Neyveli Thermal Power Station with the total capacity of 400,000 kw is planned to be commissioned in the nearest future.

In the field of heavy machine building industry, the USSR renders assistance to India in the construction of Heavy Machine Building Plant in Ranchi which will produce annually 80,000 tons of heavy equipment, out of which 65,000 tons will be metallurgical equipment. The products manufactured at the Plant in one year will be nearly sufficient for equipping such big enterprises as steel works to the capacity of one million tons of steel per year such as the existing Bhilai Steel Works.

Another big heavy machine building plant is the Coal Mining Machinery Plant with an annual capacity of 45,000 tons of equipment The products of this plant will enable to mechanise mining of about 8 million tons of coal per annum which approximately equals to an average annual increase in the coal production during the Third Five-Year Plan.

At these Plants, the designing departments will be organised with Indian specialists who shall work out independently the designs of machines and equipment in conformity with the requirements for industrialization of the country on the basis of technical documentation supplied from the Soviet Union. The personnel for these departments will be trained in the USSR to a number of about 300 Indian specialists, a part of whom is already there. The training of Indian designers and technologists will also be carried out at the Indian enterprises and organisations.

Another big heavy industry plant is the Heavy Electricals and Turbines Plant which is planned to be set up in Hardwar area. It is envisaged that this Plant will manufacture hydraulic turbines and generators of upto 100,000 kw capacity and steam turbines and generators of upto 200,000 kw capacity. The commissioning of this Plant will enable India to manufacture equipment for large hydro and thermal power stations with the total capacity of 2.7 million kw. per annum, and provide broad possibilities for construction of new power stations.

Rapid development of heavy machine building industry requires indigenous manufacture of instruments and apparatus. The Soviet Union renders India assistance in establishment of the Precision Instruments Plant during the Third Five-Year Plan. The USSR also provides assistance in establishment of coal enterprises. Two coal mines with the total capacity of 1.7 million tons of coal per annum are being constructed in Korba area (Madhya Pradesh). Besides, a coal quarry will be constructed to the capacity of 1 million tons of coal per annum in the first stage with further development of 2 million tons of coal per annum. A repair shop capable of repairing a great number of coal mining equipment will also be built. A coal washery with the capacity of 3.5 million tons of coal per annum is planned to be established in Kathara area.

In the field of medical industry, the USSR also renders assistance in establishment of Antibiotics Plant in Rishikesh (Uttar Pradesh) with the capacity of 300 tons, the Synthetic Drugs Plant in Sanatnagar (Andhra Pradesh) with the capacity of 850 tons, the Phyto-Chemical Plant at Neriamangalam (Kerala) with the capacity of 76 tons, the Surgical Instruments Plant near Madras with the capacity of 2.5 million instruments, and the Ophthalmic Glass Factory in Durgapur (West Bengal) to the capacity of 300 tons of products. The production of these enterprises will make essential medical supplies available to the Indian people.

In the field of agriculture, on the basis of equipment presented as a gift of the Soviet Government to the Gomment of India in 1956, the Central Mechanized Farm at Suratgarh (Rajasthan) was set up, which has reclaimed 12.5 thousand hectares of desert land and now gets high yields of cereals and provides better seeds for adjacent regions of other States.

In the field of training the national cadre, the USSR offers assistance in organisation of Bombay Technological Institute and training of Indian students and post-graduates in the USSR.

The economic and technical assistance of the USSR is rendered on the principles of full equality of rights and mutual benefit. The USSR supplies under credits highly efficient industrial equipment which is the most modern by its technical properties. Besides the Soviet Union deputes highly skilled technical specialists to render assistance in establishment of big industrial enterprises. The repayment of the credits granted by the USSR is effected not with foreign currency but through supplies of traditional goods of Indian export. It does not create a problem for the Indian economy by making more acute the balance of payments and does not affect the Indian reserves in foreign currency but guarantees the increase in marketing of Indian exports.

During the visit of Jawaharlal Nehru to the Soviet Union in September last, the Chairman of the Council of Ministers of the USSR, N. S. Khrushchov, and the Prime Minister of India, Jawaharlal Nehru, noted with satisfaction that the friendly relations and co-operation between the Soviet Union and India were successfully developing to the mutual benefit of the peoples of the both countries. With great satisfaction, they noted considerable progress achieved in the field of Soviet-Indian economic and technical co-operation. With the signing in 1961 of a new Soviet-Indian Economic Agreement favourable pre-requisities have been created for further development of economic and technical co-operation between the USSR and India.

The Chairman of the Council of Ministers of the USSR, N. S. Khrushchov, expressed his firm confidence that the visit of the Prime Minister of India, Jawaharlal Nehru, to the Soviet Union was a new and important mark in strengthening the mutual understanding, co-operation and friendship between the Soviet and Indian peoples.

The 22nd Congress of the Communist Party of the Soviet Union held in October 1961 which plays historic role in the life of the Soviet people, has once more emphasised the life-asserting ideas of Lenin of friendship and peace among the peoples, the ideas of help to the peoples in their struggle for Progress, struggle for Peace, Labour, Freedom, Equality, Fraternity and Happiness of all the peoples.

COMPOSITION OF INDO-SOVIET TRADE

IMPORTS

(Rs. Lakhs)

Items	1957	1958	1959	1960-61
Wood, lumber and cork	0.04	0.01	0.02	0.03
Pulp and waste paper	0.6	Neg.	21.4	20.5
Textile fibres and waste	Neg.	Neg.	Neg.	16.8
Crude fertilisers and crude minerals (excluding coal, petroleum and precious stones)	0.7	0.2	0.2	2.4
Mineral fuels, and lubricants	Neg.	0.06	Neg.	15.5
Chemical elements and compounds	2.7	31.1	49.7	28.3
Dyeing, tanning and colouring materials	11.0	6.1	3.1	2.1
Medicinal and pharmaceutical products	Neg.	0.02	0.7	7.8
Fertilisers, manufactured	Neg.	53.7	52.6	1,05.1
Explosives and miscellaneous chemical materials and products	0.2	0.09	Neg.	10.5
Rubber manufactures	Neg.	0.08	0.09	40.0
Paper, paperboard, and manufactures thereof	61.7	63.5	1,28.9	1,06.1
Textile yarn, fabrics, made-up articles and related products	0.01	Neg.	0.04	0.6
Non-metallic mineral manufactures	46.3	0.3	10.9	10.5
Silver, platinum, gems and jewellery	Neg.	0.3	2.7	6.6
Base metals	19,23.8	17,13.6	12,65.7	6,56.1
Manufactures of metals	73.5	1,21.7	8.3	69.0
Machinery other than electric	1,08.6	1,06.0	1,04.7	2,94.8
Electrical machinery, apparatus and appliances	2.7	4.5	5.8	92.5
Transport equipment	3.9	5.7	6.0	7.3
Prefabricated building, sanitary, plumbing, heating and lighting fixtures and fittings	1.0	Neg.	Neg.	0.02
Professional, scientific instruments, photographic and optical goods, watches and clocks	4.4	7.5	2.0	10.4
Total Imports (including others)	22,68.2	21,71.1	17,88.6	15,22.1

EXPORTS (excluding re-exports)

(Rs. Lakhs)

Items	1957	1958	1959	1960-61
Fruits and vegetables	93.2	2,00.6	1,82.5	2,33.8
Coffee, tea cocoa, spices and manufactures thereof	6,90.3	9,85.9	11,56.7	11,58.4
Tobacco and tobacco manufactures	49.9	51.3	73.0	67.5
Hides, skins and fur skins, undressed	2,68.3	2,72.4	5,51.3	4,33.8
Textile fibres and waste	2,02.1	2,31.9	2,18.6	1,65.4
Crude fertilisers and crude minerals (excluding coal, petroleum and precious stones	5.8	0.9	83.0	67.2
Animal and vegetable crude materials	40.0	48.1	65.7	66.1
Animal and vegetable oils, fats, greases and derivatives	83.7	1,00.0	92.4	92.3
Essential oils and perfume materials and cleansing preparations	6.7	20.5	9.5	10.7
Leather, leather manufactures and dressed furs	1.6	4.6	0.02	0.1
Textile yarn, fabrics, made-up articles and related products	1,42.6	3,12.6	4,42.6	4,23.0
Non-metallic mineral manufactures	17.2	20.3	5.5	13.6
Silver, platinum, gems and jewellery	0.6	Neg.	Neg.	0.01
Base metals	Neg.	Neg.	0.01	0.01
Manufactures of metals	2.6	1.6	Neg.	0.02
Machinery other than electric	Neg.	Neg.	Neg.	0.12
Transport equipment	2.4	Neg.	Neg.	0.04
Travel goods, hand bags and similar articles	4.2	3.6	9.7	0.6
Clothing	1.1	0.01	3.0	5.7
Footwear	115.9	69.0	1,27.9	1,22.4
Professional, scientific instruments, photographic and optical goods, watches and clocks	0.7	0.3	1.1	2.4
Live animals (not for food)	8.7	4.4	3.9	3.8
Total exports (including others)	17,47.7	23,31.1	30,32.7	28,82.0

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Import and Export Policy

The Ramaswami Mudaliar Committee's Report

ECONOMICS, like politics, in Bismarck's immortal phrase, is the art of the possible. The recommendations of the Ramaswami Mudaliar Committee need to be examined not from the point of either ideal perfection or from the point of forming a base for an indefinite time in India's import and export policy. This is a report for the present, and nothing is more certain than that changes in recommendations, which apply only to the present, will be inevitable in the future. Secondly, the recommendations have to take account of the vast political apparatus which now weighs heavily on all economic proposals. Recommendations, however sound in their economic aspects, are set for all time in an unyielding mould, composed largely by political force. The Committee has been well advised, notwithstanding the attractions of being dashingly original and far-reaching, to place its recommendations on a solid base of political possibility and immediate economic feasibility.

Within this framework, which is inevitable at the present time, it can be claimed that the Committee has made a notable contribution to a more vigorous export policy, based on effective principles of export promotion. It has been criticized in two or three respects by critics who are far more theoretical than practical in the current context. One of these criticisms is that it has not gone far enough in reducing the structure of costs in Indian Industry. It would be wholly impossible to cover the massive elements that go into indigenous costs in a report even ten times the present size. The Committee has, therefore, been well advised to concentrate on reduction of export costs which follows on fuller utilisation of capacity by the additional supply of raw materials. Its proposals to constitute an Import and Export Stabilisation Fund and to finance it by revolving credit, has the merit not merely of moderation, but would seem from preliminary response received, particularly from the German banks, to be in the range of immediate practicability. If raw materials could be added to this to the extent of 20 to 25 per cent in certain efficient units, cost per unit could perhaps be reduced by about that margin. As the Committee points out, a reduction of cost of this order would make a very large number of India's non-traditional exports competitive. It is, therefore, wholly wrong for armchair critics to argue that the Committee has lost sight of its responsibility in respect of seeking a more competitive level of costs in our new export industries.

The danger is not that the Committee's three-tier level of export incentives—rebates on sales taxes and transport, provision of raw materials from the Import-Export Stabilisation Fund, and income tax relief on a graded basis—will prove insufficient. Taken together, they can provide a formidable shot in the arm for practically all industries which are ready sincerely to work for export promotion under conditions which they have never enjoyed before. The danger is that these recommendations, which are deemed conservative by some of the critics, might be deemed radical by the Government. It is sincerely to be hoped that the Ministry of Commerce and Industry will not lose courage at a great turning point in India's economic history. It is vital that the recommendations of the Committee, which have been the result of unremitting labour for six to seven months, should be fully supported.

"The Eastern Economist" believes this report is far-reaching not merely in its import and export promotion recommendations, but also because of the new psychology it attempts to create in the organisation of our international trade that its acceptance by the Government will not be enough. The Committee has rightly stressed the point that a crusade needs to be undertaken to obtain co-operation at all levels, so that neither institutional nor personal hinderances operate to prevent the export drive from gathering momentum. The high targets for the Fourth Five-Year Plan, to which reference has rightly been made, suggest the need of a rise in exports of at least Rs. 100 crores per year. Whether the recommendations of the Committee are adequate for this purpose or not is a matter to be proved by time. But, in any case, "The Eastern Economist" considers that the country as a whole, and not merely the Government, should be in possession of these recommendations without delay. It has, therefore, taken the extraordinary course of producing a Blue Supplement with a summary of these recommendations only. It is in the hope that a study of these recommendations will lead to widespread support of the main objectives of the Committee not merely in words but in dynamic deeds that this departure from practice has been attempted.

Import and Export Policy Committee's Report

Summary of Conclusions and Recommendations

The Problem

THE Third Plan starts with a legacy of valuable past experience of large-scale planning, as well as with depleted exchange reserves, a sizeable foreign debt, with virtually no net 'invisible' over-sea income, and a yawning gap in balance of payments. The country has taken in hand the formidable task of creating, within the course of a decade, a self-propelling economy, capable of supporting a high level of investment and employment.

2. The balance of payments position will continue to remain under severe strain for many years. If the bill for 'Maintenance' imports goes up, the country would have to redouble its efforts to augment its exports to honour its financial commitments and maintain its credit in the international market. The annual import requirements of the succeeding plans will be even larger; so will be the repayment obligations on account of debt services and interest charges. Already, the country is functioning under a system of stringent import and exchange restrictions. There is little scope for further curtailment of foreign exchange expenditure.

3. We have not dealt with the import requirements of our Defence industries and the export possibilities of some of them. A great deal could perhaps be done to conserve—and earn—foreign exchange through an integral policy for the whole economy. A Commission of Enquiry may be appointed to go into the matter, necessarily working 'in camera'.

4. Overall, it will be necessary to see to what extent the available resources in foreign exchange can be used more economically; how best the country's stock of resources can be distributed to yield an optimum return; to what extent existing capacity can be more fully utilised to enlarge production and augment exports; how far indigenous sources can be more fully tapped for the supply of equipment and raw materials; what measures of import-saving and export promotion can be installed.

5. The task of elevating India's exports to twice their present level by the end of the Fourth Plan will require effective measures which will demand the whole-hearted co-operation of all sectors of the economy.

Import Policy and Procedure

6. The objectives of Import Control as enunciated by official spokesmen are unexceptionable; but the question is one of translating these principles into practical terms, and of evolving the right kind of import priorities.

Maintenance vs. Development Imports

7. The present controversy is due to a misconception about "industrial capacity". For an objective assessment of the problem, only the "effective capacity" can be taken into consideration. 'Maintenance' and 'Development' of the economy are two facets of the same phenomenon, and there can be no hard and fast dividing line between them. There are certain 'developments' which are necessary for keeping the existing industrial units in full production, such as, for instance: (a) power, (b) transport and (c) industries producing raw materials and components for the existing units which are presently being imported.

8. It is also sometimes forgotten that considerable new 'Development'; apart from being necessary in itself, is financed out of the 'tied aid', which is not available for financing 'Maintenance' imports. There, is, therefore, little choice in these cases. Also in order to keep the wolf of inflation at bay, the country has perforce to 'maintain'/'develop' industries catering for the primary needs of the population. Precedence has also to be given to the 'development' of 'export-oriented' industries. Thus, there can be no rough and ready solution to the theory of 'Maintenance' first and 'Development' afterwards and 'vice versa'. The country can neither freeze the pattern of the economy, nor allow its stagnation. A balance has to be struck between competing claims on scarce resources. The approach has to be pragmatic and selective, designed to stimulate the dynamic spread of the cumulative process of economic growth and to disperse and diversify the economy in consonance with the objectives of the Plan.

9. All considered, the policy, in brief, should be to give facilities for the import of raw materials and components etc. to all existing industries, subject to over-riding priority being given to certain types of new industries such as:

(i) power and transport which have proved a serious bottleneck;

(ii) 'Export-oriented' industries;

(iii) Industries producing raw materials and components now imported. Not all "raw material" industries will, however, be equally eligible for priority. It is important that priority should be given to those industries which will save the largest volume of foreign exchange even though it may not be in the shortest possible time. One such industry to which our attention has been drawn is the Alloy Steel industry which, as far as we can judge, is likely to be, next to Steel, a heavy burden on the foreign exchange budget for many years to come; and

(iv) Industries depending almost entirely on indigenous raw materials and finding/arranging their own foreign exchange for the import of plant and machinery.

Industries financed through a programme of 'tied' credits will, of course, be an exception. There may yet be cases on the border line; but these would necessarily have to be decided on merits.

10. The criteria followed at present in respect of the licensing of industrial establishments or the import of Capital Goods are still somewhat general. What is necessary is a systematic and scientific review, industry by industry, to determine how best production can be augmented, costs reduced, imports saved and exports developed. The relative merits of 'Maintenance'/'Development' industries would have to be objectively assessed. The progress of some of the typical existing 'Maintenance' and 'Development' industries should be evaluated.

Unutilised Capacity

11. A part of the industrial capacity in the country is unutilized. But in the absence of precise information, it is difficult to make an assessment of the extent to which the country's industry is under-utilised or otherwise; and to gauge the extent to which production could be augmented by providing balancing equipment and other feeders of industry.

12. The Development Wing may, therefore, be charged with the special responsibility of constantly reviewing the problem of under-utilisation of industrial capacity and of recommending remedial measures. The results of such reviews should be published annually.

13. It is also necessary to study more closely the question of substitution of imported materials in its widest connotation and to see to what extent and in what manner indigenous products can effectively replace the imported stores; how they can be commercially developed and used. Whichever may be the agency responsible for this task, the assistance of institutes like the National Laboratories could well be enlisted in solving some of the technical problems.

Scope for further import restrictions limited

14. The solution to the problem of bringing the balance of payments in equilibrium lies not in further import restrictions—the scope of which is severely limited, but within limits, in augmenting specific imports to remove the bottleneck on exports. The present stringent import restrictions and rigid exchange allocations may continue in respect of production destined for the domestic market. But where exports can be really assured, Government should have no hesitation in making available such raw materials and balancing equipment as are essentially required.

15. The volume of incentive to be given to emerging industries will need to be substantially larger than in the case of our traditional items of exports. The differential which exists between Indian costs and those of our competitors will have to be considerably abridged if our products are to enter significantly into international trade.

16. There would have to be a basic understanding between Government and the mercantile community, and mutual respect and sympathy for the difficulties, needs and obligations of either side. A selective approach may be made, to start with, with the more well run units of Industry. They may be invited—on the basis of a proper assurance of all-round assistance—to come forward with an integrated programme of industrial and export expansion.

17. Primarily, this assistance should be given to stimulate additional exports; and there should be no objection to giving assistance on a 'loan basis', subject to necessary safeguards, where Government is satisfied on the merits and 'bona fides' of the case.

18. Every proposal of this kind would require detailed examination. After completion of the technical scrutiny the case should invariably come up before an inter-ministerial sub-committee.

19. The cardinal importance of the complementary advance of commercial crops and their impact on industrial development and export promotion has not been sufficiently appreciated. A serious attempt should be made to review the role which Agriculture, Horticulture, Pisciculture and Forestry can play in our economic progress.

Licensing procedure

20. Import procedure plays a vital part in the execution of Import Policy. The procedure should be capable of efficient execution of policy.

21. Import Control is a service organization. The public pays for its services and, naturally, expects from it a high degree of proficiency, quick disposal and integrity. Despite improvement of efficiency in the C.C.I's office (the pendencies being only 0.6 per cent), there has been general complaint of delays, which can have far-reaching consequences, and cost the country dearly in foreign exchange. This aspect should be impressed on all concerned.

22. The solution of delays lies in simplification of procedure, decentralisation of work etc. Our suggestions in this regard are detailed below:

23. All important licensing should, in future, be done on an annual basis. Development of indigenous production is by no means so revolutionary as to justify half-yearly revisions of Import Policy. The basic content of an import licence, over the year, should remain intact. If possible, exchange budgetting, too, should be done on an annual basis. If, on grounds of foreign exchange, it becomes necessary to follow a more stringent policy for the second part of the licensing year, a general percentage reduction could be applied by one single public notice to all import licences. Annual licences should be issued on the basis of a single application, duly accompanied by twice the normal fee (in token of two licences issued in one operation).

Period of validity of Import Licences

24. In view of the genuine difficulties of importers, it is proposed that: (i) the initial validity should be one year in the case of Actual Users' and Established Importers' licences and two years for CG/HEP licences except CG/HEP licences issued against 'tied' credits such as the 'Ex-im Bank' Loans, in which case the validity period should be one year, as at present (ii) Actual Users' licences should be revalidated up to six months, and CG/HEP licences up to one year, upon request, without requiring the licence holder to produce evidence as to the unavailability of supplies; (iii) except in the case of licences issued against 'tied' credits, the power of revalidation should be delegated to the regional licensing authorities; (iv) normally, the validity of Established Importers' licences would not be extended; but in special circumstances, such licences may be extended by 3 months.

25. On balance, it is proposed that the present system of I.V.C. numbers may remain; but henceforth they should be valid for three (annual) licensing periods.

26. The regional offices have to refer certain cases to Headquarters for instructions regarding disposal. These cases are considered by the S.S.I. Committee, whose recommendations are transmitted to the licensing authorities along with the applications/files for disposal. Time would be saved if, instead of remitting the cases back to the licensing authorities, the execution of the S.S.I. Committee's recommendations is done at Headquarters. The clarifications/appeals, too, could be attended to at Headquarters.

27. C.C.I.'s Ad hoc committee should be more fully representative of the concerned technical officers of the Development Wing; and it should be possible to take decisions on the applications in the committee itself, in the same way as does the S.S.I. Committee. Cases, involving special difficulty, could be seen on the file by the technical officers concerned, wherever necessary.

28. There is a general complaint about the long delays in the disposal of applications for the import requirements of scheduled industries. It is proposed that where an application has to be scrutinized by more than one technical Directorate, the sponsoring Directorate should try to clear it at an inter-Directorate meeting. The institution of such meetings, to be held every week or fortnight, should be encouraged.

29. While issuing the "Essentiality Certificates' the Directors of Industries do not always follow a uniform policy. C.C.I. should evolve, on the eve of the licensing period, the general criteria for assessing 'essentiality' in consultation with the Directors of Industries.

30. The Development Wing should bring out annually a comprehensive register indicating the availability of raw materials and components, plant and machinery produced in the country, the names of the producers and full information in regard to their installed capacity, actual production, specification etc.

31. Information regarding monetary ceilings for each licensing head should reach all the licensing authorities on the eve of the licensing period.

32. The application forms for the various categories of import licences admit of some simplification. C.C.I. & E. should carefully go into this mater.

Decentralisation of licensing work

33. There is still scope for further decentralization. It is suggested that: (a) licensing of fresh fruits from Pakistan could well be decentralized, under a general policy laid down by the Chief Controller; (b) licensing of newsprint could be decentralized, as it is not necessary to consult the Registrar of Newspapers on each case; (c) other requirements of printing industry (e.g. printing machinery etc.) could be dealt with by the C.C.I.'s Ad hoc Committee. Whenever necessary, the Registrar of Newspapers could be invited to be present; (d) as C.C.I. has a full-fledged Investigation Division under him, all cases of investigation now dealt with by

the "newsprint cell", may in future, be handled by the Investigation Division, in consultation with the Registrar of Newspapers, whenever necessary; (e) Quota licensing of Greases and Lubricants should be done at the regional offices.

34. The entire T.Q.R. work can now be decentralized. Each regional office could have a small T.Q.R. Cell for the purpose. Cases of special difficulty could be referred to Headquarters for advice.

Public relations

35. It has been complained that interviews cannot easily be had with the officers of the C.C.I. nor is it always possible to get a precise answer to the applicant's problems. The importance of good relations with the public should be underscored to all officers.

Attached to the personal staff of the C.C.I. should be a Public Relations Officer of the rank of a Deputy Chief Controller 'au fait' with the problems of Import Control, who should be able to sort out the importers' difficulties. The regional offices, too, should be assisted by P.R.O.'s of the rank of Controller/Assistant Controller.

Organisational changes

36. It is suggested that: (a) the regional office in Rajkot should be abolished; and, instead, a regional office may be established in Ahmedabad, under a Deputy Chief Controller; (b) there should be a similar office in Kanpur, with jurisdiction over U.P.; (c) in view of transit difficulties, specially in winter, a sub-office, under an Assistant Controller, may be opened at Srinagar, with jurisdiction over the State of Jammu and Kashmir; (d) there should be a similar office in Bangalore, with jurisdiction over the State of Mysore.

Miscellaneous problems

37. 'Status quo' may remain in respect of allocation of import licences between Established Importers and Actual Users. However, in the case of industries, with a large number of units, it will be an advantage if the imports of components etc. are canalized through Established Importers to prevent undue locking up of foreign exchange.

38. Small value licences are wasteful of foreign exchange. But the abolition of the present system might lead to displacement of a large number of Established Importers. Recommend 'status quo'. However, Established Importers may be permitted to effect their imports through agents on the basis of 'Letters of Authority', which may be given freely to allow of 'clubbing' of 'small value' licences to prevent wasteful expenditure of exchange.

39. An exhaustive policy should be framed in respect of items licensed on 'ad hoc' basis, by reviewing all cases over the past two years, and case laws evolved. There should be, basically, no 'ad hoc' licensing, except in cases of emergency, or where the necessity of the import of any particular item could not be foreshadowed or a formal policy could not, for any reason, be evolved.

I.T.C. and I.C.T. classifications

40. The institutional arrangements for resolving classification difficulties seem to be in order. But the existing arrangements need to be published. The I.T.C. authorities are planning to adopt the S.I.T.C., which is a detailed instrument of trade classification in international usage. If the Customs authorities, too, adopt the same, it might solve many of the classification difficulties. Also, the description of goods in the import licences should be as detailed as possible. If even so, there is a difference of opinion, the interpretation of the I.T.C. authorities should prevail for purposes of clearance; the Customs authorities being free to levy such import duty as they deem appropriate. A formal understanding to this effect should be reached between the two authorities.

41. There should be a separate 'Appeals Section' at each of the regional offices, so that the 'first-appeals' could be considered more formally and dispassionately.

42. It should be impressed on the Special Police Establishment that, normally, their investigations in respect of Import Control cases should be completed within twelve months. Where, however, an investigation cannot be completed so soon, the ban on the issue of import licences should be removed after the expiry of two (half yearly) licensing periods. This would mean that import licences in such cases would remain suspended for two licensing periods, and a final decision on the type and quantum of punishment would be taken in the light of the results of investigation. The proposal would perhaps necessitate an amendment of the Import Control Order etc.

43. There are over one hundred Writ Petitions against the C.C.I. It is highly necessary that the C.C.I.'s office should scan the 'Law Reporters' for the past several years and prepare a compendium of all judgments so far delivered, duly indexed and annotated in consultation with the Ministry of Law. A separate small 'Legal Cell' should be constituted at Headquarters to undertake the early compilation of the 'compendium of judgments' and to attend to the defence of the numerous Writ Petitions.

Export Promotion

Intricacies of the task

44. The task of doubling the country's exports and raising them to Rs. 1,300 — Rs. 1,400 crores per annum by the end of the Fourth Plan, would be a formidable one for any country. The export demand for our traditional items is by no means buoyant. It is also difficult to foreshadow what repercussion the 'economic communities' will have on the future course of Indian trade; but, undoubtedly, India will have to make much more than ordinary efforts to boost her export business. The whole nation will have to crusade for the export markets — not only in traditional lines but along the entire front of exportable products.

45. The domestic market, ready at hand, offers more attractive, quick and easy returns. The incentives to efficiency become relatively weak; costs tend to go up, the quality goes down. The country has also not developed any great export tradition; much less the necessary export apparatus. A considerable part of India's over-sea trade, specially her exports, goes 'via' the entrepot countries; and only a fraction of trade is manned by Indian merchants.

Lacunae in promotional effort

46. The country has touched only a fringe of the export problem. Whereas targets of a higher order have been, theoretically, drawn up, adequate steps have not yet been taken to dovetail the import-export targets with the Plans and projects of development in the private and in the public sector and to lay the foundation of a big trade. This deficiency is beginning to be repaired, though slowly. The current arrangements are no more than mere 'promises' to export. Where the country's future is mortgaged, any casual acceptance of illusory export prospects at their face value is likely to lead to difficulties. Special attention should be paid to this problem and the 'promises' should be properly appraised in each case; appropriate bank guarantees obtained; failure to export would need to be suitably panalized; genuine difficulties will have to be gone into. A special section, to be created in the Directorate of Export Promotion, should watch the performance of the assisted industries and ensure that the export obligations are duly respected.

47. A detailed and organized study should be made, industry-wise and commodity-wise of the items that could be or should be released for export. These studies should be undertaken urgently, and actually reflected in the export plans which should be an annual feature of the economy.

Export Climate: Export business must become worth doing

48. The high task of export promotion as envisaged in the Plans will demand the willing and enthusiastic co-operation of every sector of the economy. The State Governments do not always seem to be alive to the primacy of export promotion; and more of their policies, particularly in the fiscal field, have hindered the even flow of exports. The nation cannot afford to think and function compartmentally.

49. The Government will have to carry the business community with it in its effort to make a breakthrough in the world market. The promotion of our trade depends upon the efficiency of our merchants and manufacturers. It is the business community that would have to shoulder the main burden of responsibility of augmenting the country's export trade.

50. The mercantile community cannot be expected to be guided by altruistic or patriotic motives and will expect to receive, for its efforts in the export market, a return which stands in a reasonable relation with the profits on domestic sales. It would be Government's responsibility to compensate the trade for its export effort through selective concessions, fiscal reliefs and other incentives to make the export business worthwhile over the long haul.

Revitalisation of the Administrative Machinery

51. It will be necessary to have a co-ordinating machinery, sufficiently powerful to be able to cut through the tangles of conflicting inter-departmental interests, re-orient the thinking of the State Governments and reconcile their stand-points with the national objectives of export promotion. It should be capable of taking quick decisions on the day to day issues and of translating them into practical terms. The problem of securing surpluses for exports, cannot be left to the unaided efforts of private enterprise. It is a matter of supreme national concern — one in which the State must take a direct hand.

52. It is understood that Government is proposing to strengthen the organization for Export Promotion. This is a step in the right direction. We trust it will be adequately staffed and headed by an officer of sufficiently high status, so that the organisation may be able to pull its weight with other departments of Government; secure recognition in the mind of the nation of the vital need for an all round, substantial, expansion in India's exports and make export promotion a profitable, and yet respectable and patriotic avocation.

53. The Directorate of Export Promotion should have a 'Policy Cell' like the 'Import Policy Cell' under the C.C.I. It should be responsible for framing the export policy for specific items, and constantly review the aids and incentives given in other countries with the object of examining how far they can be adopted with advantage in India.

Incentives: Increased allocation of raw materials

54. The incentives so far given have been only moderate and, indeed, often ineffective. India will have to embark on a much more adventurous policy of 'aids and incentives' to augment her export trade.

55. One of the most effective aids would be to permit of an increased allocation of raw materials to industry. A substantial part of the unutilized capacity is by far and large a reflex of shortage of imported raw materials, components and replacements. If additional raw materials could be imported say for Rs. 100 crores per annum, as suggested by Sir Donald Macdougall, they may well serve as the first basis for a substantially new attempt to break the bottleneck of raw materials. The fringe benefits flowing from increased production/additional exports may far outweigh the increased expenditure on the marginal imports required for a fuller utilisation of the industrial capacity or intensification of Agriculture.

56. It is highly important that the existing export-oriented industries should be assured prompt and adequate supplies of essential raw materials at international prices so that they do not suffer from a price disadvantage in relation to their competitors abraod. On balance, India would stand to gain by under-writing in full the foreign exchange required for manufacturing goods for export. The production costs would thus be reduced; and it may well be that much of the differential that exists in some industries can be overcome merely by this provision.

57. A search will have to be made to find a foreign exchange allocation for these additional imports. If internal allocation of foreign exchange does not allow of any significant importation of marginally needed raw materials, stores and replacement equipment, the case studies could be put to the friendly countries; and perhaps, on this plane, it may be possible to secure further assistance to put the Indian economy in an even keel.

Import-Export Stabilization Fund

58. It may also be possible to finance the import of these additional raw materials through the media of a revolving fund which may be specially created for the purpose. There is reason to believe that groups of international banks may be agreeable to provide credits for import of raw materials to be used by approved exporters, who can be relied upon to fulfil undertakings on exports. It would be imperative to ensure that the foreign exchange so lent would be translated into export earnings to form the basis of what may be termed as the 'Import-Export Stabilization Fund' which could be used to enhance the import of raw materials for the export industry. The arrangement would imply the matching of additional 'import credits' with export performance so as to augment both sides of the equation and to improve India's balance of payments in the process.

59. It will be necessary to have an Agency which will have all the authority of the Government to ensure high priority to these activities, but will also carry the conviction abroad that the funds made available for this purpose would not be diverted to domestic production. An autonomous body may be set up as soon as possible under the caption of 'Export Stabilisation Board'. The example of I.C.I.C.I. should serve as a useful guide. It would have control over the export earnings and also possess statutory authority to negotiate credits for the import of raw materials to be translated into export earnings. When the revolving fund has attained the desired level, any surplus foreign exchange that may accrue would revert to Government.

60. For a provisional figure designed to increase India's exports by say Rs. 100 crores per annum, it might be necessary to place at the disposal of the 'imp- exporters' an additional sum of possibly Rs. 25 to Rs. 30 crores as a revolving fund to finance the requisite imports and to supplement them by indigenous stores, wherever possible, at prices corresponding to the competitive world standards.

61. Certain American firms have also shown interest in financing the import of raw materials and components required for our export-oriented industries against rupee payments. The rupees so earned will be used by them for buying Indian commodities for their home market. Such arrangements — affording a line of 'untied' credit for the import of raw materials — need to be encouraged if, on merits, the terms offered by them are mutually beneficial.

Income-tax relief

62. One of the most powerful incentives for export promotion would be remission of income-tax on export earnings. Such a relief has been given by way of 'exporters' compensation' in some of the most advanced countries like Germany, France, Japan with considerable success. India might do something similar. Our initial idea was to confine the grant of income-tax remissions only to earnings from additional exports. But on further reflection it seemed to us that this may not be a step in the right direction, for — unless effective measures are taken to buttress our exports, their present level cannot be taken for granted. It is also felt that unless the remission of income-tax on additional export earnings is linked with the re-

on the basic exports, the system would fail, with serious loss of revenue to Government.

63. Having regard to all aspects of the case, a three-fold system of income-tax remission is proposed viz. :—

(a) a tax remission of 7½ per cent on profits on 'Basic' exports;

(b) a tax rebate of 5 per cent on all export earnings to enable the exporter to build an 'Export Development Reserve';

(c) a special tax remission of 10 per cent on earnings on 'additional' exports i.e. exports over the basic norm.

64. It is important to the success of this significant measure that the method of calculating the tax rebate should be simple. The Income Tax rebates proposed in this report would be based on the exporters' internal and exports turnover; and it would not be necessary to make a meticulous calculation of their actual earnings by reference to their books of account. A tax remission based on a meticulous calculation might lead to acrimony between the exporters and the income tax Department.

65. The system proposed is so devised as to prevent the possibility of exporters' abusing the concession. (The details of the arrangement proposed have been explained in paras 37—46 at Pp. 29—33 of the report).

Enlargement of the scope of Export Promotion

66. The incentive of 'currency retention' has been tried with varying degrees of success in many countries. It is, however, not necessary to let the Indian exporters have a free hold on any percentage of their export earnings. Instead, the scope of the present 'Export Promotion Schemes' should be widened. The exporter's choice to import should not be limited to one or two items as is the case at present; and exporters/manufacturers, under this arrangement, should be able to use their licences for any raw materials, components or equipment which they may care to import for the manufacture of the 'export product', subject to certain restrictions vide Para 50 of the Report). Fnurthermore, the Export Promotion Schemes need not, necessarily be limited to certain specified items as is now the case, but should cover the whole range of items entering the export market. Further, if the import commodities are not required for a particular industry, they may be allowed to be sold to a sister industry. The aforesaid concession may be open to manufacturers as well as to exporters, though the entitlement of the mere exporter (or the manufacturer who does not intend to use the stores himself) may be only two-thirds of the manufacturer/exporter.

Freight concessions

67. As Indian commodities are facing intense competition, and as our overseas salesmanship is still weak, it will help the export effort if the railways give a general rebate of, say, 25 per cent on all goods put on board. Where a commodity requires a freight rebate beyond 25 per cent, a case would have to be made out. As export freight traffic is only a fraction of the total traffic of the railways, the proposed concession is not likely to weigh heavily on the railways.

Specific Assistance to selected commodities

68. The specific difficulties confronting our export industries will have to be tackled. For instance, Tea, which is our foremost exchange earner, was not receiving its full requirements of fertilizer; nor was it getting the supplies of fertilizer at the rate at which it is available to the Agriculturists. Curiously, the export of Tea is still controlled, when supplies are plentiful. Export of Tea should be decontrolled. Similarly, the exports of Coffee suffer from fluctuating supplies. The possibility of stabilising the export quotas through the creation of a 'buffer stock' should be examined, and a larger proportion of 'plantation coffee', which yields a better price abroad, should be earmarked for exports. Exporters of marine products, too, are said to be charged exorbitant prices for tin containers. Their refrigeration and quality control arrangements also need to be improved. As the industry offers promising prospects, its difficulties should be looked into more minutely.

Removal of disincentives

69. The incidence of Import and Excise Duties on typical representatives of commodities eligible for drawback should be worked out in consultation with the representatives of the industries concerned. On the basis of such a study a tariff of drawbacks should be drawn up for all, or at least the more important, items of export. An exporter claiming a drawback would have merely to produce evidence of having exported the particular commodity in requisite quantum and value and having received the right amount in foreign exchange. No reference to his books of account would be necessary; and there would be no need to argue over the exact value of the imported raw material content in the exported commodity. Something in this direction is already being done; but the scope of the scheme needs to be enlarged to cover all, or at least the more important, items of export.

70. Most countries in the world give remission of Sales Tax on exported goods. In India Sales Tax is a State subject; and State Governments are highly averse to parting with their revenues. To cut through the tangles of this vexed question, the Central Government should assume the responsibility for the remission of sales tax entering into export costs; and they may make such financial readjustments with the State Government as they deem appropriate. The method of tax remission should be a simple one. A uniform rebate of say 2 per cent would be a help to the export effort.

71. For the sake of convenience of exporters, the drawback of import duties, the Excise and the Sales Tax should all be given at one central point most convenient to the exporter e.g. Collector of Customs.

Other Measures

72. Indian pavilions in International Fairs are in the nature of 'grand exhibitions'. The participation is at Government level; and Indian merchants conversant with the intricaries of their business are conspicuous by their absence. Little business has flowed from our participation, except perhaps in East European countries where buying is canalized through State agencies. International fairs are forums of big business; they attract the world's foremost suppliers and biggest buyers. In such a setting the kind of 'Exhibition' which India generally offers does not fit in. India's policy in this regard, therefore, needs to be re-oriented; and if an adequate number of the right type of Indian exporters/merchants/producers do not come forward, India need hardly participate in international fairs at all. But Indian exporters may find the task too venturesome. Government, therefore, could assist them by bearing (i) the rent of pavilion, incidental expenses, and the cost of management, publicity, freight of exhibits to and from the destination (this is already being met); and (ii) a part of the travelling costs of Indian participants. Subsidization of participants in international fairs is done even by an advanced country like Germany.

73. The best way perhaps would be to entrust the entire work of participation in International Fairs to an independent 'body' — located in a city like Bombay or Calcutta. It might consist of nominees of Government, but should largely represent the chief exporting interests and be presided over by a distinguished member of the mercantile community. The composition of the proposed agency is described in Para 76 of the Report. The Directorate should be redesignated as the 'Directorate of Fairs' and duly recognized to deal only with questions of policy.

74. There are hundreds of Indian Merchants plying a prosperous business abroad for generations. Their energies should be harnessed in the service of the nation. They should be called in conference, and the Directorate of Export Promotion should be in regular consultation with the Association of our overseas merchants. Our Embassies and Consulates should be enjoined to make a vigorous effort to establish a close liaison with the Indian merchants residing within their beat.

The Chambers of Commerce can play an important part in export promotion. They can liaise between trade and Government; they could keep Government abreast of the happenings abroad; they can dissiminate market information vital to the trading community. Chambers of Commerce in the advanced countries have their representatives abroad; and they supplement the work of the Trade Mission in servicing the country's foreign trade.

Tourism

76. India is a tourists' paradise. But tourism is not well developed in the country. It has been estimated that the country has lost over Rs. 2½ crores la t year because of shortage of acceptable accommodation and lack of air passage. The economic possibilities of tourism should be objectively assessed; and measures should be devised to obviate the difficulties which discourage potential tourists.

77. It is suggested that: (a) steps should be taken to augment proper hotel accommodation throughout the country and to improve travel facilities for the convenience of tourists; (b) facilities for cashing of traveller's cheques should be liberalised; (c) possibility of giving tourists' discounts, as in France and U.K. may be explored; (d) Customs officials should be more helpful; (e) in order to avoid inconvenience to the tourists, the Emigration and the Customs officials should invariably board the ship along with the pilot in mid-stream as was done in the past; and all formalities should be completed before the boat touches the pier, and the tourists allowed to disembark straightaway. Liquor permits, too, should be given to them on board; and (f) there should be also a sizeable shopping centre at each air port to attract the customs of tourists.

Rupee Payment Arrangements, State Trading, etc.

Rupee Payment Arrangements

78. Much has been said for and against the 'Rupee Payment Arrangements'. There may have been an element of diversion of some of our exports, but, on the whole, the 'rupee payment' countries have offered in the net a worthwhile outlet as well as a new source of supply for essential goods at a time when foreign exchange has been particularly scarce. However, fullest care should be taken to ensure that imports from these countries are limited to such goods as are essentially required for the economy; and there should be no easing of the import restrictions just because the goods are coming under a rupee arrangement.

79. To safeguard against undue price mark up on goods coming from rupee-payment countries, it is necessary to have adequate price data. It is proposed that a study unit be instituted in the Ministry of Commerce and Industry. It should constantly enquire, review and compare the prices of products imported from the rupee sources as well as other centres of supply. We attach great importance to the collection of this data, and feel that it could be a source of exchange-saving.

80. A review of the pattern of export trade with these countries, when made with reference to the provisions of our trade agreements with them would suggest that some of these countries are not lifting the quantities prescribed in the Agreements. We feel that the situation would be remedied if all the contracts with the rupee payment countries were registered, so that the flow of our trade could be adequately studied and, if necessary, rearranged. It is strongly recommended that all export contracts should be registered.

Role of S.T.C.

81. Since its inception in 1956, the S.T.C. has come to play a significant role in the country's foreign trade. But there is a great deal of criticism of its activities.

82. The S.T.C. performs some important functions and has been created as an additional organ of trade to give effect to some of the economic policies of Govt.

83. Consistently with its objectives, the S.T.C. has also to be a self-financing organisation. We do not think that the Corporation's role was intended to be confined to trade merely with the curtain countries, as has often been suggested, although trading with State Organisations and 'monopolies' would have to remain its principal activity. There is on the whole, a field in which the S.T.C. can co-exist with private enterprise.

84. There is perhaps some justification in the criticism that the Corporation has not quite succeeded in arranging timely imports; in ensuring satisfactory procurement arrangements from the point of view of price and quality; in holding the price line. The S.T.C., however, works under the directives of Government. If Government were to issue its directives to the S.T.C. after planning forward its import-export programme, and if the S.T.C. utilized the services of trade more fully, with proper safeguards against profiteering and malpractices, many of the complaints against the S.T.C. would disappear. The S.T.C. should also make greater use of the Chambers and Associations in the distributive trade and notify its ceiling prices for the information of the public. Clearly, the S.T.C. need to improve its public relations which seem to have been somewhat neglected.

85. It is also necessary that all export contracts with the 'Rupee payment' countries should be registered with the S.T.C., so that the implementation of the 'trade plans' could be watched and it could be ensured that they remain in better balance. To keep the interested public abreast of the Import-Export arrangements with the 'Rupee payment' countries, the 'trade plans' should be published.

Barter Trade

86. Trade is opposed to Barter trading. But in the conditions of today Barter arrangements often become necessary. Therefore, there need be no wholesale condemnation of the system, if additionality of trade, and a fair price return, could be assured.

Miscellaneous Matters

Compulsory Exports

87. It will not be in the best interests to make exports compulsory by statute. Instead the better course perhaps would be to undertake a compaign of public education to restrain consumption and to awaken the mercantile community to their responsibility to shoulder the burden of export promotion. Perhaps the leaders of Industry and Trade could be induced to levy a small voluntary cess on the product for domestic consumption as has been done by the Bicycle industry. A similar course is capable of wider application.

Quality Control

88. In view of the fact that Agmark and ISI seals are unacceptable to various buyers abroad, having their own specifications, we feel that compulsory quality control or pre-shipment inspection is not feasible. There would be no point in imposing Indian Standards on the foreign importer. What is necessary to ensure is that the goods exported are in accordance with the specifications prescribed in the export contract. It is suggested that the Associations of trade must organise their own 'Inspectorate' to effect quality control and pre-shipment inspection. They must impose upon themselves a code of self-discipline. Offenders could be put on the black list, which should mean their debarment from receiving any incentives or consideration proposed in this report.

89. The Indian Directory of Exporters leaves much to be desired. The preparation of the 'Directory' is a specialised job; and it would be well worth seeking the assistance of an expert under the T.C.M. or the German Technical Assistance Programme.

Export Risk Guarantees

90. In keeping with the Berne Convention, ERIC should guarantee export risks upto a period of five years.

91. India will progressively become an exporter of Capital Goods and Equipment, and her 'Construction Industries' are likely to play an increasingly important part in the future as earners of foreign exchange, the more so if we were to encourage the setting of 'Consultation Bureaux' in collaboration with foreign enterprises, so that India may be able to supply consultative service over a large technical field. ERIC would have to guarantee, in the future, export risks of much larger dimensions. Its scope should, therefore, be enlarged. Alternatively, the export risks beyond ERIC's prescribed powers could be either guaranteed by Government or reinsured with an organisation like the L.I.C. ERIC's management, too, should be enlarged to command greater confidence in the public mind.

Staff of C.I.C. & E.

92. As the fortunes of trade depend so much on prompt action, it is apt to become impatient of any delays on the part of the Import Control authorities; and complaints in this behalf have been voiced everywhere. It is felt that one of the causes of delay is the shortage of staff which seems to be fully stretched. A realistic view of the staff requirements of the C.C.I. & E. should be taken, so that the organization may be able to function more effectively and proficiently.

93. Some of the measures which have been proposed on the procedural side are likely to ease somewhat the burden of the C.C.I. & E's office. But, on the other hand, it will have to prepare and issue 'certificates of basic export performance' to exporters, preferring claims for remission of income-tax which have been proposed. Their number would be considerable. Due regard need to be paid to this aspect of C.C.I's work, when sanctioning his staff. The C.C.I. & E. also does not seem to be adequately equipped to meet any sudden onrush of work such as may emanate, for instance, from the signing of a new trade agreement which may tend to trigger off a series of new problems in the initial stages. The best way to cushion his difficulties would be to place at his disposal a small 'squad', under a Controller, which may be used to bulldoze any pendencies or arrears in whichever section they may be.

Breath of fresh air

95. One more fact which militates against efficiency is the present lack of mobility of the C.C.I. &E's staff. They are not transferable, and gain no experience even of the departments dealing with other aspects of foreign trade. The system leads to inbreeding and stagnation and creates problems of vigilance. We are afraid that a similar situation is likely to arise in the Directorate of Export Promotion which is now being strengthened if, from the very inception, a system of 'inter-change' or 'delegation' is not conceived. It will be an advantage for the C.C.I. & E. and the Directorate of Export Promotion to have a common cadre so that the members of the staff would acquire more varied experience and introduce a breath of fresh air in the organisation. An interchange of officers between the Import and Export Control, the Directorate of Export Promotion and the C.B.R. would also be mutually beneficial. It could be a simple system of delegation for a tenure, on a reciprocal basis, so that the 'inter se' seniority of officers in the various organisations would not be affected, and, at the same time, they would acquire a more integrated experience.

Indian Trade Representatives abroad

96. In the coming years the task of trade and economic promotion is going to be vitally important to the course of our economic development; and India's trade representatives will have to play an important part in the promotion of trade. The various tasks which they will be called upon to perform have been described in para 24, at p. 49 of the Report. In a word, India's Trade Representatives will have to be at once the eyes and the ears of the business community. This is by no means an amateur's job. It requires specialized knowledge and practical training in commercial and economic work, which many of the Indian trade presentatives abroad do not possess. Often they do not have even the aptitude for this type of work; and, on the whole, the Indian business community is none too enamoured of the performance of our accredited trade representatives abroad.

97. Our Trade Representations abroad need to be vastly strengthened both in numbers and in the quality of personnel. It is our considered view that a greater measure of flexibility should be introduced in the staffing arrangements. The Ministry of Commerce and Industry have the primary responsibility for the maintenance and promotion of trade; and, naturally, they should have a major voice in the selection of officers for the commercial and even consular posts. It is also felt that all Consulates and Consulates-General should function primarily as trade promotion centres; and in selecting personnel for these posts due consideration should be given to qualifications, experience and aptitude in commercial and economic matters.

98. India would do well to follow the British model under which the 'trade posts' are manned partly by the Foreign Service personnel and partly by representatives of the Board of Trade. A pool of officers could be drawn from the Ministries of External Affairs and Commerce and Industry, including its attached offices of the Chief Controller of Imports and Exports and the Directorate of Export Promotion and to some degree from the open market. It would be a system of secondment of hand-picked officers of the two Ministries to the pool who would devote the better part of their life and energy to the promotion of economic matters overseas. The officers of the Ministry of Commerce and Industry would not, normally, be posted or promoted to the chancery; whereas the foreign service personnel of the pool would have occasional turns of 'political' assignments, and be entitled to rise as heads of 'posts' or 'missions' in course of time. But, overall, the emphasis in the career of such officers would be on the commercial and economic aspects; and they would be a class of 'commercially-oriented' officers of the Foreign Service.

99. The officers of the pool should have a common cadre of 'inter se' seniority so that they could aspire to legitimate promotion in their own turn as Counsellors, Consul-Generals or as Senior Trade Commissioners. The advantage of the proposed pool would lie in its flexibility, and in its capacity to offer a relatively large base of staff from which to draw 'oversea' officers for commercial posts. It would facilitate cross-fertilization of ideas between the home and oversea elements, and yield more fruitful results.

100. Normally, the tenure of a 'commercial officer' abroad should be five years.

101. Our overseas officers on the commercial and economic side, need a great deal more grounding in their specialised fields; before they leave for their posts, it should be ensured that they go well equipped to their task.

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Problems of Economic Discontent

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The Revolution of Rising Expectations

IN this Blue Supplement an attempt is made to present the economic facets of the revolutionary changes which are taking place in the Indian Union against the political reflection of some of these factors following the recent General Elections. The political prophets, as well as the political analysts, will differ markedly in terms of the manner in which they interpret these results. In the main issue, "The Eastern Economist" has presented its own interpretation of the results, the leading elements of which are two-fold. Firstly, there is a very large element of discontent in the country, and even the great anchorage which the Congress Party has with its wonderful legend and its glamorous leader, has been unable to prevent a significant setback in at least five important States of the Indian Union, namely, Punjab, Rajasthan, Madhya Pradesh, Uttar Pradesh and Kerala. The argument certainly leads to the conclusion that if political discontent is to be arrested, some economic changes are required in order to fulfil the aspirations that the Indian Union, perhaps mistakenly, has entertained. Secondly in its economic aspect, the question is not, indeed, whether there has been economic progress or not. It is obvious—and no longer catalogue of figures is necessary, whether in terms of national income or targets of individual production, particularly, food, cloth and other consumer goods—that the country is substantially better off in total than before. What this Blue Supplement attempts to set out are the reasons why, in the face of this excellent statistical rendering of Indian economic progress, so few people in the Indian Union are at the moment filled with enthusiasm and with a sense of jubilant participation in the great Indian adventure. Undoubtedly, economics is only a portion of this problem. Psychology is much the larger of the two social elements which go into the description of what has been appropriately called "The Revolution of Rising Expectations". The emphasis is on the word 'expectations'.

It is in respect of expectations, and not in respect of statistical performance, that our progress over the last ten years has to be measured. Nevertheless, there are some statistical qualifications which have to be introduced, such, for example, as the role which has

been played by indirect taxes in eroding the benefits of a rising money income. Equally, there has been the element of an overall rise in prices which bears unequally on different sections of the population. Two articles in this Blue Supplement deal with these particular elements in the Indian picture of economic development. Even statistically, the total economic progress of the Indian people becomes far less attractive when it is noticed how much of this progress has been committed to Government producer goods expenditure and does not enter truly into the rising standard of the people. But quite apart from this problem of discontent which arises because what is given with one hand is partly taken away by another, there is the qualitative change which is constantly taking place in the structure, not merely of the expectations, but of the physical content of the goods and services that the Indian people buy. It may be that food and cloth are largely the same today as they were ten years ago, though there is a wide-spread belief that the movement to finer varieties of cloth and to handloom cloth has been very marked. But in the realm of other things, notably, the urge of the Indian people to travel, their need for better housing, the ineffective attempt to escape from slums in the great cities and in the last analysis, from pestilence and disease, and even from elementary destitution, there are aspects of Indian economic failures which are too often ignored in the "overall" rates of economic progress. When 500 people died in the severe winter of December 1961 in Delhi, there should have been a tremendous sense of shock that after ten years of planning in the Central Capital, the most efficient unit of the Indian Union, we were powerless to prevent our fellow-citizens from succumbing in three nights to the final penalty of pitiful destitution. It is this character of light and shade, sometimes callous, sometimes the reflection merely of deep egoistic discontent, sometimes and more often, a maladjustment for the moment, while economic progress which goes in waves comes back to its native shore, that produces a wide spectrum of economic change which it is the purpose of this Blue Supplement to describe.

In the following articles, the picture is set out with particular reference to the components which make "the revolution of rising expectations" one of the most arduous hurdles which a poor country has to surmount. These are good clothing, housing and education and travel. Everyone considers the Indian people as a whole better fed, better clothed, better housed, better educated and perhaps even better travelled than ten years ago. And yet over half the Indian people, in response to questions on the subject will say they are not better off, and perhaps in a very large number of cases, they can produce chapter and verse.

In what particular elements does this discontent, imaginary or real, reside? It is the thesis of this Blue Supplement that there are, in fact, real economic failures to present along the general side of the economic progress. Indian development has been a two-way affair. A heavy price has been paid for almost every inch gained and the price is not paid by the same people. This is best illustrated in the way in which incomes are distributed and the different ways in which States have emerged from the ten years of "purposeful" planning which, in retrospect, has proved so unequal. Two of the articles in this issue deal with the central theme of inequality of personal incomes. It is probably at the centre of the heart-burning which continues to exist and, unhappily, to spread.

"The Eastern Economist" does not believe that at this stage of India's economic progress it should spread a counsel of despair. On the contrary, it is broadly behind the Third Plan, as it was behind the Second and even behind the First in the sense that a beginning of planning had to be made. It does, however, recognise that some pretty drastic changes have to take place if the Indian people are not to feel further frustrated, not to be further deceived in that peculiar psychological field in which those in power are convinced they have performed their responsibilities, while those without power think they have been misled. In the last analysis, the answer is three-fold. It is, in fact, on the political side a much wider range of participation by all parties in what is called the exercise of power. Secondly, on the economic side, it is essentially a matter of producing occupation of a congenial type which, whether or not it is translated into income, at least contains the idle and discontented mind. Thirdly, and not least of all, there must be, at a few dramatic points, perhaps in housing, perhaps in education, a gift by the nation to those to whom the last ten years have been a source of deep disappointment, and in a few cases even despair.

For these purposes, overall progress is insufficient. It is to the weaker sections of the population, and in the last analysis it should be to the weaker minds—those that lack the courage and patience to wait for a generation—that an immediate call is made in the Third Plan to immediate betterment. We need very much to take to heart Keynes's warning that, if economics is a long period affair, it is well to remember that in the long period we are all dead. Certainly, the revolution of rising expectations is a short period phenomenon and must be dealt with, at least remedially, in the period of the Third and Fourth Plans. If the Third Plan is reorientated in terms now not merely of achieving targets, but of recognising whether and how the fruits of the Plans are to be given back to the Indian people, it may well be that, with very little additional expenditure, we may make much more substantial subjective economic progress. If this Blue Supplement has done something to open a different horizon in respect of the content of the elements which produce economic discontent it will have not been in vain.

Indirect Taxation, Inflation and Erosion of Incomes

IN November last year the Department of Economic Affairs in the Ministry of Finance analysed the incidence of indirect taxation on consumer expenditure from National Sample Survey data and the taxation figures available with the Ministry of Finance. The study related to 1953-54 and 1958-59—the mid-points of the First and the Second Five-Year Plans—and an attempt was made to compare the burden of taxation on various income brackets in rural as well as urban areas. The major findings of the study were:

(1) Indirect taxes in 1953-54 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 occurred mainly under Central excise duties and the sales taxes.

(2) The incidence of increased taxation was spread unevenly in both the rural and the urban households. In rural areas, the proportion of consumer expenditure paid in taxes rose from 2.9 per cent in 1953-54 to 4.4 per cent in 1958-59. The incidence in urban areas was much heavier. Whereas in 1953-54, the urban households paid in taxes only 5.9 per cent of their consumer expenditure, they had to pay about 9.3 per cent in 1958-59. The major pressure in the case of the urban households emerged from Central Excise duties, though sales taxes also added to this burden.

(3) In 1953-54 the urban households paid twice the proportion of consumer expenditure paid in taxes by rural households. In other words, while rural areas paid only 2.9 per cent of the consumer expenditure by way of taxes, the urban households had to pay 5.9 per cent by way of taxes. By 1958-59, the scales had turned slightly against the urban areas. The proportion paid by the urban households increased to 2.1 times than that paid by rural households, i.e., against 4.4 per cent of tax incidence on urban households it rose to 9.3 per cent of the total consumer expenditure.

(4) The burden of indirect taxes remained progressive both in the rural and the urban areas in 1953-54 and 1958-59. It means that the higher income brackets paid a higher proportion by way of taxes than the lower income brackets. In 1953-54 urban households with monthly expenditure above Rs. 300 paid 8.2 per cent of the consumer expenditure in taxes. The corresponding lowest income bracket in urban areas i.e. Rs. 1-50 per month expenditure household paid only 3.8 per cent of the consumer expenditure by way of taxes. By 1958-59, the proportions of every income bracket rose but in a progressive manner. The incidence on the lowest income bracket rose to 5.8 per cent and on the highest income bracket rose to 13.8 per cent. If the highest income bracket in this study could be further analysed, it would be found that urban households with expenditure above Rs. 500 per month would be paying more than 15 per cent by way of taxes and it would not be a surprise to find that households spending Rs. 1000 per month were paying 20 per cent of the expenditure by way of taxes.

An analysis of the consumer expenditure sales taxes between 1953-54 and 1958-59 shows that the money incomes were reduced considerably by way of taxation and whatever little increase was in evidence in the various income brackets was siphoned off by the rising prices.

The figures set out by the Department of Economic Affairs have been further analysed for price inflation so as to compare the net expenditure position in 1958-59 at 1953-54 prices. The results are set out in Tables I, II and III. Table I gives the comparison for rural areas only. It shows that in overall terms the net expenditure after accounting for tax burden and price increase shows a fall of 3.7 per cent in five years. This clearly contradicts the optimistic picture presented by per capita income data considered for all-India. As indicated elsewhere in this Number, the real per capita rate of rise in income during the last decade had been 1.8 per cent per annum.

The average figures conceal the degree of pressure on different income brackets. For example, in the rural areas the households in the income bracket between Rs. 101 to 150 per month were certainly worse off. The net consumer expenditure in 1958-59 at 1953-54 prices showed a fall instead of showing an increase. Similarly in the income groups Rs. 51—100 and Rs. 151—300 the increase was of marginal nature. In the lowest income

TABLE I.

RURAL AREAS

Monthly Household Expenditure (Rs.)	1958-59				1953-54			Percentage Increase or Decrease (4) over (7)
	Consumer Expenditure (Per Capita)	Indirect Taxes (Per Capita)	Net Expenditure (Per Capita) (1—2)	Net Expenditure (At 1953-54 Prices)	Consumer Expenditure (Per Capita)	Indirect Taxes (Per Capita)	Net Expenditure (Per Capita) (5—6)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1 — 50 ..	11.40	0.29	11.11	10.30	9.50	0.21	9.29	+10.9
51 — 100 ..	16.30	0.60	15.70	14.55	14.80	0.36	14.44	+ 0.8
101 — 150 ..	22.20	0.92	21.28	19.72	20.50	0.54	19.96	— 1.2
151 — 300 ..	29.80	1.44	28.36	26.28	26.60	0.75	25.85	+ 1.7
301 and above ..	55.40	3.84	51.56	47.78	44.70	1.85	42.85	+11.5
All Households ..	21.20	0.93	20.27	18.78	20.10	0.59	19.51	— 3.7

bracket the percentage works out to be 10.9 on the positive side but the real absolute gain is almost negligible. The other tables for urban areas and all-India show a still further deterioration in consumer expenditure.

The conclusion is, thus, irresistible that planning in this country which was supposed to raise living standards all-round has failed miserably in achieving the stipulated target.

TABLE II.

URBAN AREAS

Monthly Household Expenditure (Rs.)	1958-59 Consumer Expenditure (Per Capita)	1958-59 Indirect Taxes (Per Capita)	1958-59 Net-Expenditure (Per Capita) (1—2)	1958-59 Net Expenditure (At 1953-54 Prices)	1953-54 Consumer Expenditure (Per Capita)	1953-54 Indirect Taxes (Per Capita)	1953-54 Net Expenditure (Per Capita) (5—6)	Percentage Increase or Decrease (4) over (7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1 — 50 ..	16.30	0.94	15.36	14.23	12.30	0.45	11.85	+20.1
51 — 100 ..	20.20	1.45	18.75	17.38	17.00	0.77	16.23	+ 7.1
101 — 150 ..	26.00	2.09	23.91	22.16	22.60	1.16	21.44	+ 3.4
151 — 300 ..	33.30	2.99	30.31	28.09	30.20	1.54	28.66	— 2.0
301 and Above ..	64.80	8.96	55.84	51.75	56.50	4.65	51.85	— 0.2
All Households	29.20	2.70	26.50	24.56	27.10	1.62	25.48	— 3.6

TABLE III.

ALL - INDIA

Monthly Household Expenditure (Rs.)	1958-59 Consumer Expenditure (Per Capita)	1958-59 Indirect Taxes (Per Capita)	1958-59 Net-Expenditure (Per Capita) (1—2	1958-59 Net Expenditure (At 1953-54 Prices)	1953-54 Consumer Expenditure (Per Capita)	1953-54 Indirect Taxes (Per Capita)	1953-54 Net Expenditure (Per Capita) (5—6)	Percentage Increase or Decrease (4) over (7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1 — 50 ..	12.10	0.38	11.72	10.86	9.90	0.24	9.66	+12.4
51 — 100 ..	17.10	0.74	16.36	15.16	15.20	0.41	14.79	+ 2.5
101 — 150 ..	22.90	1.17	21.73	20.14	20.90	0.66	20.24	— 0.5
151 — 300 ..	31.00	1.84	29.16	27.02	27.40	0.91	26.49	+ 2.0
301 and above	58.40	5.43	52.97	49.09	47.90	2.64	45.26	+ 8.5
All Households ..	22.80	1.30	21.50	19.92	21.30	0.77	20.53	— 3.0

The Standard of Comfort: 1950-51—1960-61

With Projections to 1965-66

WHAT has been the achievement of planning in the Indian Union in so far as the availability of comforts is concerned? The ultimate aim of all the development plans is to raise the standard of living of the people in the sense that the people may be in a position to lead a more comfortable life. Before we pass on to an enumeration of the comforts which have been made available during the last decade, it is necessary to answer the basic question if the necessities of life have been made available in the right proportion. For this purpose, the table on page xv serves as an interesting guide in so far as the changing structure of per capita consumption of most of the necessities is concerned. It will be seen that consumption of cereals steadily rose from 317 lbs. per annum per capita in 1950 to 344.5 lbs. in 1960-61. In a decade the rise was of the order of nearly nine per cent. If the fact that the shortage of cereals in any particular year has never been more than 5 to 7 per cent is borne in mind, the great leeway that India has already made in making this basic necessity available to the masses will become evident. Distressing periods of food control and shortages vanished with bumper crops in 1953 and 1954. In fact the year 1953-54 witnessed a surplus of food which pushed prices miserably below the level of even the cost of cultivation. Since then, the availability of cereals has been comparatively assured mostly because of the imports of wheat from the United States of America under P.L. 480. Even in the Third Five-Year Plan liberal imports of foodgrains upto 17 million tons under P.L. 480 are likely to ensure sizeable buffer stocks which will keep the supplies of cereals within reasonable limits, not allowing "shortage" to raise its ugly head again.

In sugar and gur, the position is one of the demand side being unable to cope with the supply side. A sizeable surplus seems to have emerged during the last two years and because of high cost of sugar manufacture in India, exports have not been very encouraging. The market is glutted with sugar and prices are slightly lower than those fixed by the Tariff Commission a couple of years ago. This also applies to the supply of vanaspati, cloth, kerosene and paper. In other words, all the essential commodities are in such a happy state of affairs at the moment that the consumer demand has been fully satisfied.

A study of the consumption figures for cycles, sewing machines, motor cars and radio receivers will show that the Indian Union has done extremely well during the last decade for these items of comfort and entertainment. In 1950, for 100,000 of people, only 75 cycles were available. In 1960-61, the figure rose to more than three times at 245 cycles for every 100,000 of population. Much more interesting was the case of sewing machines. In 1950, there were only 15 machines available for every 100,000 of population. In 1960-61, the figure rose to nearly five times at 70 sewing machines for every 100,000 population. The radio receivers have also done equally well. The purchase of radios stood at only 124 for every million of population in 1950 but it improved to nearly five times to 643 radio receivers for every million of population in 1960-61. Only the motor cars have not exhibited an impressive showing. As against 42 motor cars for every million inhabitants in this country, the present level is 48 for every million population. Perhaps the small car project has been delayed excessively. If and when this project also materialises, the supply of motor cars will also increase so as to eliminate the drudgery of life to a certain extent. An indication of the fact that more people are making use of the electrical gadgets is provided by a survey made by the Indian Institute of Public Opinion in 1960. The Economic Intelligence Unit of the Indian Institute of Public Opinion has also forecast probable demands for these electrical contrivancies in 1965-66. Findings of the Institute are set in the tables on page (xvi).

This urban survey conducted by the Indian Institute of Public Opinion in 1960 indicated the volume of comfort enjoyed by the urban households through electrical gadgets. Ninety-two per cent of the households—picked out of families possessing a radio set—lived in houses provided with electricity. Only 40 per cent used flourescent tubes indicating a sizable shift from the old, pale electric bulb to the soothing effect of the flourescent light. The ceiling fan scored heavily over all the other contrivances in as much as 53 per cent of the families possessed at least one ceiling fan; only 39 per cent took comfort from the table fan but certain families possessed both the ceiling fan and the table fan. Electric iron was another important instrument possessed by almost 50 per cent of the families interviewed. Similarly, electric heater was possessed by nearly 30 per cent of the households. Comparatively in less use were the water heater, the refrigerator, the cooking stove, the electric sewing machine and the gramaphone. While all the households possessed a radio set (the sample having been taken out of households holding a radio license) only 3.6 per cent could boast of a refrigerator. It means that the refrigerator is still very much beyond the financial resources of a majority of the households in urban areas. These tables also indicate the pattern of likely growth in the use of these consumer durables by the end of the Third Five-Year Plan. It is shown that in the urban areas, nearly 1.6 million additional households will use ceiling fans and about 1.2 million more households will draw comfort from table fans during the Third Plan period. The income brackets which will acquire the new fans will lie above Rs. 200 per month. Relatively, the demand for fans will start falling after the income bracket Rs. 201-300 per month. The largest pressure of demand will emanate from the income brackets lying between Rs. 200 and Rs. 500 per month.

Even though the electric iron is a very useful consumer durable for helping the urban families keep neat and smart, only half of the families in the sample reported to be in possession of the electric iron. This indicates that the radio, deemed in India to be more an item of entertainment than of utility, takes precedence over most of the electrical consumer goods including the electric iron. Like the fans, the highest pressure for demand was from the income brackets Rs. 200 to Rs. 500 per month though the percentage share of Rs. 101-200 income group was in no way small. This is perhaps because of the low cost of the electric iron in relation to fans. It is estimated that the rise in urban demand for electric irons is likely to be around 1.5 million during the Third Five-Year Plan.

The number of families which are in a position to make use of these comforts is extremely small and in most cases does not cover more than five to ten per cent of the total population of the country. To the vast masses, comfort of life as understood in the urban areas of India, is something un-imaginable. As and when the Plan propaganda penetrates the interior of the rural areas, the revolution of expectations to be created will be beyond the resources of the country. Planning of consumer goods in the country has to be accelerated keeping in view the coming explosion in demand for not only necessities but the "necessary luxuries" of a growing society.

The conclusion which emerges from a study of these statistics is that inflation in income, from whatever cause, has been an inducement in urging some families to avail of the comforts provided by the rapid pace of industrialisation in the Indian Union. It is true that rising prices have eroded income of a substantial section of urban households, but there are certain other sections of society which have benefited from the inflationary spiral. The Institute in its analysis of the urban market for electrical appliances has rightly concluded that "inflation is one family's meat but another family's poison".

Towards Rapid Modernisation

THE achievement of Independence was universally looked upon as only a pre-condition of releasing the social, poplitical and economic forces for a rapid transformation of the traditional society into a modern and progressive one. In this transformation the pride of place was undoubtedly to be assigned to the economic emancipation of the masses, following a general levelling up of the economy with a deliberate bias

industrialization. The economic aspirations of the Congress Party were fairly well known and a positive expression was given to them in the Directive Principles of the Constitution, which enjoined that social justice be meted out to all the classes of the people and equality of opportunity for growth to the fullest stature be also provided to everyone. But these were broad principles and it was only in December 1954 that, with the adoption by Parliament of the Resolution on the Socialist Pattern of Society, a concrete form was given to these goals.

Nevertheless, it was clearly understood that the objectives set out in the Directive Principles and those set out in the Resolution on the Socialist Pattern of Society had to be harmonized. The pattern that was to emerge was to be based on the concept of the mixed economy. This could not be otherwise because, contrary to the popular belief, it is not in industry, but in agriculture and the tertiary sector that the existence of the private sector is profoundly exhibited. To eliminate the private sector involves extermination of this vast fabric. This resolution was adopted practically towards the close of the First Five-Year Plan, and if the truth must be told, not much critical thought was given to verifying how far it was reflected in the policies and the targets of achievement fixed for the Second Plan. There was a robust, practical realization at the bottom that the socialist pattern, based on the co-existence of the two sectors, was to be achieved by a gradual process of change. No violent disruptions to the existing structure or revolutionary departures from the institutions which had been there over time were either intended or expected. Nonetheless, these new visions brought a distinct revolution of expectations on the part of the masses of the people.

If economic prosperity was to be achieved, the first requirement was to redress the gross imbalance between agriculture and industry and this redressal meant a deliberate orientation of the development programmes to industry. The Second Plan was formulated with this object in view. Once these objectives were vehemently publicised during the campaign for the first general elections, the rising revolution of expectations began to acquire a more concrete and clear form than ever before since Independence. The Second Plan, no doubt, placed considerable emphasis on the construction of steel, fuel, power and machine building projects. Side by side with it, a good deal of responsibility was placed on free enterprise to push up the development of industry in segments mostly other than heavy industry. This orientation of the development of the economy towards industry brought in its wake great expectations about a rapid increase in production, national income as well as per capita income.

Although, egalitarianism was no integral part of the resolution on the socialist pattern of society, it had its emotional impact and the least that was expected was that concrete steps would be taken towards minimizing the disparities in incomes. What distinguishes the revolution of rising expectations that emerged in the Western countries and the one that is now forcefully asserting itself in India is the order of priorities. In the industrialized countries of the West, economic expansion and the levelling up of the material well-being of the masses of the people came first. Extension of political rights on a full scale came next, or at best it was a complementary process, but certainly it did not precede economic emancipation. In India, the reverse priorities have chanced to occur. The constitution-makers, in the flush of their idealism, went full steam ahead to give the people a thoroughly modern form of parliamentary democracy based on universal adult suffrage. The voter thus became the master of his rulers and with the first general elections, he sensed the feeling of mastery which he now enjoyed through the ballot box. This brought in its wake a new and forceful consciousness of his political rights as well as of his importance. Political consciousness creates a psychology in which grievances are freely ventilated and the legislative forum is already there to ventilate them and there are the Opposition Parties only too willing to oblige.

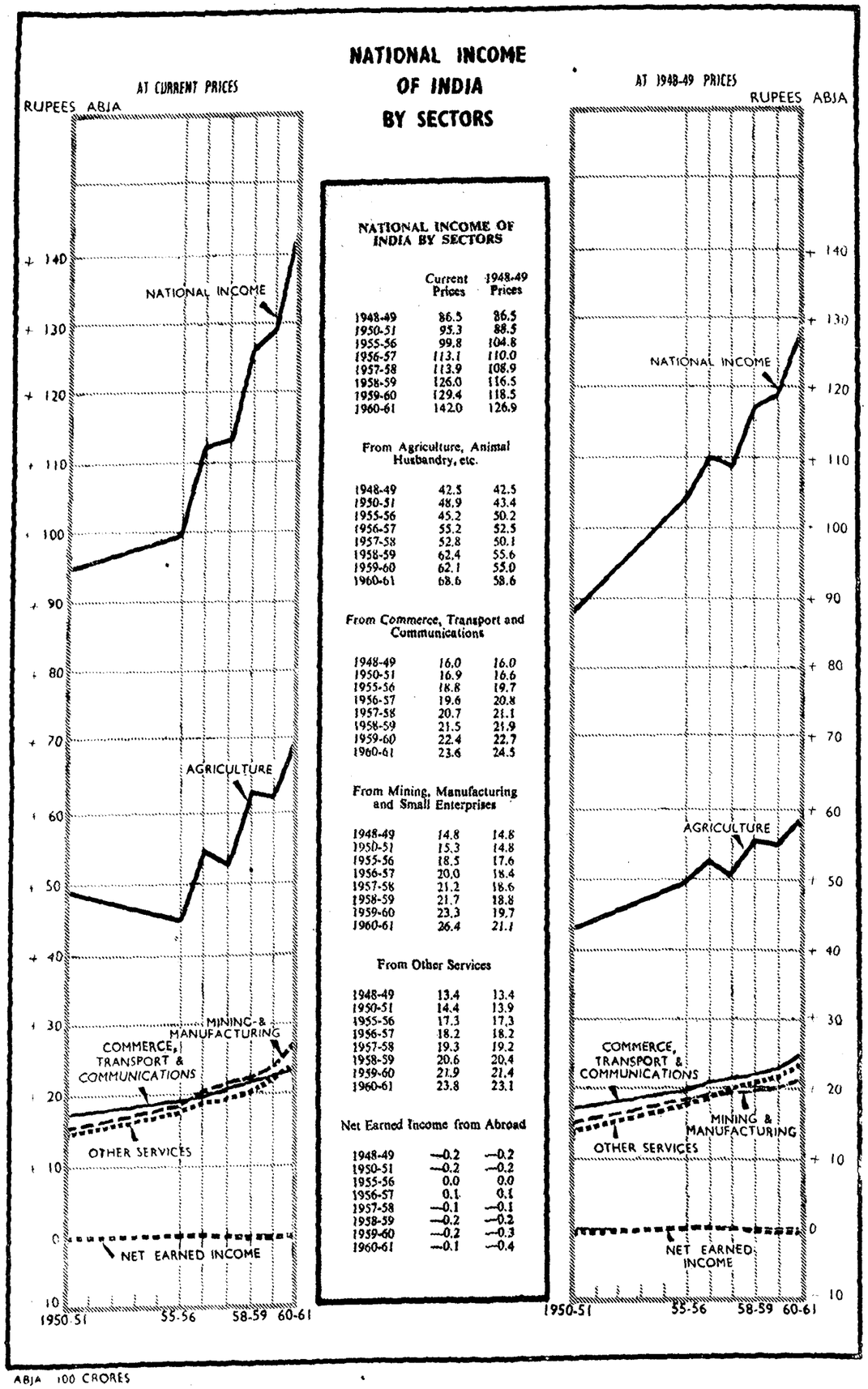
Economic expansion and the production of wealth in a traditional society is necessarily a slow process which takes time to gather momentum. But a politically conscious electorate loses patience with moderation. The result is that the rising expectations about a modern and fuller life have been deeply coloured by a feeling of intense dissatisfaction with the pace of change. The people have borne all sorts of sacrifices which were demanded of them in the form of taxation, inflation, and so on. But, by contrast, the returns which they expected from the Five-Year Plans have been too low and a violent query is being made why disparities of income have not been reduced progressively and how far there is sound reason to believe that these disparities have become more aggravated, on the other hand.

As the second general elections are over and the Congress Party returns to office for another term of five years, this revolution of rising expectations, powerfully tinged with dissatisfaction and also with a certain element of disillusionment, is throwing up a great challenge to it. The Congress was admired as a party in office since 1947 as the party which principally fought and won the battle of freedom. This attitude of indulgence on the part of the electorate is vanishing. The electorate is acquiring a mature mood to test with a critical mind the Party's professions proclaimed in its manifesto. During the fresh term of office the Congress Party will be on probation. This is but a natural consequence of the revolution of expectations which it has throughout fostered, perhaps without a full consciousness of its repercussions, or at any rate of their vehemence.

The Countryside: Changing Form

THE GREATEST challenge that will be posed to the new Parliament will come from the countryside, where the people have long waited for some realisation of their expectations without much fulfilment. This challenge is of formidable dimensions. The proverbial pressure of population on land, the erratic fluctuations in the fortunes of agriculture and the marginal levels around which rural standards of living are hovering—this outlook makes the task of changing the face of the countryside from a traditional society to a progressively modern one really difficult. In essence, although the problem needs to be attacked on a social, political and economic fronts, the attack on the economic front obviously comes in the forefront. The goal is to link the countryside effectively and fruitfully with the task of exploiting the potential of a large market of 440 million people. The isolation of the village has become a thing of the past, but, even so, the integration of the rural economy with the nation-wide market has touched the fringe. Transport, and wherever possible truck transport, will need to be developed at a fast rate to achieve this integration.

The major transformation is to be brought about in agriculture, notwithstanding the fact that the present intolerable pressure on it must be relieved and passed



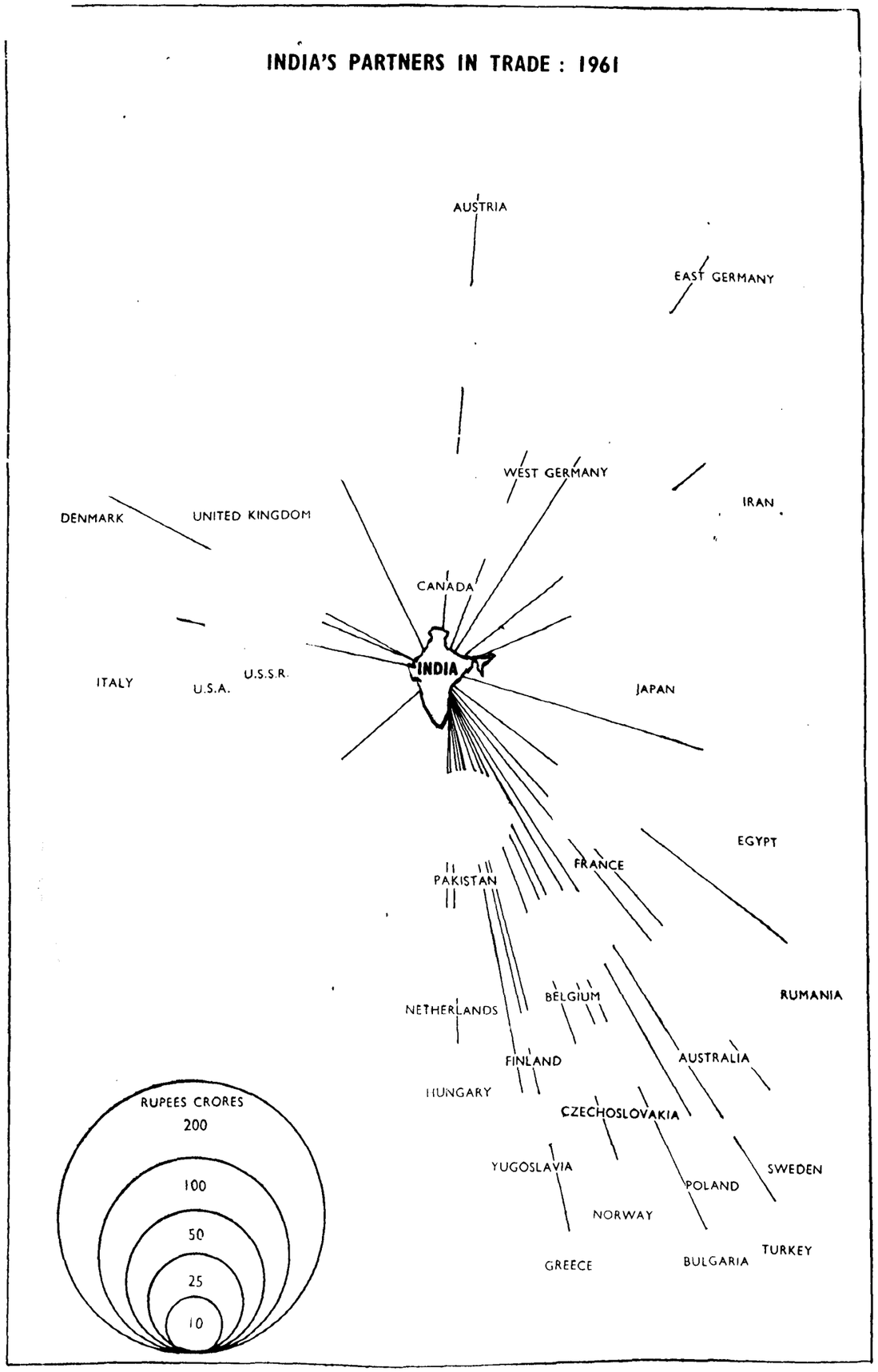
NATIONAL INCOME OF INDIA BY SECTORS

	Current Prices	1948-49 Prices
1948-49	86.5	86.5
1950-51	95.3	88.5
1955-56	99.8	104.8
1956-57	113.1	110.0
1957-58	113.9	108.9
1958-59	126.0	116.5
1959-60	129.4	118.5
1960-61	142.0	126.9
From Agriculture, Animal Husbandry, etc.		
1948-49	42.5	42.5
1950-51	48.9	43.4
1955-56	45.2	50.2
1956-57	55.2	52.5
1957-58	52.8	50.1
1958-59	62.4	55.6
1959-60	62.1	55.0
1960-61	68.6	58.6
From Commerce, Transport and Communications		
1948-49	16.0	16.0
1950-51	16.9	16.6
1955-56	18.8	19.7
1956-57	19.6	20.8
1957-58	20.7	21.1
1958-59	21.5	21.9
1959-60	22.4	22.7
1960-61	23.6	24.5
From Mining, Manufacturing and Small Enterprises		
1948-49	14.8	14.8
1950-51	15.3	14.8
1955-56	18.5	17.6
1956-57	20.0	18.4
1957-58	21.2	18.6
1958-59	21.7	18.8
1959-60	23.3	19.7
1960-61	26.4	21.1
From Other Services		
1948-49	13.4	13.4
1950-51	14.4	13.9
1955-56	17.3	17.3
1956-57	18.2	18.2
1957-58	19.3	19.2
1958-59	20.6	20.4
1959-60	21.9	21.4
1960-61	23.8	23.1
Net Earned Income from Abroad		
1948-49	—0.2	—0.2
1950-51	—0.2	—0.2
1955-56	0.0	0.0
1956-57	0.1	0.1
1957-58	—0.1	—0.1
1958-59	—0.2	—0.2
1959-60	—0.2	—0.3
1960-61	—0.1	—0.4

THE REGIONAL PERCENTAGE DISTRIBUT PERSONAL INCOME, 1955-56 TO 1965-66

Monthly Household Income Group (Rs.)		URBAN											RURAL											TOTAL										
		1-50	51-100	101-200	201-300	301-400	401-500	501-600	601-700	701-1000	Over 1000	Total	1-50	51-100	101-200	201-300	301-400	401-500	501-600	601-700	701-1000	Over 1000	Total	1-50	51-100	101-200	201-300	301-400	401-500	501-600	601-700	701-1000	Over 1000	Total
Andhra Pradesh																																		
1955-56	...	3.62	18.34	29.57	14.98	8.94	13.06	1.17	1.67	2.07	6.58	100 0	18.37	44.23	21.[illegible]	3.58	1.21	0.42	0.91	2.40	1.49	100.0	13.99	36.55	23.74	10 15	3.77	4 73	0.64	1.14	2.30	3.00	100:0
1960-61	...	1.64	11.05	26.84	19.75	9.44	13.78	2 02	2.26	2.77	10.45	100.0	9.98	34.78	27.[illegible]	5.99	5.92	1.97	3.41	2.60	1.42	100.0	7.78	28.52	26.99	11.02	6.17	8.00	1.99	3.10	2.64	3.80	100.0
1965-66	...	0.69	6.09	22.25	23.84	9.14	13.34	3.22	2.80	3.40	15.25	100-0	3.71	18.78	23.[illegible]	3.85	19.86	6.35	8.73	1.93	0.93	100.0	3.14	16 42	23.36	8.71	10.53	18.65	5.77	7.63	2.20	3.59	100.0
Assam																																		
1955-56	...	4.26	19.35	28.52	13.81	9.12	13.30	1.15	1.75	2.29	6.65	100.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
1960-61	...	2.09	12.70	27.84	18.53	7.87	11.52	2.31	2.46	2.99	11.69	100.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
1965-66	...	0.92	7 50	24.41	22.35	6.11	8.99	4.20	3.14	3.86	18.52	100.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Bihar																																		
1955-56	...	4.30	19.89	28.54	13.93	8.20	11.97	1.34	1.95	2.41	7.47	100.0	13.68	32.89	24.[illegible]	1.90	—	—	—	5.83	2.95	100.0	11.43	29.78	25.69	13.65	7.21	2.86	0.32	0.47	4.55	4.03	100.0
1960-61	...	1.82	11.87	27.18	18.94	8.87	12.94	2.14	2.30	2.81	11.12	100.0	11.87	38.97	28.[illegible]	1.26	—	—	—	1.06	0.51	100.0	9.30	32.05	27.99	13.08	8.41	3.31	0.55	0.59	1.51	3.22	100.0
1965-66	..	0.71	6.49	23.68	23.67	8.79	12.83	3.14	2.51	3.00	15.17	100.0	9.52	42.90	29.[illegible]	1.14	—	—	—	0.80	0.08	100.0	7.10	32.29	28.12	12 57	9.05	3.52	0.86	0.69	0.97	4.23	100.0
Gujarat																																		
1955-56	...	1.37	9.35	21.86	13.47	9.61	14.06	3.11	4.50	5.60	17.08	100.0	11.28	26.68	28.[illegible]	1.23	10.26	2.88	0.71	5.48	4.31	100.0	6.01	17.46	24.97	11.23	5.69	12.28	3.00	2.72	5.54	11.10	100.0
1960-61	...	0.48	4.66	18.24	16.60	9.62	14.10	3.87	4.87	6 07	21.49	100.0	7.40	26.63	33.[illegible]	1.55	6.00	1.87	0.39	4.62	2.66	100.0	3.83	15.29	25.46	14.24	7.65	10.18	2.90	2.70	5.37	12.38	100.0
1965-66	...	0.17	2.31	15.22	20.52	9.68	14.19	4.83	5.31	6.66	27.10	100.0	4.00	21.88	31.[illegible]	1.66	2.89	1.00	0.17	3.20	1.36	100.0	2.27	13.04	24.31	16.41	15.70	8.00	2.73	2.49	2.05	12.99	100.0
Kerala																																		
1955-56	...	4.31	19.78	28.49	13.83	8.67	12.61	1.24	1.81	2.23	7.03	100.0	16.65	50.41	19.[illegible]	1.21	4.19	1.07	0.38	5.26	2.31	100.0	13.56	42.73	18.61	5.89	3.08	6.30	1.11	0.74	4.50	3.49	100.0
1960-61	...	1.94	12.28	27.53	18.78	8.36	12.19	2.21	2.39	2.93	11.38	100.0	—	39.65	33.[illegible]	1.40	4.28	1.41	0.30	0.73	0.33	100.0	0.42	33.68	32.08	13.91	7.61	6.01	1.59	0.76	1.21	2.74	100.0
1965-66	...	0.79	6.92	24 21	23.25	7 35	10.72	3.59	2.87	3.53	16 76	100.0	—	15.22	35.[illegible]	1.22	2.14	0.92	0.11	0.05	0.02	100.0	0.09	14.29	34.26	23.73	20.57	3.10	1.21	0.42	0.44	1.89	100.0
Madhya Pradesh																																		
1955-56	...	4.47	20.37	28.25	13.64	8.02	11.71	1.41	1.97	2.43	7.72	100.0	18.89	38.79	27.[illegible]	.08	2 31	0.70	0.11	3.04	1.72	100 0	15.12	33.98	27.44	6.68	4.38	4.77	0.88	0.59	2.88	3.29	100.0
1960-61	...	1.70	11.46	27.34	19.27	9.15	13.35	1.99	2.23	2.75	10.77	100 0	6.49	23.85	32.[illegible]	.44	9.28	2.86	0.54	5.61	3.32	100.0	5.14	20 36	31.25	11.05	7.62	10.43	2.61	1.02	4.80	5.42	100.0
1965-66	...	0.59	5.84	24.03	24.84	9.48	13.84	2.55	2.30	2.82	13.69	100.0	1.41	9.30	25.11	.39	23.73	7.44	1.75	6.58	4.06	100.0	1.22	8.49	24.86	12 85	10.95	21.43	6.31	1 88	5.71	6.30	100.0
Madras																																		
1955-56	...	3.61	16.47	30.67	15.17	2.07	11.07	2.99	2.84	2.01	6.11	100.0	34-31	46.87	14.[illegible]	0.32	0.29	0.05	0.06	1.29	0 66	100.0	22.42	35.11	20.60	7.05	3.71	4.46	1.18	1.13	1.57	2.77	100.0
1960-61	...	1.45	9.37	28.70	20.72	10.82	11.51	3.52	2.96	2.19	8.75	100.0	16 33	35.33	35.[illegible]	4.71	1.81	0.45	0.19	0.17	0.09	100.0	10.87	25.81	33.30	12.65	5.05	5.37	1.58	1.21	0.92	3.26	100.0
1965-66	...	0.54	4.94	24.75	26.23	11.94	11.07	3.85	2.85	2.20	11.61	100.0	4.22	14.45	49.[illegible]	4.91	6.23	2 42	0.34	0.01	0.01	100 0	3.34	12 19	43.55	19.95	6.58	7.38	2.76	0.94	0.54	2.77	100.0
Maharashtra																																		
1955-56	..	3.72	19.65	30.61	13.78	8.39	9.44	2.56	2.39	2.28	7.07	100.0	13.81	30.19	38.[illegible]	1.29	1.82	0.75	0.13	2.03	0.82	100.0	9.51	25.70	35.39	11.72	4.32	5.07	1.56	1.10	2.14	3.49	100.0
1960-61	...	1.38	10.74	28.58	19.25	11.28	10.86	3.04	2.62	2.58	9.65	100.0	8.49	28.12	42.[illegible]	5.40	0.72	0.38	0.05	0.79	0 36	100.0	3.60	21.04	37.02	15.48	7.80	4.85	1.46	1.10	1.52	4.14	100.0
1965-66	...	0.47	5.33	24.21	24.47	13.81	11.35	3.16	2 60	2.65	11.94	100.0	4.41	22.13	39.[illegible]	9.14	0.24	0.16	0.02	0.26	0.13	100.0	2.94	15.88	34.00	17.72	17.15	4.38	1.28	0.98	1.15	4.53	100.0
Mysore																																		
1955-56	..	3.73	18.46	29.31	14.72	8.84	12.89	1.22	1.80	2.22	6.81	100.0	10.86	43.77	24.[illegible]	0.79	5.80	1.91	0.27	2.98	1.74	100.0	7.93	33.38	26.49	8.61	5.86	8.71	1.63	0.90	2.67	3.82	100.0
1960-61	...	1.64	11.02	27.30	19.68	9.36	13.66	2.04	2.20	2.68	10.41	100.0	4 07	14.37	43.[illegible]	8.09	8.81	2.83	0.63	1.25	0.81	100.0	3.13	13.07	37.26	15.34	10.42	10.69	2.53	1.23	1.80	4.52	100.0
1965-66	...	0.67	6.05	23.40	24.20	9.13	13.32	3.14	2.48	2.98	14.64	100.0	0.88	2.74	44.[illegible]	8.85	7.77	2.43	0.85	0.30	0.22	100.0	0.82	3 62	39.10	22.00	16.28	9.24	2 62	1.28	1.01	4.03	100.0
Orissa																																		
1955-56	...	4.14	19.24	28.67	14.02	8.92	13.03	1.18	1.78	2.23	6.79	100.0	34.94	43.66	19.[illegible]	0.66	—	—	—	—	—	100.0	30.20	39 90	21.29	2.83	1.93	2.01	0.18	0.27	0.34	1.04	100.0
1960-61	...	2.05	12.63	27.62	18.46	8.06	11.74	2.36	2.44	2.97	11.68	100.0	17.62	54.49	24.[illegible]	1.78	—	—	—	—	—	100.0	15.12	47.77	24.59	4.73	2.79	1.89	0.38	0.39	0.48	1.88	100.0
1965-66	..	0.92	7.52	24.05	22.09	6.61	9.63	4.31	3.03	3.60	18.25	100.0	7.71	58.41	24.[illegible]	4.14	—	—	—	—	—	100.0	6.62	50.24	24.79	7.59	4.53	1.55	0.69	0.49	0.58	2.93	100.0
Punjab																																		
1955-56	...	4.23	19.56	28.61	13.98	8.53	12.44	1.26	1.88	2.35	7.16	100.0	2.37	9.21	41.[illegible]	18.04	12.26	6.53	1.39	—	—	100.0	2.92	12.25	37.49	10.48	15.24	12.31	4.98	1.54	0.69	2.11	100.0
1960-61	..	1.93	12.23	27.30	18.69	8.52	12.43	2.24	2.37	2.89	11.39	100.0	—	6.69	43.[illegible]	2.16	15.01	1.80	0.31	—	—	100.0	0.46	8.02	39.36	20.36	11.29	14.39	1.91	0.80	0.69	2.12	100.0
1965-66	..	0.90	7.03	23.89	22.93	7.78	11.35	3.63	2.75	3.24	16.59	100.0	—	4.28	30.[illegible]	9.43	22.79	0.34	0.05	—	—	100.0	0.12	4.69	29.48	31.22	9.18	21.09	0.83	0.45	0.48	2.47	100.0
Rajasthan																																		
1955-56	...	4.53	20.50	28.20	13.55	8.24	12.03	1.36	1.84	2.28	7.47	100.0	11.39	22.03	34.74	7.98	6.45	2.09	0.41	5.01	2.90	100.0	9.12	21.52	32.58	9.16	8.07	8.30	1.85	0.88	4.10	4.41	100.0
1960-61	...	1.72	11.57	27.41	19.30	9.00	13.13	1.98	2.27	2.81	10.81	100.0	4.07	14.03	32.89	8.91	11.54	3.74	0.73	8.95	5.18	100.0	3.37	13.30	31.26	12.74	8.93	12.01	3.22	1.19	7.13	6.85	100.0
1965-66	...	0.59	5.95	24.12	24.96	8.90	12.98	2.62	2.55	3.14	14.20	100.0	1.22	7.49	26.01	8.33	17.26	5.60	1.09	13.39	7.75	100.0	1.06	7.11	25.53	15.14	8.47	16.19	4.86	1.45	10.83	9.36	100.0
Uttar Pradesh																																		
1955-56	...	5.04	20.50	27.98	13.60	7.90	11.53	1.39	1.97	2.45	7.64	100.0	11.43	39.22	33.[illegible]	0.98	4.74	0.88	0.12	1.05	0.58	100.0	9.62	33.91	31.91	9.26	2.94	6.66	1.02	0.65	1.44	2.58	100.0
1960-61	...	1.92	11.73	26.08	18.59	9.82	14 33	1.97	2.19	2 68	10.69	100 0	7.43	26.62	41.[illegible]	4.62	0.37	2.61	0.29	3.52	2.02	100.0	6 04	22.84	37.89	12.64	5.94	3.91	2.45	0.77	3.31	4.22	100.0
1965-66	...	0.66	6.06	22.63	22.92	10.96	15.99	2.51	2.19	2.62	13.47	100.0	3.47	12.94	37.[illegible]	5.71	0.02	5.55	0.50	8.51	5 00	100.0	2.94	11.64	34.75	13.02	14.81	3.04	4.98	0.82	7.40	6.60	100.0
West Bengal																																		
1955-56	...	2.98	13.29	20.33	14.42	9.36	11.35	10.27	8.67	2 40	6.92	100 0	8.06	27.39	33.[illegible]	5.65	6.33	2.16	0.46	4.85	2 87	100.0	6.16	22.12	28.79	10.65	7.04	8.51	5.09	3.53	3.93	4.38	100.0
1960-61	...	1.16	7.29	16.88	18.48	12.75	14.26	9.88	8.03	2.34	8.92	100 0	7.55	26.87	40.[illegible]	3 73	3.98	1.20	0.22	2.84	1.53	100.0	5.16	19.53	31.79	14.03	7.11	7.83	4.46	3.15	2.65	4.30	100.0
1965-66	...	0.42	3.68	12.92	21.93	16.06	16.61	8.76	6.86	2 12	10.64	100.0	6.65	24.89	46.[illegible]	2.31	2.35	0.64	0.10	1.56	0.76	100.0	4.28	16.82	33.59	17.30	7.54	7.77	3.73	2 67	1.77	4.52	100.0
Delhi																																		
1955-56	...	1.15	8.37	31.93	8.21	5.67	5.27	12.54	8.05	5.00	13 82	100.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
1960-61	...	0.32	3.88	28.29	11.59	10.09	9.36	10.80	6.87	4.28	14.53	100.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
1965-66	...	0.08	1 60	22.38	14.60	16.02	14.87	8.34	5.22	3.27	13.62	100.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
All-India																																		
1955-56	...	3.67	17 39	27.83	13.91	8.57	11.50	3.19	3.21	2.65	8.09	100.0	15 39	35.63	28.50	3.63	3.89	1.30	0.35	2.68	1.52	100.0	11.34	29.31	28.27	9.48	5.34	6.52	1.95	1.34	2.67	3.79	100.0
1960-61	...	1.46	9.85	25.46	18.74	10.16	12.85	3.77	3.48	2.97	11.26	100.0	7.95	28.03	36.58	6.00	4.54	1.64	0.60	2.39	1.35	100.0	5.83	22.07	32.94	13.49	7.36	7.26	2.34	1.54	2.58	4.60	100.0
1965-66	...	0.54	5.15	21.47	23.24	11.31	13.38	4.27	3.50	2.58	14 56	100.0	3.31	16.59	35.78	12.18	8.34	2.94	1.30	2.80	1.60	100.0	2.60	13.66	32.12	17.23	11.95	9.63	3.38	1.86	2.75	4.92	100.0

* Rural figures for Assam and Delhi are not available. All-India totals are inclusive of urban areas of Assam and Delhi.



on to industry and other occupations. Today agriculture accounts for nearly 50 per cent of the national income of India, but, with the transformation of the countryside and relief in the population pressure on this basic industry, the shares of the industrial and tertiary sectors are bound to increase, especially the share of industry. Granting this change in the scale of the components of the national income, the preponderance of agriculture in the creation of national income will prevail. It will prevail because agriculture will continue to be the major source of the livelihood of the people and agricultural products will be required for human consumption, for industry and for export. Elsewhere in this Special Number the problem of agriculture has been discussed independently. The dilemma posed is that mechanization of agriculture as a technique of its modernization has an extremely limited scope. Then comes the question of co-operative farming as the basis of the peasant economy. The line of demarcation between co-operative farming by legal compulsion and collectivisation tends to get blurred.

Even assuming that the distinction between co-operative farming and collectivisation is attempted to be maintained and Indian peasantry is not dragooned to the slavery of collectivisation, the element of compulsion in co-operative farming is bound to create stiff resistance. In the result, the change of the agricultural economy will need to be brought about by the gradual process of individual effort, strongly supported by a wide network of service co-operatives. Agrarian legislation has been undertaken on a courageous scale after Independence and a whole range of intermediaries between the peasant and the State is being eliminated. This undoubtedly provides the most powerful incentive for undertaking scientific and intensive cultivation. The incentive is there, but the resources will have to be provided. These resources require large investment outlays on irrigation, fertilizers, improved seeds and implements and, along with these, the establishment of ancillary occupations like animal husbandry, poultry farming, and so on.

According to the provisional figures of the census of 1961, the ratio of the rural population to the total runs as high as 82.16 per cent. Exact figures about the population dependent on agriculture remain to be worked out. But it is easy to see that the major problem is to divert population from subsisting on agriculture to dependence on industry and other occupations. It should be possible to bring about this shift of a good part of the rural population from agriculture to industry in the countryside itself. This shift involves a programme of accelerated growth of medium scale, small-scale and cottage-scale industry. India's Five-Year Plans in the industrial component recognise the urgency and priority for the decentralization of industry in order to break its prevailing concentration in the cities and the adjacent areas. Side by side with decentralisation is posed the difficult problem of modernizing the techniques of production adopted in industries below the large scale. This means introducing mechanization and technological skills. Technical know-how can be imparted to those who come forward to set up industries in the countryside. At the present time the Community Development Blocks, National Extension Service, the Small Industries Service Institutes and a few other agencies have made a beginning in imparting know-how to the countryside, but its scale has touched only the fringe of the problem.

The main problem is that of investment. Imparting of technical skills can be made feasible with a determined drive. But the scarcity of investment capital is difficult to overcome in an adequate measure. At any rate, it is apparent that the flow of investment cannot be artificially channelled in the name of decentralisation, first, because such capital is scarce due to the poor rate of saving and, second, because the direction of capital must be harmonized with the hard laws of industrial location. A word about the supply of power is necessary. Industrial decentralisation in the countryside will cry aloud for adequate supply of power to turn the wheels of industry and this means primarily rural electrification. The pace of rural electrification so far has been very much below the Five-Year Plan targets and far from encouraging. Madras State alone stands out as a proud exception to this poor performance. In the Third Plan the number of villages with a population between 2,000 and 5,000 to be supplied with electric power is proposed to be increased by 10,000 villages amounting to an increase of 50 per cent. This gives an idea of the backlog that will be left for the subsequent plans.

Uplift of agriculture and rural industry in its technical aspect will never be sufficient. Two more reforms are indispensable. Granting that technical education necessary for acquiring the industrial skills is provided, the basic need for levelling up the general standard of the education of the village population is absolutely essential. Nothing can substitute education as a powerful lever to progress. Free and compulsory primary education for children in the age group 6-11 could not be achieved within ten years of the inauguration of the Constitution as provided in it. The difficulties that arose were mainly those of funds and, more significantly, those of the teaching staff. This target is now fixed for the end of the Third Plan and education on a broader scale for boys and girls in the age group 11-14 will be deferred till the end of the Fifth Plan. Thus it is that the pace of education will necessarily be moderate.

A virtual revolutionary change in the countryside inevitably requires devolution of responsibility, because it is the burden of responsibility and a sense of a new obligation it creates which will ensure the discharge of this responsibility. With this end in view the Panchayati Raj is being made the pivot of democratic decentralisation. In the initial stage it may reveal the evils of village factionalism and abuses as well as excesses of the exercise of power. But the risk needs to be taken. The ultimate end is to make the Panchayati Raj the hub of the village administration and of the technological transformation of the village economy which alone can take it to the modern levels.

Urbanisation

PROGRESSIVE URBANISATION operates as an explosive force to aggrevate the revolution of rising expectations. This is basically so for the reason that the urban population tends to become increasingly self-conscious and dissatisfied with the status quo in matters social, political and economic. Urbanisation usually goes on spreading with the progress of industry, the expansion of the market economy and the growing urge for higher norms of life. Another feature which has contributed to the pace of urbanisation in India is the disintegration of the Hindu joint family. The pressure which land can bear and the fragmentation of holdings which the concentration of joint Hindu families in the villages involve soon reach their limits. But the new urge for individual freedom has perhaps given a greater acceleration to the disintegration of the joint family. Coparceners in the joint Hindu family cannot, as in the olden days, cling to the ancestral land and a sizeable proportion migrates with their families to the urban areas for a decent livelihood. Along with decent livelihood is also the compelling urge for giving better education and a better station in life to the new generation.

As a matter of fact, the process of the modernisation of the countryside should create, in the wake of the demand for different types of technical and professional services, a large scope for the educated and trained young men to settle there. But the lack of the minimum standards of comfort to which they become irritrievably accumstomed operates as a great disincentive to migration to the villages. This creates an additional pressure on the educated class in the urban areas for employment.

What are the trends in the urbanisation of the population in India? It has been argued in the previous article that the significant feature of the growth of the rural economy that has emerged is that there are obvious limitations to the diversification of the occupational structure and the shift from agriculture to industry or other occupations is regulated by forces that restrain the speed with which decentralisation of industry can be pushed. The combined effect of these influences is to encourage the migration of population, which agriculture has no capacity to absorb, to the town and the city. This is a matter of universal experience. In the case of India this trend has produced great stresses and strains as is inevitable in any underdeveloped country. The trends in urbanisation of the population as disclosed by the decennial census records are tabulated below:

PERCENTAGE OF URBAN POPULATION TO THE TOTAL

Year	%
1881	9.3
1891	9.4
1901	10.0
1911	9.4
1921	10.2
1931	11.1
1941	12.8
1951	17.4
1961	17.8

This table brings out one fact very prominently and it is that, while pace of urbanisation has been progressively increasing since 1881, it was during 1941-51 that the ratio rose fastest of all. This is understandable as a consequence primarily of the great social upsets that were caused by World War II and the influx of population towards the cities. Between 1951 and 1961, however, the growth of the urban population has been one of the slowest recorded in the table and it amounts to a mere 0.4 per cent. On the face of it, this is unconvincing. The decade 1951-61 coincides with the first decade of India's planned development and it was during this decade that industrialisation took the biggest stride. And this industrialisation has essentially occurred in and around cities. Urban population growth of such a marginal order is incompatible with the two forces of expansion of industry and the normal population shift from the countryside to the urban areas. The real explanation of this discrepency lies in the fact that these two percentage ratios are not comparable because the census of 1961 has changed the definition of an urban area.

In the latest census the three tests which were uniformly applied to the whole of India (unlike in the census of 1951 or before) were population not less than 5,000, density not less than 1,000 per sq. mile and dependence of at least three-fourths of the adult male population on non-agricultural occupations. The result of the application of these tests and of a change in the definition of the urban area was quite significant. As compared to 1951, the total number of urban areas in 1961 in the entire country was reduced by 408. The net effect has been to deflate the ratio of the urban population and to inflate the ratio of the rural population. As the provisional figures of the census of 1961 would have it, the proportions were 82.16 per cent for the rural population and 17.84 per cent for the urban population. However, for reasons of comparability with the ratios for the previous decades, a larger allowance must be made for the ratio of the urban population in 1961.

The impact of urbanisation on the nation's economy is common everywhere. Particularly in a developing economy, where adequate avenues of employment are not available in the urban centres, a number of problems emerge. The primary task to meet this challenge consists in creating employment opportunities, in the first instance, and encouraging a flow of some part of the population to the developing countryside. But rural development has its own limitations. Meantime, the growing congestion of population in the town and the city creates pressing problems of housing, water supply, drainage, sanitary services, transport, education, health, and so on. It is one of the unhealthy features of urban development in India that town planning has not been enforced with the strictness it deserves. The result has been rapid unplanned development, which, in its wake, has created additional problems of the provision of the normal civic services. The problem of slum clearance, instead of being brought within controlled dimensions, is being aggravated by this unregulated development.

While imbalance in the distribution of the population between the urban and rural areas is creating a more complicated situation, the growing concentration of the middle classes in search of jobs and better opportunities of education etc. for the next generation is adding to the social tensions. The economic tensions involved in the expansion of the fixed income middle class, with a growing part of it without employment, threatens to add to the explosion in the situation. This explosion can be averted only by the creation of an increasing number of jobs in the absence of which the Five-Year Plans stand to lose much of their practical utility and their broad appeal to the people.

Employment

ONE OF the basic objects of economic development is to create more and better employment opportunities. In an under-developed economy with a strong preponderance of agriculture, under-employment is a secular trend which must be taken into consideration in tackling the problem of the chronic gap of unemployment. India's five-year plans have disclosed that employment has been a weak link in the chain of the development targets. It is quite reasonable to argue that where unemployment has been a very serious problem all along, its rapid reduction is hard to expect. But the expectations about the five-year plans were that the manpower absorptive capacity of the planned projects would be at least commensurate with the increase in the labour force, so that deterioration may be halted and the status quo maintained. This has not happened at all, and on the other hand, experience has shown that the backlog of employment at the end of a five-year plan has exceeded the backlog at its commencement. It could be argued with reference to the First Plan that there was not much of organic integration of the different segments of planning in it and it was more or less a linking together of the projects which were either already planned or which could be considered as eligible for the available investment. In this situation a firm target of employment was not necessarily an integral part of the First Plan.

But the weakness of the employment aspect of the Plan is vividly brought out in the Second Plan and the situation will rapidly deteriorate during the Third Plan. If better standards of living constitute the final justification of planned development, to the extent the employment demands are being underfulfilled, the realisation of better standards of living will be

postponed. If the test of employment is applied as a criterion of the effectiveness and success of the five-year plans, a verdict of a serious failure will have to be recorded with respect to the Second Plan and the Third Plan will not be able to escape a similar verdict. This regrettable performance can be put in terms of a few eloquent figures.

At the beginning of the Second Plan, the backlog of unemployment was of the order of 5.8 million. During the Plan period, total employment is estimated to have been provided for 8 million employable persons, divided into 6.5 million in non-agricultural occupations and 1.5 million in agricultural occupations. But the final result was that at the end of the Second Plan, the backlog of unemployment shot up to 9 million persons as against 5.8 million at its beginning. Thus the Second Plan ended with a higher level of unemployment. In the Third Plan the original calculations made in the Draft Outline have been upset because of the disclosure of a higher rate of net population growth in the provisional figures of the census of 1961. It is now assumed in the light of these census figures, that the labour force comprising the age group 15-59 years will increase by 17 million persons. The target which has been set for employment in the Third Plan is 10.5 million in the non-agricultural sector and 3.5 million in the agricultural sector, or a total of 14 million.

The aggregate position can now be summed up. The backlog of 9 million persons unemployed at the beginning of the Third Plan and the addition of 17 million by the process of population growth in the employable age bracket take the total number of persons seeking jobs to 26 million. Out of them 14 million persons may be absorbed in gainful employment, on the assumption that the development projects generate this order of new jobs. Even so, 12 million persons will be without jobs and the net position will be that, as against a backlog of 9 million unemployed persons at the beginning of the Third Plan, the number of jobless people will rise to 12 million at its end — a little more than twice the volume of unemployment at the beginning of the Second Plan

One of the explosive elements in the unemployment situation is the increasing volume of educated unemployment. This is illustrated in the detailed statistics set out in Table I included in this article. That table shows that between 1956 and 1960 — the period which roughly coincides with the period of Second Five-Year Plan — the total number of the educated unemployed increased by 108 per cent. An analysis according to the qualification groups makes the revealing disclosure that for graduates the number of the unemployed during this period rose by 77 per cent, for intermediates by 100 per cent and for matriculates by 118 per cent. These victims of frustration later tend to provide explosive material for extreme political ideologies and agitation, not to speak of the great hardship that is inflicted on their families which legitimately expect that the investment for their education should pay at least marginal dividends.

Table II in this Section shows the trends in the growing volume of unemployment, with this reservation that the registration with the employment exchanges do not reflect the 100 per cent picture of this problem. With reference to this table it is argued by official spokesmen that the number of employment exchanges has been steeply increased from 1958 onwards, and therefore, the number of the registration of the unemployed and of those pending on the live registers is impressively large, but not comparable with the corresponding figures in the earlier years. However,

TABLE I

EDUCATED UNEMPLOYMENT

Educated Applicants on the Register of Employment Exchanges

(At the end of period)

(1)	Matriculate (2)	Intermediates (3)	Graduates (4)	Total (5)
1955	164,061	25,872	26,224	216,157
1956	186,978	30,640	26,774	244,392
1957	236,509	38,762	32,287	307,558
1958	283,268	44,575	36,549	364,392
1959	344,329	49,141	39,641	433,111
1960	399,880	60,756	46,584	507,220
1961				
1st Quarter	384,413	59,709	44,024	488,146
2nd Quarter	447,137	69,740	50,670	567,547
3rd Quarter	490,175	75,137	59,602	624,914
States*:				
Andhra Pradesh	27,601	4,375	4,126	36,102
Assam	5,676	1,077	339	7,092
Bihar	21,800	4,752	2,473	29,025
Gujarat	22,017	1,811	2,048	25,876
Jammu and Kashmir	921	97	99	1,117
Kerala	66,641	1,440	3,450	71,531
Madhya Pradesh	16,814	2,093	2,079	20,986
Madras	40,012	2,325	3,727	46,064
Maharashtra	50,207	2,301	5,334	57,842
Mysore	29,478	2,917	3,378	35,773
Orissa	7,823	688	825	9,336
Punjab	25,507	1,971	2,070	29,548
Rajasthan	22,612	2,381	1,948	26,941
Uttar Pradesh	73,244	26,095	12,762	112,101
West Bengal	51,406	17,693	8,929	78,028
Union Territories:	24,422	2,761	5,801	32,984
Delhi	1,520	41	60	1,621
Himachal Pradesh	1,552	207	114	1,873
Manipur	279	29	13	321
Pondicherry	643	83	27	753
Tripura				

it is forgotten in advancing this argument that there is another side to it — that the existence of a smaller number of employment exchanges in the earlier years definitely concealed the presence of numbers of job-seekers who did not figure in the registers for sheer lack of opportunity to approach the exchanges. The basic argument about the steep increase in the volume of unemployment remains unaffected.

The emphasis on education is rightly shifting towards scientific and technical courses for university degrees or towards training at the diploma level. Technical personnel will be required in large numbers as the diversified industrial projects will be put into commission. But the great handicap about technical specialisation is that if a qualified person does not get a job after the end of his training course, he finds himself incapable of adaptation to any other professional or occupational career. The Draft Outline of the Third Plan contained a table (which, however, has not found a place in final text of the Third Plan) which shows that the outturn of graduates in civil engineering at the end of the Third Plan will be 33.5 per cent in excess of the demnd, of mechanical engineering graduates the excess will be 13 per cent and of electrical engineering graduates the excess will be 15 per cent. Obviously these young graduates cannot be made to wait indefinitely until jobs turn up subsequently. This shows a serious imbalance in the planning of facilities for technical education and opportunities of employment. There is bound to be a swelling influx of students in the technical training institutions. It is, therefore, of the utmost importance that each five-year plan should contain as its integral part a manpower resources budget in the scientific and technical cadres.

How can the serious flaw in the five-yeas plans in respect of the failure to create adequate employment opportunities and preventing a progressive deterioration in unemployment be removed? One way which is suggested is that wherever possible the projects should be implemented with the maximum use of the available manpower and for this purpose construction projects offer an appropriate opportunity. But something positive needs to be done. Why should it be that the unemployment situation should be aggravated on such a significant scale during the Second and the Third Plans, when the emphasis is distinctly on the rapid industrialisation of the economy? One straight reply to this query is that most of the investment in the public sector is directed towards basic or heavy industries which are capital-intensive and with a relatively low employment potential. The establishment of new factories in industry other than heavy industry as well as the replacement of machinery in existing factories tend towards a perference for the most up-to-date plants or equipment which serve to step up productivity. But its inevitable effect is that it contains a positive element of rationalisation which reduces the volume of employment. In the long run this process of high productivity and economic growth is bound to create greater opportunities of employment, but the hardship in the interim period will perhaps be inescapable.

However, positive action needs to be taken in a constructive direction. The major lines indicated for it are that some of the heavy industrial projects in the public sector should be postponed and replaced by other industrial projects with a larger employment potential. After all the goal to complete the period of our economic take-off in ten years is apparently too ambitious. If the rising expectations about employment are not fulfilled on a more significant scale than now, the revolution may bring violent upsets.

TABLE II
EMPLOYMENT EXCHANGE STATISTICS

	Employment Exchanges at the end of the period	Registrations during the period	Vacancies notified during the period	Placements during the period	Applicants on Live Register at the end of the period
1950	128	1,210,358	419,307	331,193	330,743
1955	136	1,584,024	280,523	169,735	691,958
1956	143	1,669,895	287,618	189,855	758,503
1957	161	1,774,668	297,188	192,831	922,099
1958	212	2,203,888	364,884	233,320	1,183,299
1959	244	2,471,596	424,393	271,131	1,420,901
1960	296	2,732,548	520,330	305,553	1,606,242
1961	325	3,230,314	708,379	404,077	1,832,703
1960—					
January	253	193,515	33,214	22,106	1,425,589
February	258	175,591	32,959	22,256	1,400,965
March	270	185,310	35,757	22,430	1,387,525
April	274	210,341	43,603	21,052	1,405,510
May	274	214,528	48,104	26,113	1,423,700
June	276	260,270	41,456	28,422	1,461,925
July	276	310,825	51,303	28,869	1,563,562
August	276	254,602	45,124	30,911	1,587,851
September	276	222,196	47,147	24,718	1,584,868
October	279	227,802	45,815	25,536	1,594,347
November	281	234,028	47,550	25,624	1,582,530
December	296	243,540	48,298	28,416	1,606,242
1961—					
January	299	223,822	48,286	27,471	1,609,736
February	305	199,927	48,271	28,044	1,596,017
March	307	220,830	55,274	27,794	1,561,166
April	310	263,610	69,527	32,535	1,627,449
May	312	293,236	72,131	37,970	1,705,330
June	312	311,201	67,314	38,252	1,755,491
July	312	353,176	64,474	39,740	1,844,279
August	312	307,249	56,786	38,200	1,860,746
September	318	314,038	58,392	34,443	1,907,579
October	321	241,688	52,952	32,063	1,877,711
November	323	241,763	56,116	33,721	1,848,340
December	325	259,774	58,906	33,844	1,832,703

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STRUCTURE OF COMFORTS

(In Urban Areas)

Income - Range in Rs. (Monthly)	Electric Irons				Electric Heaters			
	1960		1965-66		1960		1965-66	
	Actual Users ('000 house-holds)	Percentage Distribution	Actual Users ('000 house-holds)	Percent-age Dis-tribution	Actual Users ('000 house-holds)	Percent-age Dis-tribution	Actual Users ('000 house-holds)	Percent-age Dis-tribution
1 — 100 ..	54.1	0.8	23.0	0.3	54.1	1.3	23.0	0.5
101 — 200 ..	920.1	13.5	958.7	11.5	455.2	11.1	474.3	9.5
201 — 300 ..	1,276.1	18.8	1,860.9	22.3	705.1	17.2	1,026.6	20.6
301 — 400 ..	981.4	14.4	1,160.0	13.9	549.5	13.5	649.5	13.4
401 — 500 ..	842.2	12.4	1,023.3	12.2	463.8	11.3	563.5	11.3
501 — 600 ..	618.9	9.1	679.6	8.1	434.6	10.6	477.2	9.6
601 — 700 ..	346.6	5.1	424.6	5.1	227.3	5.6	278.4	5.6
701 — 800 ..	461.1	6.8	533.5	6.4	332.4	8.2	384.6	7.7
Above 800 ..	1,304.3	19.2	1,683.9	20.2	862.4	21.2	1,113.4	22.2
Total ..	**6,806.8**	**100.0**	**8,347.5**	**100.0**	**4,084.4**	**100.0**	**4,990.5**	**100.0**

Income - Range in Rs. (Monthly)	Ceiling Fans				Table Fans			
	1960		1965-66		1960		1965-66	
	Actual Users ('000 horse-holds)	Percentage Distribution	Actual Users ('000 house-holds)	Percent-age Dis-tribution	Actual Users ('000 house-holds)	Percent-age Dis-tribution	Actual Users ('000 house-holds)	Percent-age Dis-tribution
1 — 100 ..	141.0	2.0	59.9	0.7	65.0	1.2	27.6	0.4
101 — 200 ..	1,036.7	14.4	1,082.3	12.4	897.6	16.9	935.3	14.4
201 — 300 ..	1,398.1	19.4	2,035.6	23.3	1,050.1	19.7	1,526.9	23.5
301 — 400 ..	1,003.7	14.0	1,186.4	13.6	721.8	13.6	853.2	13.1
401 — 500 ..	777.2	10.8	944.3	10.8	637.1	12.1	774.1	11.9
501 — 600 ..	661.6	9.2	726.4	8.2	412.3	7.7	452.7	7.0
601 — 700 ..	357.3	5.0	437.7	5.0	259.9	4.9	318.4	4.9
701 — 800 ..	450.3	6.3	521.0	6.0	214.5	4.1	248.2	3.8
Above 800 ..	1,357.3	18.9	1,752.3	20.0	1,056.8	19.9	1,364.3	21.0
Total ..	**7,185.2**	**100.0**	**8,745.9**	**100.0**	**5,315.1**	**100.0**	**6,502.7**	**100.0**

ITEMS OF COMFORT WITH RADIO OWNERS

(Percentages)

Monthly House-hold Income	No. of Res-pondents	Electric Light (Ordinary)	Electric Light (Fluorescent)	Electric Iron	Ceiling Fan	Table Fan	Electric Heater	Refri-gerator
1 — 100 ..	53	81.1	15.1	9.4	24.5	11.3	9.4	—
101 — 200 ..	296	93.6	27.0	28.4	32.8	27.7	14.5	1.0
201 — 300 ..	277	93.9	33.9	42.6	47.3	35.7	23.5	0.4
301 — 400 ..	186	94.7	43.1	48.4	49.5	36.2	27.1	1.1
401 — 500 ..	118	87.3	47.5	66.1	61.9	49.2	36.4	4.2
501 — 600 ..	82	87.8	48.8	68.3	74.4	47.6	47.6	1.2
601 — 700 ..	43	93.0	58.1	74.3	76.7	55.8	72.1	9.3
701 — 800 ..	46	84.8	69.6	93.5	93.5	43.5	67.4	13.0
801 and above ..	117	96.6	64.1	84.6	83.8	66.7	57.3	17.9
Unspecified ..	47	87.2	27.7	48.9	59.6	42.6	31.9	6.4
Total ..	**1,267**	**92.0**	**39.8**	**49.6**	**52.9**	**39.0**	**30.0**	**3.6**

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